

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE

House Bill 1061  
Appropriations

(Delegate Kramer, *et al.*)

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State Retirement and Pension System - Local Educators and Librarians - Local  
Employer Contributions

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This proposed constitutional amendment prohibits the State from requiring that any political subdivision of the State pay any amount of the employer contribution for members of the Teachers' Retirement System (TRS) or Teachers' Pension System (TPS) who are employees of the political subdivision.

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Fiscal Summary

**State Effect:** If passed by the General Assembly and approved by the voters, the constitutional amendment requires the State to continue to pay 100% of pension costs for local teachers, librarians, and other eligible employees. These costs total \$975.6 million in FY 2012 and are projected to increase to \$1.5 billion by FY 2016 under the current benefit structure. To the extent this provision reduces the flexibility to balance the State budget, expenditures for other purposes may be reduced or revenues may be increased in subsequent years.

**Local Effect:** If approved by the General Assembly, this constitutional amendment will be submitted to the voters at the 2012 general election. It should not result in additional costs for the local boards of elections. If adopted, local aid may be affected to the extent that this provision reduces the flexibility to balance the budget in subsequent years.

**Small Business Effect:** None.

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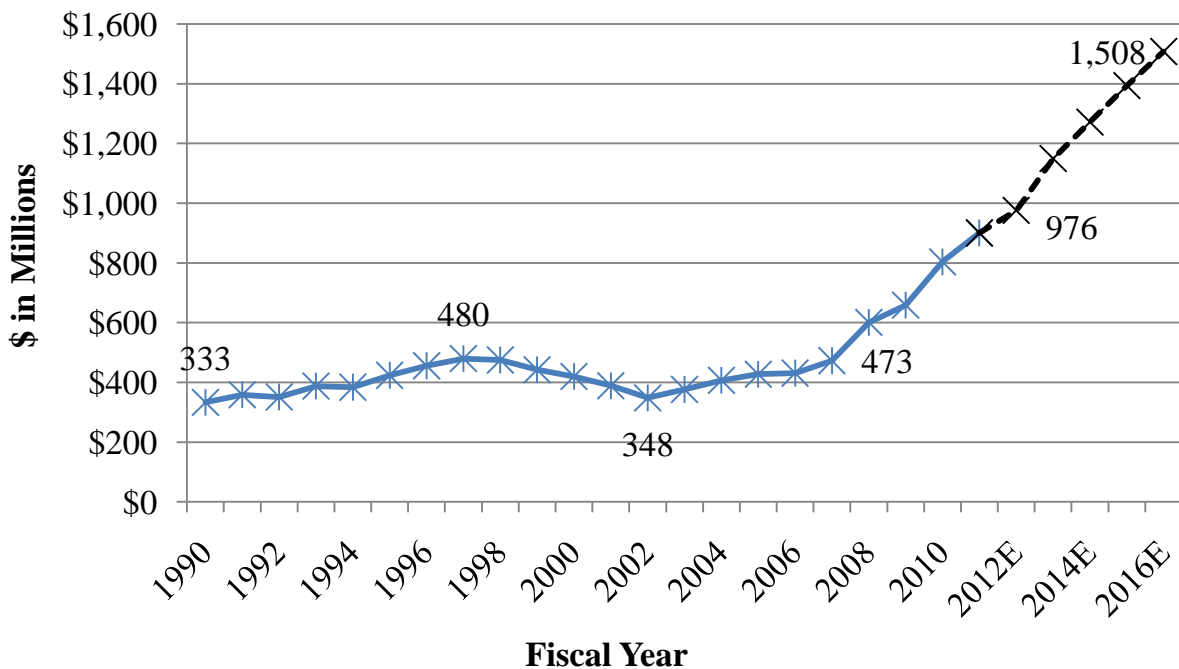
## Analysis

**Current Law:** The State currently pays the full employer contribution for members of TRS/TPS who are employees of local school boards, community colleges, and public libraries.

**Background:** As of June 30, 2010, there were 104,387 members of TRS/TPS who were employed by local school boards, community colleges, and public libraries. An additional 1,906 members were employed by State institutions.

**Exhibit 1** shows the growth in TRS/TPS employer contributions paid by the State over the past 20 years. As the exhibit shows, after remaining fairly stable for more than a decade, the contributions have grown at an accelerated pace in recent years. The proposed fiscal 2012 State budget includes \$975.6 million for pension costs of TRS/TPS members employed by local governments, more than double the costs in fiscal 2008. By fiscal 2016, costs are projected to total \$1.5 billion, an increase of over 50%.

**Exhibit 1**  
**TRS/TPS Employer Contributions**



Note: E = estimate.

Source: Department of Legislative Services

**Exhibit 2** shows TRS/TPS employer costs as a share of total general fund expenditures, total State aid to local governments, and total State education aid.

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**Exhibit 2**  
**TRS/TPS Costs as a Share of State Expenditures**  
**Fiscal 2012 (Proposed)**  
**(\$ in Millions)**

	<b><u>General Fund</u></b> <b><u>Expenditures</u></b>	<b><u>State Aid to Local</u></b> <b><u>Governments</u></b>	<b><u>State Education Aid</u></b>
Expenditures	\$14,636.0	\$6,460.5	\$6,044.4
% TRS/TPS	6.7%	15.1%	16.1%

Source: Department of Legislative Services

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In the past few years, several bills have been introduced that would have required local school boards, community colleges, and public libraries to pay a portion of the TRS/TPS employer contribution for their employees. HB 50 of the 2007 special session would have required county governments to pay half of the employer pension contribution, on a wealth-adjusted basis, for teachers, librarians, and other public school or library staff who are members of either TRS or TPS. It also would have required local governments to pay half of the employer contribution for community college faculty and staff who are members of TRS, TPS, or the Optional Retirement Program (ORP). It received a hearing from the House Appropriations Committee, but no further action was taken on the bill. SB 710 of 2009 would have required each county government to pay a portion of the employer pension contribution for members of TRS or TPS who are employed by the county. It received a hearing from the Senate Budget and Taxation Committee, but no further action was taken on the bill.

SB 141 of 2010 (the Budget Reconciliation and Financing Act of 2010), as passed by the Senate, required local employers to pay a portion of retirement costs beginning in fiscal 2012 at 1% of the salary base and phasing up to 50% of the combined retirement cost of Social Security (already paid by local employers since 1992) and pension costs in fiscal 2016. The final version of the bill struck those provisions but created the Public Employees' and Retirees' Benefit Sustainability Commission to study and make recommendations with respect to State-funded health care benefits and pensions provided to State and public education employees and retirees. In its January 2011 report, the commission recommended that, over the course of a brief phase-in period beginning in fiscal 2012, combined pension and Social Security costs for employees of local boards of

education be shared so that the State provides 50% of the costs and the local boards of education support the remaining 50% on a wealth-equalized basis. The recommendation did not include pension costs for librarians and community college faculty.

During the 2011 legislative session, SB 628 (based on the commission's recommendations) and SB 629 have been introduced; each requires local governments to pay a portion of TRS/TPS employer contributions for local employees. Committee action on those bills is pending.

**Local Fiscal Effect:** The Maryland Constitution requires that proposed amendments to the constitution be publicized either (1) in at least two newspapers in each county, if available, and in at least three newspapers in Baltimore City once a week for four weeks immediately preceding the general election; or (2) by order of the Governor in a manner provided by law. State law requires local boards of elections to publicize proposed amendments to the constitution either in newspapers or on specimen ballots; local boards of election are responsible for the costs associated with these requirements. It is anticipated that the budgets of local election boards will contain funding for notifying qualified voters about proposed constitutional amendments for the 2012 general election in newspapers or on specimen ballots.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Association of Counties; Department of Legislative Services

**Fiscal Note History:** First Reader - March 9, 2011  
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