

Kentucky School Boards Association's

Presentation to Blue Ribbon
Commission on Public Employee
Retirement Systems – June 2007

A Snapshot of Kentucky School Districts

- 175 School Districts
- 50,861 certified employees
- 47,276 classified employees
- 98,137 members of Kentucky Retirement Systems
- Of all active employees in CERS, school district classified employees comprise 56% of all members.

Kentucky School Districts

School districts are the largest employer in 67 counties, the second largest employer in 23, and the third largest in 14.

Compensation: A Three-Legged Stool

Salary

Health Insurance

Retirement

Funding School District Employee Compensation

State Funding

Retirement for non-federal employees.

Health insurance for full-time, non-federal employees.

Portion of salary increases.

Federal Funding

Salaries, salary increases, retirement, and health insurance for federally funded employees.

Local Funding

Social security for classified employees.

Medicare for classified employees.

Rank & step salary increases.

Making up gaps where federal and state funds are insufficient.

The Impact of CERS Rate Increases

CERS Rate Increases

2002 – 2003	6.34%
2003 – 2004	7.34%
2004 – 2005	8.48%
2005 – 2006	10.98%
2006 – 2007	13.19%
2007 – 2008	16.17%

Insufficient Funding

The CERS rate increase for FY 06-07 cost local districts an additional \$45 million.

What's The Result ?

Increasing pension costs + Mandatory
salary increases + Cuts in federal
programs =

Layoffs & Program Cuts

Mandatory Salary Increases

For FY 07 – 08, the GA mandated a 5% salary increase for classified employees and a \$3000 salary increase for certified employees.

\$259.9 million dollar cost to the state.

In addition, rank and step salary increases are being provided out of local district budgets.

Is it sustainable?

Between 1996 and 2008, health insurance and retirement costs accounted for 50% of all new money allocated for education.

Between 1990 and 2005, health insurance and retirement costs, jumped from 15% to 25% of the state education budget.

Source: KY Department of Education

Is it sustainable?

- ❖ Many classified employees are paying to work.
- ❖ If other plan options were available, would health care be more affordable?
- ❖ How do we answer taxpayers who want to know why their tax dollars are funding health insurance plans for public employees that they can't afford for themselves?

Can we afford not to maintain it?

- ❖ Recruitment & retention of employees.
- ❖ Benefits offset low salaries.
- ❖ How do we integrate changes for new employees into the existing workforce?

Thank You for Your Service

KSBA looks forward to being a partner with you in seeking solutions to the challenges before us.