

02-04-12

Weekend, February 4-5, 2012

## Retirement Legislation Amended in Senate Education

Senate Bill 150, introduced by Senator Stuart Ingle, was amended in the Senate Education Committee on Wednesday Morning. This measure would have enacted the Educational Retirement Board (ERB) plan, to which we are opposed. However, the amendment sponsored by Senator Nava and supported by NEA-NM moves the retirement plan toward solvency though a increase in contributions by employees and employers. The employee contribution would maintain the 1.5% retirement swap and add .125% increases for four years, the effect of this would be to reduce employee contributions from the current temporary (with the 1.5% and the 1.75% swaps) 11.15% to a permanent 9.9%. The employer contribution would increase from the current temporary 10.9% (with the swaps) to a final 15.3%. New employees (after July1, 2012) would have a mandatory retirement age of 55 and a vesting period of eight years. This would meet the ERB developed funding goals of 80% by 2030 and 95% by 2040 for our educator retirement plan.

We are very concerned that this compromise will be undone in the Senate Finance Committee when the bill reaches that committee. Please let all Senators know that the plan originally promoted by the ERB and the original version of Senate Bill 150 are unacceptable because they made 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.

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.

The amendments accepted unanimously by the Senate Education Committee protect active employees and current retirees as we suggested.

Please let all Senators, especially members of the Senate Finance Committee know that the Senate Education Committee amendments should be preserved as the right way to reach solvency.

## Another Bad Retirement Bill

Senate Bill 305 introduced by Senator Carlos Cisneros, attempts to resolve the solvency of the Education retirement system by having employees pick up the entire costs of the amendments placed on Senate Bill 150 in the Senate Education Committee last week. We support sharing the increases as described above in the discussion about the Senate Education Committee amendments. Asking employees to increase contributions by 3.4%, even over several years, is just wrong. Senator Carlos Cisneros may be planning to remove the Education Committee amendments and replace them with a mechanism similar to Senate Bill 305. Let Senator Cisneros and other members of the Senate Finance Committee know that that asking employees to bear the burden caused by legislative underfunding over the years (not to mention budget balancing on the backs of public employees in the pension swaps) is just plain wrong. Shared sacrifice means that it's time for the state to step up and keep its commitments!

## House Joint Resolution Two Tabled in House Education Committee

Representative Jim Trujillo's House Joint Resolution Two (HJR2) was tabled in the House Education Committee this morning. If passed, it would have placed a constitutional amendment on the November 2012 ballot allowing the 5.8% distribution from the state land grant permanent fund begun in 2003 to continue indefinitely.

The vote to table is shown below. The right vote was NO.

Representative Rick Miera	NO	Representative Jimmie C. Hall	YES
Representative Rhonda S. King	YES	Representative Dianne Miller Hamilton	YES
Representative Alonzo Baldonado	YES	Representative Andy Nuñez	YES
Representative George Dodge	NO	Representative Dennis J. Roch	YES
Representative Nora Espinoza	YES	Representative Sheryl Williams Stapleton	NO
Representative Mary Helen Garcia	NO		

One Democrat, Representative Rhonda King and one independent, Representative Andy Nufiez joined all committee Republicans to cut school funding the year after next by \$30,000,000! Ask members of the House Education Committee who voted to table to reconsider this important funding measure.

Without HJR2, the funding level is scheduled to drop to 5.5% next year and to 5% in 2014. Next year's drop represents some \$30 million dollars in public school funding that will need to be found before any increases in funding can be considered.

#### **Some points in support of HJR 2:**

1. If the distribution from the land grant permanent fund for public schools were 5.5% this year, rather than the current 5.8%, some \$30 million dollars would have been added to the school funding anticipated in all proposed budgets just to prevent cuts. The legislature would have no ability to make up this amount from the general fund without substantial revenue increases. When it drops to 5%, nearly \$60 million new dollars will be needed just to plug the funding hole!
2. When the original constitutional amendment was conceived in 2003, it was assumed that support from the general fund would continue to increase; gradually completely replacing the additional funds created by the increased distribution rate and allowing the reduction of the rate to 5% by 2017 since the natural increase in general fund revenues would have more than replaced these funds. No one anticipated that general fund support for the public schools would have three years of steady decline!
3. Should the 5.8% distribution level be allowed to sunset and the fund fail to show a return in the 8.5% range, public school funding from the fund would be greatly reduced and require even heavier commitment from a challenged general fund to avoid precipitous and devastating drop in school funding.
4. If the rate of return is realized, continuing the 5.8% distribution rate would actually move the legislature toward the increase that the 2008 funding formula task force indicated was required to provide sufficient funding of public schools. By 2019 the \$350 million increase called for in 2008 would be achieved, not enough to overcome the years of under funding, but a good effort nonetheless.
5. Clearly the 5.8% distribution rate has not endangered the corpus of the fund; it has continued to increase. The amendment would be logical to the voting public. Simply continue current practice of distribution and continue to help grow school funding without increasing taxes. If the amendment fails or is not sent to the public, it is clear that school funding will, in the worst case scenario, decrease or in the best case scenario, increase at a much slower rate in the near term, preventing the movement toward sufficient funding without a major effort from the general fund.
6. We are not asking the public to approve a tax increase, just to continue status quo to prevent a cut in school funding. Not passing this measure won't lower taxes, and in the long run will likely require a tax increase to prevent further cuts to public schools.

Ask members of the House Education Committee to reconsider HJR2.

### **Education Funding Awaiting Final Action on Budget Bill**

House Bill 2, the General Appropriations Act was supposed to be finalized earlier this week in the House Appropriations and Finance Committee (HAFC). That meeting was abruptly postponed. The measure is scheduled once again for a hearing on Monday. Evidently Democrats and Republicans have reached some compromises. We fear some of that compromise may mean less funding through the State Equalization Guarantee and more earmarked money for the Governor's education "reforms." 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. Let them know that the amounts are still inadequate to make up for the cuts public schools have suffered since 2008 and need to be increased. Let them know that any reductions from the amounts recommended by the HEC would be disastrous!

House Bill 3, the Education Appropriation Act was heard last week in the HAFC. It was tabled there and eventually will become a part of House Bill 2, the General Appropriations Act when it is finalized next week. The measure approved in the House Education Committee (HEC) is only a framework for 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.

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