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Wednesday, January 25 2012

Education Funding to Be Heard in House Appropriations Committee Today

House Bill 3, the Education Appropriation Act will be heard this afternoon in the now in the House Appropriations and Finance Committee (HAFC). It will be tabled there and eventually become a part of House Bill 2, the General Appropriations Act. The measure approved in the House Education Committee is only a framework the final budget and can be greatly modified by the HAFC. The measure, as it left the House Education Committee, will allocate nearly $2.5 billion next year for school operations, the Public Education Department and other educational programs such as pre-kindergarten. That's an increase of $93 million, or 3.9 percent.

The committee recommendation is close to the amount recommended by Governor Martinez. However, the committee wants to send a larger share of the money through the public school funding formula to allow more flexibility at the school district level, while the governor proposed earmarking money for various reform ideas she is pushing, letting the state decide how to distribute the funding.

The governor had requested about $12 million to fund her anti-social promotion bill, but the committee scaled it back to $7.5 million and will distribute the money through the state's school funding formula.

The Education Committee turned down several of the governor's budget requests, including $5.5 million to fund last year's school grading bill. The governor also didn't get $2.5 million requested for a teacher evaluation system and merit pay for teachers, or $2.5 million for more frequent testing of student performance.

Of the committee's proposed $93 million spending increase, about $27 will add 1.75% to school employee salaries by eliminating last year's retirement contribution swap. Last year the legislature lowered the government's payroll contributions by 1.75 percent for public employee pensions and forced workers to offset that.

Let your legislators, especially members of the House Appropriations and Finance Committee know that we prefer allowing flexibility at the local level instead of the governor's earmarked reforms.

Call Senators About Retirement Legislation Today!

The Educational Retirement Board (ERB) developed funding goals of 80% by 2030 and 95% by 2040 for our educator retirement plan. NEA-New Mexico believes that these goals are unrealistic and require changes to school employee retirement plans that are too severe. NEA-New Mexico urged the board not to adopt these extreme funding goals. However, the only member of the Board to vote against the goals was Mary Lou Cameron, NEA-NM's member of the Board (and the only active public school employee on the ERB).

These funding goals forced the plan changes recommended by the ERB. Their proposals make changes to the retirement qualifications of vested members by creating a mandatory minimum retirement age of age 55 for all members not within 10 years of meeting a current retirement qualification. Further, the plan reduces all future COLAs by 12.5%, including those of current retirees.

We have made our views clear. No changes that reduce promised benefits for vested active members are acceptable. No changes that reduce the Cost of Living Adjustment or other benefits of current retirees are acceptable. No changes that adversely alter the retirement eligibility rules for currently vested active employees are acceptable.

The unrealistic funding goals were adopted at least partly because the Governmental Accounting Standards Board (GASB) has proposed new reporting and accounting standards for public pension plans. GASB is a non-governmental organization that sets accounting standards for state and local government entities, including cities, counties, school districts, and the trust funds that they establish. GASB does not have the legal authority to compel compliance, but the accounting profession and investors view the standards as part of the baseline for proper accounting. GASB's statements become part of generally accepted accounting principles. Part of the rationale used by the ERB was that the new standards will affect the bond ratings of the state, school districts, or both. NEA has queried the bond and credit rating agencies on the validity of this argument and has found that there is no reason a pension plan has to make changes in anticipation of the new accounting standards' treatment of unfunded liabilities. In essence, the ratings agencies are saying that it's always been part of their job to look at and factor into their analyses pension plans' unfunded liabilities. As a result, the future inclusion of unfunded liabilities on an employer's balance sheet should not spur changes to pension plans in order to protect credit ratings.

We believe that our earned retirement benefits are a protected contract and a vested property right under the New Mexico Constitution. We firmly believe that Article 2, Section 19 and Article 20, Section 22 of the New Mexico Constitution make any diminution of benefits to currently vested members of ERA under current economic conditions unconstitutional.

Senate Bill 150, introduced by Senator Stuart Ingle, enacts the changes proposed by the ERB. Let Senators, especially members of the Senate Finance Committee that you oppose this approach. Use the message below:

1. If you are vested, you already earned your benefit under the conditions in existence when you vested.
2. No one contributed a gift on your behalf. You paid for your retirement plan as deferred compensation that already belongs to you.
3. The ERB's funding goals are unrealistic and unnecessary, even in the face on new GASB rules
4. Changes to the benefits of currently vested or retired members are an impairment of constitutional contract and property rights.

If the facts don't work with policy makers, try these three quotes that politicians should understand, especially in an election year:

1. A politician is known by the promises he keeps.
2. There is no greater fraud than a promise not kept. ~ Gaelic Proverb
3. Losers make promises they often break. Winners make commitments they always keep. ~Denis Waitley