

Oral Testimony given September 4, 2014
Before the Education and the Workforce Committee at a hearing entitled
"The Effects if the President's Health Care Law on Indiana's Classrooms and Workspaces"

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Thank you Chairman Roe and all of the distinguished Congressmen and Congresswomen for the opportunity to testify about the effects of the "President's Health Care Law" on Indiana's classrooms.

My name is Mike Shafer. I am the Chief Financial Officer for Zionsville Community Schools in Zionsville Indiana. Zionsville Community Schools is a suburban school district of some 6,200 students located in Boone County, Indiana on the northwest corner of the Indianapolis metropolitan area. Our school district is a perennial leader in academic achievement in the state of Indiana, consistently ranking in the top three public school districts in the state as measured by various standardized test scores, graduation rates, college placement rates, and all other objective measures of our students' performances.

However, our academic successes do not equate to the level of funding our schools receive. In fact, Zionsville Community Schools receives one of the lowest amounts of funding per pupil of any public school district in our state. As a result, the Patient Protection and Affordable Health Care Act (PPACA) has had and continues to have a severe and disproportionately disruptive effect on our high performing school district.

We have identified three categories in which these negative effects have occurred in our school district. There is the impact on our students, the impact on our employees, and the impact on the school district itself. These intertwined and interactive effects, taken together, are serious now and appear to be increasing in their severity over time.

In 2013, as the provisions of the PPACA became better known and their ramifications started to become clear, we grew concerned about the impacts on our schools. Public school districts, including ours, commonly employ instructional aides, cafeteria workers, non-licensed substitute teachers, sports coaches, and various other categories of support positions for 30 hours or more per week during the school year.

Bluntly stated, public school districts across the nation commonly did not then and do not now offer health insurance coverage to the employees in those categories because the cost of offering coverage is beyond the budgetary means of most school districts to do so. School districts, including ours, realized that the effect of the PPACA would be to choose between paying enormous amounts of excise taxes to the IRS under the provisions laid down in section 4980H of the Internal Revenue Code for "employer responsibility payments" or incurring budget-busting costs to provide highly subsidized "affordable" health insurance for these employee groups, or be forced to reduce the work hours allowed for each of these employees to less than 30 hours per week.

For Zionsville Community Schools, we found that the cost we would incur should we fail the eligibility tests of the law and incur the excise tax penalty would be between \$1.25 million and \$1.6 million with these amounts increasing in the future. The alternative of providing the coverage

and subsidizing it for the employees to the degree required to meet the 9.5% affordability test would cost approximately \$1.17 million in insurance premiums. All of these amounts would have fallen directly on our already overly strained General Fund budget. In the end, we concluded that making a choice between these alternatives was no choice at all, but in reality was a "Hobson's Choice." We could only ensure the financial viability of the school district and our continued ability of the school district to deliver quality education to children if we reduced our support staff employees' hours of work.

This is why we are compelled to say today that the PPACA is directly affecting our students. The employees of the school district are there to serve our students. The services provided by these employees to school children has been reduced because we were forced to reduce the number of hours of services of our classroom aides, who actively supplement the instruction provided by our teachers. If you are a six year old learning to read in Zionsville and you need extra help, you will still get help, but the school personnel providing that help will be busier and will go home sooner than was the case in the past, and realistically you may not get quite as much help as you would have. If you play on the girls' softball team at the middle school, you got a new coach. The former coach was, successful, respected, and a great role model, but he wasn't allowed to coach anymore because that would put him over 29 hours per week. If you're a special needs student, for whom stability is an important part of maintaining your success at school, we can no longer guarantee the continuity for many of you that we once had, as a workers find they cannot survive on 29 hours per week's pay and our turnover rate has increased dramatically.

The PPACA's effects on our employees should be obvious at this point. Reducing the affected employee groups' hours decreased their pay by 10% – 20%. This worked a real economic hardship on these hardworking Indiana taxpayers. Given that approximately 150 employees had their hours cut, and not-to-exceed caps were placed on over 200 others, the impact on the employees is one which is felt throughout the homes and businesses of our community.

In terms of the effects on the school district itself, the effects have been far reaching. In addition to the concerns about the effects on our students and our employees, we have found we are now facing major issues with employee recruitment and retention in affected employee groups. We also have incurred significant new costs. For a handful of our most severe special needs students, we found that having aides or attendants with reduced hours just did not and could not work. As a result, we did create one new employee group for those cases. This need group, because of the number of hours they were needed, are being offered insurance subsidized by the school district, with an annual cost for this coverage of nearly \$70,000 for this group.

While the bulk of the negative effects of the PPACA on our school district are generated by the IRS's '30 hours is full-time' rule, there are certainly other negative effects that the school district is experiencing. Last July, we were required to file an IRS form and pay the so-called PCORI" fee. Later this year we will be paying the Reinsurance Fee. Together, the costs of these fees will exceed \$65,000 for us.

Frankly, the idea that public school districts should use tax dollars to pay fees to subsidize big insurance companies is just wrong! In our case, \$65,000 is more than the cost of a teacher for a year. Our enrollment grew over 170 students for this school year. The State of Indiana's funding formula allotted us enough additional new funding to pay for hiring four new teachers, and average of around one new teacher for every 43 students. As we struggled and scraped to come up with enough money to pay for hiring the number of new teachers we really needed, we look at the \$65,000 going to PPACA fees and say "That could have been one more, one more

teacher that we really needed. One more teacher to prevent the second grade at one of elementary schools from having 28 children in class by lowering that class size.” The loss of that one teacher at that grade level is something those seven-year old children will never get back. Worse, next year, the fees will be due again and some other class will lose a teacher to the PPACA.

Finally, two other areas of impact are obviously going to occur that our school district does not yet have a firm grasp upon such that we cannot quantify these today, but we know very well that they will be extremely significant. Our school district has maintained its own self-insured health insurance plan successfully for the past 22 years. We do not yet have enough claims experience to provide reliable data, but it is clear that we will experience major new costs to our health insurance plan over time as we comply with the unfunded mandates of the PPACA to provide various free services, conduct open enrollment without excluding pre-existing conditions, cover children to age 26, and so on. Ultimately these mandates can only drive up the costs of health care for our taxpayers and lessen the quality of coverage for our employees.

At the same time, we also are very concerned about the new recordkeeping and reporting requirements being imposed by the PPACA. As we examine the drafts of the recently released IRS forms that are being proposed to report large quantities of detailed information on every employee, we fear that we do not have sufficient information systems and clerical staff to prepare these. It is unacceptable that we should be forced to divert even more money from the classroom in the future so that we can hire more clerks, accountants, and computer analysts to comply with the PPACA.

Thank you for your time and kind attention today, and for your service to our nation.