



New Jersey School Boards Association

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NJSBA Position Statement

SUPPORTING & PROPOSING AMENDMENTS to Senate Bill No. 2273 (Sweeney / Cryan)

Requires SEHBP and eligible employers that do not participate in the SEHBP to provide certain plans for public education employees and certain public education retirees.

The New Jersey School Boards Association (NJSBA), a federation of local school districts and associate charter school members, appreciates the opportunity to provide feedback on Senate Bill No. 2273. This bill would require the School Employees Health Benefits Program (SEHBP) and eligible employers that do not participate in the SEHBP to provide certain plans for public education employees and certain public education retirees. The NJSBA strongly supports the intent of this legislation to reduce health costs for local boards of education, provide financial relief to school employees and generate taxpayer savings – a presumably “win-win-win” scenario. We commend the sponsors for their thoughtful approach that has the potential to generate billions of dollars in savings over the next decade.

As the sponsors of this legislation are acutely aware, employee health care coverage is one of the primary cost drivers in school district budgets, and one that has proven difficult to control. For decades, local boards of education have struggled to cope with the task of providing their employees with health care coverage that is: a) of a high enough quality to attract and retain a first-class workforce, b) cost-effective and does not crowd out other important educational priorities, and c) provided at a price that is responsible to the taxpayer. The landmark pension and health benefits reform legislation, known as “Chapter 78” and championed by the same sponsor of this bill, went a long way towards helping districts absorb rising health care costs. That policy initiative enabled districts to avoid draconian cuts in staff, programs and services while mitigating tax increases, which was particularly valuable during the economic recession and through years when the state failed to meet its obligations under the school funding formula. However, despite the financial benefit to boards of education, it is apparent that districts and their employees still struggled to keep up with rising health care costs that have historically increased at a faster pace than revenues and salary increases. Clearly, more can and should be done to control the overall cost of health care. This bill is a significant step in that direction.

While supportive of the bill’s goal, we have several comments, questions, concerns and suggestions that we hope the sponsors will take into consideration before this bill moves forward. These points are intended to make the proposal more practical and beneficial to each of the member districts we represent.

- First, before this bill moves any closer to the governor’s desk, a comprehensive fiscal analysis should be performed on a district-by-district basis to identify the amount of savings that each board of education, as well as their employees and taxpayers, can expect to realize. This analysis should be made public so that better informed decisions can be made by the legislators who will vote on the bill, as well district staff who will be tasked with complying with its requirements. Any analysis that has already been performed by actuaries to estimate the savings should also be released prior to final action on the bill. Because this legislation would have a significant impact on every school district’s finances and operations, we encourage the Legislature to make sure the final product is one that will benefit all stakeholders.

- Reports indicate that the bill is expected to save local school districts approximately \$670 million. These overall savings are certainly welcome. However, as currently structured, the bill provides no guarantee against an increase in the employer share of health care costs for each individual school district. It is our hope that no individual board of education suffers any adverse consequences. We, therefore, suggest that the bill allow for a district to apply for an opt-out, waiver or exemption if it can demonstrate that the employer portion of health care spending would increase upon implementation of the bill's requirements. Additional consideration should be given to providing boards of education with an "off ramp" that allows them to revert to previous health benefit arrangements should they realize increased costs, rather than savings, post-implementation.
- Currently, more than two-thirds of the state's public school districts do not participate in the SEHBP, instead choosing to self-insure, be part of joint insurance funds, or offer fully-insured health plans. The NJSBA proposes granting "non-SEHBP" districts the ability to unilaterally opt *into* the SEHBP if they can demonstrate that such a move would save the district and taxpayers money. Employees would be held harmless as they would continue to pay a percentage of their salary (rather than a percentage of premium) should they opt into the one of new plans created under the legislation. The SEHBP would essentially become the "ceiling" for health benefit costs paid by districts, and granting districts the ability to unilaterally opt into the SEHBP would enable them to maximize district and taxpayer savings made possible by the bill. Granting this authority would have the added benefit of increasing the viability of the SEHBP by attracting more districts into the program, which has witnessed a sharp decline in participation in recent years.
- The bill does not sufficiently protect boards of education from claims that they are violating their existing collective bargaining agreements (CBAs). By applying this bill mid-contract, rather than as CBAs expire, boards may face unfair labor practice claims should they no longer be permitted or able to offer the level of benefits required pursuant to existing CBAs. Consideration should be given to phasing in the bill as CBAs expire and/or maintaining all existing SEHBP plan options for a limited period of time so boards can continue to offer what has been agreed upon by both management and the union.
- By transitioning from a "percentage of premium" to a "percentage of salary," employees will lose "skin in the game" with respect to health care spending. Should health care costs rise significantly, employers and taxpayers will be forced to absorb those costs, while employees remain immune to those increases. Protections, such as an "escalator clause," should be inserted into the bill to require that employee contributions increase should premiums rise above a certain level. If employers and employees are both able to enjoy the savings anticipated by this bill, they should also share responsibility for any increased costs.
- As Chapter 78 "sunsetting" across the state, many boards of education negotiated contracts with their unions that provided some form of "relief" from adverse financial impacts resulting from the employee premium sharing requirements of the law. Examples include lump sum stipends, rebates, contribution "holidays" and "relief funds" that the union distributes to individuals as they choose. The Legislature is now contemplating "Chapter 78 relief" for all school employees. It would be inappropriate, and potentially costly, for employees to be able to enjoy both the relief included in their respective CBAs and any financial relief resulting from this bill's implementation. Any employee who opts into the newly created plans under S-2273 (and therefore shifts into a "percentage of salary" contribution schedule) should forfeit the right to any previously negotiated contractual provisions that were intended to offset increased health care costs post-Chapter 78.
- To streamline implementation, S-2273 should explicitly direct state agencies, including but not limited to the Department of Education and the Division of Pension and Benefits, to provide specific guidance to school districts throughout the implementation process. This will promote consistency and mitigate administrative confusion.

- S-2273 requires school districts to submit various reports on an annual basis. To promote transparency and the sharing of information, we recommend that appropriate state agencies compile an annual report for public dissemination that includes findings, data and statistics on the bill's implementation. This will ensure that districts, affected stakeholders and the general public understand the impact that the legislation is having across the state and in individual districts and whether it is achieving its intended goal of generating savings for districts, employees and taxpayers.

Thank you for your consideration of the NJSBA's position on this critical legislation. Any questions may be directed to Jonathan Pushman, NJSBA Legislative Advocate, at (609) 278-5248 or jpushman@njsba.org.