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Report Shows Mounting Benefit Costs for Prince George's School System

ROCKVILLE, MD (March 1, 2018) — A new report estimates that the Prince George's County Public School System's (PGCPS) unfunded retiree benefit obligations equate to more than $10,000 for every household in the county and that fiscal improvement in the next 30 years is unlikely unless more aggressive funding measures are adopted. Currently, there is a $3.1 billion gap between what PGCPS has promised its retirees and the funding it will have to meet those promised obligations. View the full report at www.mdpolicy.org.

The report, released by the nonpartisan Maryland Public Policy Institute, attributes PGCPS's mounting fiscal challenges to insufficient policies and actions from both state and county government. The $3.1 billion OPEB shortfall and a $1.4 billion pension shortfall attributed to PGCPS impacts the county's and state's ability and political will to adequately fund these obligations, which is crowding out funds for K-12 instruction.

"These troubling findings show that state and county leaders simply aren't doing their homework," said Christopher B. Summers, president and CEO of the Institute. "County taxpayers and school system employees deserve stronger policy leadership, such as expanding rainy-day funds to help reduce unfunded liabilities and to ensure that retirees get the health benefits to which they are entitled. Not addressing the problem now only makes the future worse for employees, students, taxpayers, and future generations of students."

For perspective, the $3.1 billion unfunded OPEB obligation is equivalent to three times the total teacher salaries and benefits in one year. In fiscal year 2016, only 1.9 percent of OPEB obligations were funded, leaving 98.1 percent unfunded. The $1.4 billion unfunded pension amount is equivalent to 42 years of 3 percent salary increases for PGCPS staff.

PGCPS will not likely be on target for a reasonable amount of unfunded OPEB liability within 30 years, unless more aggressive funding measures are executed consistently.

Audits also reveal that PGCPS managers have taken a number of sound measures to address unfunded OPEB liabilities, such as using an assumed investment rate of 5.25%, which is more realistic and conservative than the rate used by the Maryland State Retirement and Pension System (7.55 percent).

The report was authored by education data experts Larry D. Maloney and Jay F. May. Mr. Maloney is president of Aspire Consulting and has investigated expenditure patterns of the nation's public schools on behalf of states and individual school districts since 1992. Mr. May is founder of, and senior consultant for EduAnalytics, LLC, a consulting practice focused on empowering local decision-makers by expanding pervasive knowledge based on analyzed facts.

Read the full report and the Institute's prior pension reform work at mdpolicy.org.

About the Maryland Public Policy Institute: Founded in 2001, the Maryland Public Policy Institute is a nonpartisan public policy research and education organization that focuses on state policy issues. The Institute's mission is to formulate and promote public policies at all levels of government based on principles of free enterprise, limited government, and civil society. Learn more at mdpolicy.org.

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