

Guidance Concerning Retiree Health Insurance and Section 260 of the FY'15 State Budget

Currently there are 127 school districts that are not allowed to count their retired teachers health insurance toward meeting their Chapter 70 net school spending requirements, because that expense was not included in their requirements in FY'94, the first year of implementation of the Education Reform Act of 1993.

Section 260 of the FY'15 state budget authorizes local governing bodies to determine by majority vote to begin a four-year phase-in toward including this cost when actual net school spending is calculated. The phase-in would begin in FY16. The section gives the commissioner of education discretion to delay or limit the implementation in certain underperforming districts. The full text of Section 260 follows at the end of this guidance.

In addition, Section 260 allows the Commissioner to waive Net School Spending penalties that resulted from not being allowed to count retiree health insurance costs toward the requirement.

All districts are already required to report the amount spent on retiree health insurance on the End of Year Financial Report, but the compliance calculation does not allow it to count for the 127 districts. Section d of Section 260 stipulates how appropriating authorities can go about approving the phase-in.

d) Notwithstanding any general or special law to the contrary, for the period beginning July 1, 2014 and ending June 1, 2015, this section may be accepted in a city having a Plan D or Plan E charter by majority vote of its city council and approval by the manager; in any other city, by a vote of its city council and approval by the mayor; in a town having a town council form of government, by vote of the town council, subject to charter of such town; in a town, by a vote of the board of selectmen; and in a regional school district, by a vote of the regional district school committee. The vote shall be by approval of all members of the district. Approval of each member shall be given in a city having a Plan D or Plan E charter by majority vote of its city council and approval by the manager; in any other city, by a vote of its city council and approval by the mayor; in a town having a town council form of government, by vote of the town council, subject to the charter of such town; in a town, by a vote of the board of selectmen.

Suggested warrant language would be "To accept the four year phase-in toward inclusion of retired teacher health insurance costs in determining net school spending compliance commencing in fiscal year 2016, as specified in Section 260 of Chapter 165 of the Acts of 2014, for the _____ school district."

Results of these votes should be reported to this department by city managers, mayors, town councils, boards of selectmen and regional school superintendents. Note that in regional school districts the acceptance requires a vote of the school committee as well as the governing body in each member city and town. A letter showing the result of the vote whether positive or negative should be sent to:

Roger Hatch, Administrator
Office of School Finance
Massachusetts Department of Elementary and Secondary Education
75 Pleasant Street
Malden, MA 02148

Votes must occur before June 1, 2015, and once the vote is taken, it is irrevocable.

Questions about votes or the voting process should be directed to Roger Hatch at 781-338-6527 or rhatch@doe.mass.edu. Net School Spending penalty waivers will be dealt with on a case-by-case basis.

Questions regarding Net School Spending penalty waivers should be directed to Jay Sullivan at 781-338-6594 or jsullivan@doe.mass.edu.

SECTION 260. (a) Notwithstanding any general or special law to the contrary, the commissioner of elementary and secondary education shall begin a 4-year phase-in of equal increments to include health care costs for retired teachers as part of net school spending for any district which accepts this section by a vote taken pursuant to section 4 and in which such costs were not considered part of net school spending in fiscal year 1994. For fiscal year 2016, 1/4 of the cost shall be included in calculating fulfillment of net school spending requirements; provided, however, that in districts currently in level IV or level V status under the commonwealth's accountability and assistance system, the commissioner may delay or limit the inclusion of the costs in calculating net school spending until their such district's status is lowered to level III or below, at which time the commissioner shall begin or resume a 4-year phase in of the remaining costs; provided further, that during the 4-year phase in period authorized under this section, the commissioner may waive penalties associated with deficiencies in net school spending requirements up to an amount that can be attributed to noninclusion of health care costs for retired teachers if the commissioner approves a schedule submitted by the district to meet the requirements not later than at the end of the 4-year phase in period; and provided further, that the commissioner shall consider deficiencies in net school spending requirements in fiscal year 2015, if any, when approving such schedule.

(b) The commissioner of elementary and secondary education may waive penalties associated with deficiencies in net school spending requirements up to an amount that can be attributed to non-inclusion of health care costs for retired teachers in fiscal years 2013 and 2014.

(c) The commissioner of elementary and secondary education may waive penalties associated with deficiencies in net school spending requirements up to an amount that can be attributed to non-inclusion of health care costs for retired teachers in fiscal year 2015 if the district submits a schedule under this section and the commissioner approves the schedule.

(d) Notwithstanding any general or special law to the contrary, for the period beginning July 1, 2014 and ending June 1, 2015, this section may be accepted in a city having a Plan D or Plan E charter by majority vote of its city council and approval by the manager; in any other city, by a vote of its city council and approval by the mayor; in a town having a town council form of government, by vote of the town council, subject to charter of such town; in a town, by a vote of the board of selectmen; and in a regional school district, by a vote of the regional district school committee. The vote shall be by

approval of all members of the district. Approval of each member shall be given in a city having a Plan D or Plan E charter by majority vote of its city council and approval by the manager; in any other city, by a vote of its city council and approval by the mayor; in a town having a town council form of government, by vote of the town council, subject to the charter of such town; in a town, by a vote of the board of selectmen.

(e) Any school district which accepts this section shall annually certify to the commissioner the treatment of retired teacher health insurance costs to ensure accurate counting of such costs toward required net school spending.