

# Austin Independent School District

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## Testimony on Interim Charge 4

*Examine cost drivers in education including state requirements that impact school districts budgets. Recommend opportunities for achieving cost efficiencies.*

Before the Senate Committee on Education

February 22, 2010

Good morning Madam Chair, members of the Committee. I am Mark Williams, and serve as President of the Board of Trustees of the Austin Independent School District. I appreciate having this opportunity to appear before you today to provide this committee with information once again on Austin ISD's \$36 million operating cost known as Social Security. This will not be a new issue for many of you on this committee, but the increasing cost of this budget line item compels me to continue to "inform" you, the decision makers and appropriators, of the need to assist with this burden that provides little benefit to Austin ISD employees and drains essential dollars from the school district that would otherwise be used to recruit and retain valuable teachers.

### Background

Austin ISD is one of fourteen school districts that cover all of their employees under the Social Security retirement program. For Austin ISD that is over 11,000 employees, including principals, teachers, cafeteria workers, bus drivers, custodial staff, etc. We have identified another 34 school districts that cover all of their classified employees under the Social Security retirement program.

Austin ISD attempted to withdraw from the Social Security retirement program, but during the two year waiting period required for that action, Congress passed legislation in 1983 that prohibited local governments currently participating from withdrawing from the system. Thus, we are required to remain in the Social Security program and absorb the significant costs of doing so. Specifically, the costs to each district, at 6.2% of payroll expenses and a matching 6.2% by the employee, represents an uncontrollable expense that places our district and the other participating districts at a severe financial disadvantage.



### What we have done

You have heard from Austin ISD for over 10 years on this issue. Competitive pay is a real issue for us. And unlike some who come to you with their hand out, we have put our money and effort where our mouths are. After some very hard board discussions and a massive educational effort, Austin ISD sought and received approval from our taxpayers to levy a tax rate that exceeds \$1.04. Our tax rate is \$1.079. The increase was necessary to provide a pay increase for our staff to remain competitive with the surrounding districts to attract and retain our quality personnel and ensure the best possible education for our students. Of the 3.9 cent increase two of the additional pennies were golden, but the other 1.9 cents was subject to recapture. Of the \$10.9 million generated by the 1.9 cents of tax effort approved by the voters, \$4.4 million (40%) was recaptured.

But no good deed goes unpunished. The pay raises we gave our staff also increased the amount it cost Austin ISD for the employers' portion of Social Security.

### Disadvantage

Like many areas of the state, the trend toward regionalization around urban centers continues. Austin ISD operates in the broader context of Central Texas, and must compete for talent against neighboring school districts like Eanes, Lake Travis, Round Rock, Leander, Pflugerville, Hays Consolidated and Del Valle. None of those districts have to pay Social Security.

We want to have high-quality staff in every job and in every classroom. Yet I think it's fair to say that K-12 education for the vast majority of our staff is not considered a lucrative profession. For all of our employees, their base level of pay is reduced by a deduction for the employee's portion of Social Security (6.2% of their pay). For the average base teacher salary in Austin ISD of about \$44,500, this deduction is a real reduction of over \$2,700 annually in their take-home pay.

The impact of this reduction is particularly significant for our younger staff that are trying to make ends meet and are likely not contemplating, what, if any, Social Security benefits they might receive 30-40 years from now. The reduction in a new teacher's monthly take home pay is a negative factor that puts our urban district at a severe disadvantage in our efforts to recruit talented, young teachers to Austin ISD.



### Cost to District

Personnel costs make up about 85% of our district's budget. Paying the employers' share of Social Security consumes an additional \$36 million, or about 5.1% of the district's operating budget. This uncontrollable cost that the other Central Texas districts do not have to incur, leaves us significantly fewer funds to compete for, and develop, talent. It further compounds the problem by leaving the district itself with fewer dollars and therefore unable to make up the difference in net take home pay lost by our employees due to social security.

### SB 1664

Last Session Senator Wentworth authored SB 1664 which would have provided reimbursement of 50 percent of the district's payroll tax cost for those currently enrolled in the Social Security retirement program. This provision would not have eliminated the entire uncontrollable cost faced by these districts, but it would have given us access to additional resources to be more competitive in attracting and retaining qualified teachers for our classrooms.

In response to those who say that SB 1664 would fund a benefit program in some districts that others do not receive, I would offer this: unless an employee contributes to Social Security for 30 years or more, they will not be eligible for full Social Security retirement benefits. An employee who has paid Social Security taxes for 25 years and receives a pension from the Teacher Retirement System is eligible for only 65 percent of the Social Security benefit that they would have received working for a private-sector employer. If the employee has 20 years or less, the benefit is reduced to 40 percent of the full benefit to which they would otherwise be entitled. Employees in Austin ISD have an average tenure of 8 years with the District. We are not paying for a benefit the majority of our employees will ever see, but we are required by the federal government to pay nonetheless.

The bottom line is that this is an issue of equity. It is a huge financial burden and uncontrollable disadvantage for all 48 school districts which find themselves trapped in a system that bolted the door shut for departures over 25 years ago. Competition for talent is real. Without the talent we cannot effectively meet the needs of our students.

Thank you for your consideration. I would be happy to answer any questions you may have.