

Thursday, March 4, 2010

House budget: Teacher benefits payback provision

House budget [Item 132 #9h](#) sets the teacher rates for retirement, group life, and the retiree health care credit. It contains a local repayment provision. VACo has received several inquiries about the provision. This communication attempts to explain it.

Actual House and Senate FY 2011 teacher rates:

FY2011—

<u>Employer Share of:</u>	<u>House</u>	<u>Senate</u>
Retirement	4.01%	4.84%
Group Life	0.33%	Holiday
Retiree Health Care Credit	0.23%	1.01%

However, in FY 2011 the House budget establishes higher state teacher rates (below) for purposes of making one time school payments. In turn, local governing bodies will reimburse the state the payment amount. The total state transfer is more than \$180 million statewide.

FY 2011—

<u>Employer Share of:</u>	<u>House</u>
Retirement	10.49%
Group Life	0.33%
Retiree Health Care Credit	1.01%

Without the provision, the House's total K-12 education appropriation apparently falls below the state's FY 2006 funding level. The state's FY 2006 funding level is a minimum threshold – maintenance of effort – to qualify for federal K-12 public education stimulus dollars. In other words, a state cannot fall below the threshold and qualify for federal funding. The state's FY 2011 K-12 public education budget relies on more than \$125 million of federal stimulus funding.

Using Accomack County as an example, and working from [DOE's FY 2011 locality-by-locality spreadsheet of March 2, 2010](#):

Each locality spreadsheet includes a line entitled Required Local Effort Credit and an associated payment amount under the category entitled Local Share. For Accomack this number is **(883,289)**. The line includes footnote 11:

“The House budget funds the state share of a combined VRS retirement employer rate (10.49 percent) and Retiree Health Care Credit rate (1.01 percent) of 11.50 percent. School divisions will be required to pay the Virginia Retirement System based on a combined VRS employer rate (4.01 percent) and Retiree Health Care Credit rate (0.23 percent) of 4.24 percent in FY 2011. The House proposal requires local governing bodies to pay an amount equal to the state share of revenue between these two combined rates to the Virginia Department of Accounts in FY 2011. Local governing bodies will receive a credit towards their FY 2011 Required Local Expenditure for the Standards of Quality equivalent to the value of this payment.”

How the provision works:

The state will appropriate \$883,289 to Accomack’s school division. Accomack County will transfer the same amount back to the state - \$883,289. In order for Accomack County to be made whole, the Board of Supervisors will need to withhold \$883,289 from its FY 2011 local school transfer.

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