County Leaders Oppose Teacher Pension Shift

Effects of shift would devestate county budgets, executives say. Baltimore County Executive Kevin Kamenetz absent from Annapolis news conference.

By Bryan P. Sears, Published: February 15, 2012

Howard County Executive Ken Ulman and the leaders of other counties around Maryland said they will attempt to kill a proposal by Gov. Martin O'Malley to shift part of the cost of teacher pensions to local governments. Baltimore County Executive Kevin Kamenetz skipped the press conference. A spokesman said Kamenetz "has a different position than many of his colleagues."

Leaders of counties from around Maryland said a plan to shift part of the cost of teacher pensions from the state would have serious consequences for the budgets of local governments.

Nearly two dozen leaders from counties around the state, all members of the Maryland Association of Counties, met in Annapolis on Wednesday to show their opposition to Gov. Martin O'Malley's plan to shift to local governments.

Howard County Executive Ken Ulman, the immediate past president of the association, said counties such as his have already been hit with severe cuts in state aide over the last three years.

"We gave at the office," said Ulman, a Democrat, adding that this issue affects every county in the state.

"This puts a potential dangerous squeeze on local government," said Ulman. "This bill needs to be absorbed by 30 percent of the county budget."

Ulman said that his county may have to assume $16 million in pension costs. Those costs could result in reduced salaries and layoffs, he said.

O'Malley's plan would hold local governments responsible for a situation they did not create, Ulman said.

In 2002, the state passed a statewide education funding initiative with much of that money going to teacher salaries set by the county school boards.

Four years later, the legislature increased teacher pensions by 26 percent and made the increases retroactive to 1998 while reducing payments to a pension system that soon began to under-perform.

"The state caused this problem," Ulman said.

Currently, local government pays the social security costs for teachers. The state picks up the tab for the teacher pensions—about $90 million annually for Baltimore County.

The governor's plan, released last month, would combine the pension and social security costs and then split the total 50-50 with local governments.

O'Malley's plan includes millions of dollars in so-called offsets in the form of increased taxes and not asking local governments to repay about $370 million in an income tax fund earmarked for local government.

Harford County Executive David Craig said counties will be forced to absorb the costs and that could mean reductions in services at the local government level.

"We cannot shift costs and we cannot shift services," said Craig, a Republican. "It all comes down to us."

In Montgomery County, Council President Roger Berliner said his county is already dealing with a budget deficit of its own.

"None of us up here are oblivious to the challenges the state faces in balancing its budget and its structural deficit," said Beliner, a Democrat. "We know because we've been doing it for years and years and years now."

Montgomery County has had to deal with a budget gap of $1.8 billion over the last three years, said Berliner, adding that "we're facing another $135 million budget gap this year.

"We have cut, cut and cut," he said.

Officials from local governments around the state almost uniformly say those offsets do not represent real money to the counties. Some of the tax increases proposed have failed in previous years.

Ingrid M. Turner, a Prince George's councilwoman and president of the Maryland Association of Counties, said that even if all of the offsets come to fruition, they would only cover the costs of the first year.

"What about the out years?" said Turner, a Democrat. "Only the first year is covered."

"County governments are in no better shape than the state to shoulder the teacher pension costs," said Turner.

Prince George's County faces a $126 million deficit for the budget year that begins July 1. Shifting teacher pensions could add $34 million to that amount, said Prince George's County Executive Rushern Baker, a Democrat.

Anne Arundel County Executive John Leopold, a Republican, said the shift would be "an unfunded liability" that would threaten the county's newly acquired triple-A bond rating. The rating allows the county to borrow money at lower interest rates. A lower rating would cost county taxpayers more money for road and school projects.

The leader of one county—Baltimore County Executive Kevin Kamenetz, a Democrat—was conspicuously absent.

"(Kamenetz) has a different perspective than his colleagues," said Don Mohler, a spokesman and chief of staff to the Baltimore County executive. "The county executive believes that the governor has developed a reasonable approach to the transfer of pension costs to local governments."

Kamenetz has taken the opposite position from his fellow county leaders. Last week, Baltimore County Administrator Fred Homan told legislators from Baltimore County that the with two caveats.

"It's foolish for local governments to not recognize that we're all in this together," said Homan last week.

Homan said the county would accept a plan that included phasing in the costs, which to Baltimore County could be as high as $50 million annually, and that counted the cost against the school system budget directly.