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BILL: Senate Bill 674
TITLE: Teachers' Retirement and Pension System – Employer Contribution for Local Employees
DATE: February 25, 2016
POSITION: SUPPORT
COMMITTEE: Budget and Taxation
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Senate Bill 674 alters, beginning in fiscal year 2018, the amounts county boards of education are required to pay for specified employer contributions for specified members of the Teachers' Retirement System and the Teachers' Pension System; and makes specified provisions of the Act subject to specified contingencies.

PSSAM supports Senate Bill 674, which is intended to address a major funding gap facing all 24 local school systems.

Under current law, all local school systems will be subjected to a large financial gap existing between their local funding and their State Retirement Agency bills for shifted teacher retirement costs. In 2012, the legislature shifted 100% of the “normal” cost share of teachers’ retirement costs to local boards of education. Consequently, in FY 2013, funding responsibility for local school systems changed. This required that school board funding obligations be matched substantially by mandated local government payments to local boards.

In FY 2016, the shifted cost was rolled into the mandated maintenance of effort amount going forward. This means any future growth in the “normal” costs will be included in the bills received by the local boards, without any provision of a funding source. In FY 2017, the growth over FY 2016 is estimated to be \$25 million statewide.

PSSAM supports SB 674 because this unfunded mandate detailed above will pose a significant financial challenge in the future for most local school systems. PSSAM appreciates the bill’s intent to address the immediate FY 2017 funding gap of \$25 million. We also support the intent to limit local boards’ costs in future fiscal years to the lesser of what was paid in FY 2016 or the 4.05% contribution rate on which those payments were based.

For the reasons we have stated, PSSAM **SUPPORTS** Senate Bill 674 and requests a **favorable** committee report.