

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1137 (Senator Oaks)
 Budget and Taxation

Public School Employees - Required Training on Retirement Benefits

This bill requires the Maryland State Department of Education (MSDE) to establish a training program for *all* public school employees on the retirement benefits that are available to them through the State Retirement and Pension System (SRPS) and the Maryland Supplemental Retirement Plans (MSRP). MSDE must work in consultation with staff from the State Retirement Agency (SRA) and MSRP to provide the training program to public school employees. Each public school employee who is employed by a local school board and is eligible for membership in any SRPS plan or to participate in any MSRP plan must attend the training program annually and provide written confirmation to MSDE that the employee has completed the program.

Fiscal Summary

State Effect: General fund expenditures increase by \$874,700 in FY 2018 to provide the mandated training to all public school educators in the State. Out-year expenditures reflect annualization, ongoing operating expenses, and the termination of one-time expenditures. No effect on revenues.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	874,700	985,600	1,029,500	1,075,700	1,124,600
Net Effect	(\$874,700)	(\$985,600)	(\$1,029,500)	(\$1,075,700)	(\$1,124,600)

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

Local Effect: Local school boards may incur substantial costs to provide substitutes for teachers who attend the mandatory training, and/or to reimburse teachers for their time. A reliable estimate of such costs is not feasible. No effect on local revenues.

Small Business Effect: None.

Analysis

Current Law: In general, principals, teachers, and other certificated personnel who are employed by local school boards are members of either the Teachers' Retirement System (TRS) or Teachers' Pension System (TPS) as a condition of employment. Other public school personnel, as specified in regulations, are also eligible for membership in TRS/TPS, including dietitians, occupational therapists, psychologists, school nurses, and teacher aides, among others. These individuals are also eligible to participate in a tax-sheltered annuity plan administered by MSRP under Section 403(b) of the Internal Revenue Code.

Background: There are approximately 96,400 members of TRS/TPS employed by local school boards.

SRA provides 100 training sessions per year to SRPS members who are within eight years of retirement; these sessions include members of other SRPS plans, not just TRS/TPS. Participating employers designate retirement coordinators, typically from their human resources departments, to coordinate training sessions and serve as liaisons between the agency and members; there are currently 695 retirement coordinators.

Although employees of local school boards are eligible to participate in the MSRP 403(b) plan, none of the local school boards has elected to adopt the State's plan; instead, they have typically elected to administer their own local supplemental plans. Therefore, MSRP does not conduct any training sessions for employees of local school boards.

State Fiscal Effect: Available retirement training sessions provided by SRA and by existing retirement coordinators are wholly insufficient to meet the requirements of the bill, and MSRP lacks the capacity and experience to provide training sessions to all teachers in the State. Therefore, MSDE must provide the training required by the bill.

General fund expenditures increase by \$874,696 in fiscal 2018, which accounts for the bill's October 1, 2017 effective date. This estimate reflects the cost of hiring a training director and 12 trainers to coordinate and provide training to all TRS/TPS members in the State. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- training must be made available to approximately 96,000 members of TRS/TPS;
- each trainer can conduct three training sessions per week;

- each session can accommodate up to 50 participants; and
- sessions are provided throughout the State so that participants do not need to travel long distances to attend the sessions.

Positions	13
Salaries and Fringe Benefits	\$691,282
Vehicle Purchases	90,000
Other Operating Expenses	<u>93,414</u>
Total FY 2018 State Expenditures	\$874,696

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Local Expenditures: Depending on the timing of the training sessions and the terms of teacher contracts in each jurisdiction, local school systems may incur substantial costs for substitute teachers while teachers attend the training sessions, or to reimburse teachers for the time they spend at the training sessions. Montgomery County, for instance, estimates annual expenditures to be \$1.1 million for reimbursement costs.

Additional Information

Prior Introductions: None.

Cross File: HB 1171 (Delegate Vogt, *et al.*) - Ways and Means.

Information Source(s): Baltimore City; Montgomery County; Maryland State Department of Education; State Retirement Agency; Maryland Supplemental Retirement Plans; Department of Legislative Services

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