

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

Senate Bill 308 (Senator Hollinger, *et al.*)
 Budget and Taxation

Education - Teachers - Hiring Retirees of the Teachers' Retirement System or the Teachers' Pension System

This bill authorizes local boards of education to rehire retirees of the Teachers' Retirement System (TRS) and Teachers' Pension System (TPS) only under certain circumstances. The bill requires the Maryland State Department of Education (MSDE) to report on specified topics.

The bill is effective July 1, 2004.

Fiscal Summary

State Effect: General fund expenditures would increase by \$25,000 in FY 2005 due to reporting requirements for MSDE. Out-year expenditures reflect inflation. No impact on State pension liabilities because existing reemployment provisions would still apply.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	25,000	25,800	26,500	27,300	28,100
Net Effect	(\$25,000)	(\$25,800)	(\$26,500)	(\$27,300)	(\$28,100)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Potential significant impact on local boards of education.

Small Business Effect: None.

Analysis

Bill Summary: The bill provides that local school boards may not rehire teachers who have retired from the teachers' retirement or pension systems unless the teacher is rehired to teach: (1) mathematics; (2) reading/English language arts; (3) science; (4) social studies; (5) a special education class for students with special needs; (6) a class for students with limited English proficiency; or (7) in a school identified by the school board to be under school improvement, corrective action, or restructuring.

The bill permits a retiree to be rehired as a principal in a school that fails to meet adequate yearly progress, as determined by MSDE, for two years. The bill also permits a retiree to be rehired as a teacher mentor.

County boards of education are required to report annually to MSDE: (1) the number of retirees of TRS and TPS hired during the previous school year; (2) the subject areas or class that the retiree taught; and (3) the school where the retiree taught. MSDE is required to report to specified committees by December 1 each year regarding the information collected from the local boards of education.

Current Law: Local school boards are permitted to hire any qualified teacher, whether retired or not. There are no restrictions on being able to rehire teachers in any subject.

Retirees of TRS and TPS who receive a service or early service retirement allowance and who return to employment with a participating employer of the State Retirement and Pension System (SRPS) may receive a reduction in benefits. This limitation applies if the retiree is reemployed with the same employer from which the individual retired or if the retiree becomes reemployed within 12 months of receiving an early service retirement allowance.

Chapter 518 of 1999, Chapter 245 of 2000, and Chapter 732 of 2001 created exemptions from the earnings limitation for retired teachers, principals, and supervisors of principals (respectively) who are reemployed under certain circumstances, discussed below. Each of the exemptions required that members retire with a normal service retirement or wait 12 months if they retire with an early service retirement. The member must have received satisfactory or better performance reviews in the last assignment prior to retirement and continue to receive satisfactory or better evaluations to receive the exemption. The local boards of education must notify the State Retirement Agency of any retired members who qualify for the exemptions from the reemployment offset. The State Board of Education must notify the local boards of education as to which schools, counties, or subject areas meet the required criteria.

Specific requirements for each exemption are as follows:

(1) for retired teachers (Chapter 578):

- certification to teach in the State;
- receipt of an appointment from the hiring board of education;
- reemployment as:
 - a substitute or permanent classroom teacher or teacher mentor in a public school that has been recommended for reconstitution or has been reconstituted; or
 - a substitute or permanent classroom teacher or teacher mentor in a county or subject area (statewide) in which there is a shortage of teachers, until the board finds that the shortage no longer exists.

(2) for retired principals (Chapter 245):

- employment as a principal within five years of retirement;
- based on the retiree's qualifications, has been hired as a principal;
- reemployment as a principal under the bill for no more than four years.

(3) for retired supervisors of principals (Chapter 732):

- employment as a principal not more than 10 years before retirement and in a position supervising principals in the last assignment prior to retirement;
- based on the retiree's qualifications, has been hired as a principal; and
- reemployment as a principal under the bill for no more than four years.

These exemptions were enacted to address statewide teacher and principal shortages. While the exemption for classroom teachers speaks to a targeted set of schools and jurisdictions, MSDE subsequently certified all 24 jurisdictions as having teacher shortages, effectively eliminating the earnings limitation for all teachers' system retirees who return as classroom teachers. All three chapter laws sunset on June 30, 2004.

Background: As shown in **Exhibit 1**, 950 teachers and principals were reemployed by local school systems during the 2002-2003 school year under the exemptions. Prince George's County has utilized the exception the most, reemploying 70% to 80% of the teachers and 50% to 60% of the principals employed under these provisions. In Prince

George's County, 7.6% of all teachers are reemployed retirees. The exceptions are also widely used in Anne Arundel, Baltimore, and Frederick counties.

Exhibit 1
Retired Teachers and Principals Reemployed Under
Chapter 518 of 1999, Chapter 245 of 2000, and Chapter 732 of 2001

Local School System	<u>2000-2001</u>		<u>2001-2002</u>		<u>2002-2003</u>	
	<u>Teachers Reemployed</u>	<u>Principals Reemployed</u>	<u>Teachers Reemployed</u>	<u>Principals Reemployed</u>	<u>Teachers Reemployed</u>	<u>Principals Reemployed</u>
Anne Arundel	31	0	34	0	27	0
Baltimore City	34	1	4	1	0	0
Baltimore County	81	1	48	1	141	16
Frederick	20	5	29	5	57	0
Prince George's	467	12	583	12	610	18
All Other Systems	<u>54</u>	<u>1</u>	<u>58</u>	<u>1</u>	<u>78</u>	<u>3</u>
Total	687	20	752	20	913	37

Note: The exemptions established by Chapter 518 of 1999 and Chapter 245 of 2000 terminate on June 30, 2004.
Source: Maryland State Department of Education

Legislative Services reviewed individual personnel data for Baltimore, Charles, Prince George's, and Wicomico counties to determine whether currently reemployed retirees would qualify under the bill. As illustrated in **Exhibit 2**, based on the sample of these four counties, approximately 68.6% of teachers rehired under the current earnings limitation exemptions would qualify for rehiring under the provisions of this bill.

Exhibit 2
**Percentage of Rehired Teachers Eligible to Participate in Retire-
 Rehire under SB 308**

<u>Jurisdiction</u>	<u>Total Number of Rehired Teachers Reported</u>	<u>Number of Rehired Teachers Eligible under SB 308*</u>	<u>% of Rehired Eligible Under SB 308</u>
Baltimore	165	107	64.8%
Charles	25	19	76.0%
Prince George's	224	170	75.9%
Wicomico	<u>23</u>	<u>4</u>	<u>17.4%</u>
Totals	437	300	68.6%

Source: Baltimore, Charles, Prince George's, and Wicomico County Boards of Education;
 Department of Legislative Services

* Includes mentor teachers.

State Expenditures: MSDE estimates it will require \$25,000 annually to hire one additional part-time contractual position to collect, verify, and analyze data from local boards of education and to prepare the report required by the bill. Out-year expenditures reflect 3% inflation.

State pension liabilities and contributions will not be affected because any reemployed retirees would be subject to applicable earnings limitations if reemployed by the same employer from which they retired. This assumes the July 1 sunset of the exemptions described above.

Local Fiscal Effect: Local school boards would be unable to rehire some retired teachers on a part-time contractual basis to fill in for unexpected leaves of absence. For illustrative purposes, if a county had one high school, one art teacher, and one retired art teacher and the current teacher was forced to take a leave for medical reasons in January, the county would be unable to rehire the retired teacher to teach the rest of the school year. This restriction could have a significant effect on school boards' ability to utilize part-time teachers in individual circumstances and could theoretically impact adequate yearly progress.

There would be no impact on local pension costs because teacher pension costs are paid by the State. Local boards of education may experience a minimal decrease in recruitment and training costs from the continued use of eligible retirees, but will lose access to retirees who do not meet the bill's requirements.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Association of Boards of Education, Maryland State Department of Education, Maryland State Retirement Agency, Department of Legislative Services

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Analysis by: Daniel P. Tompkins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510