SB 1687 House Amendment #2
HIGHER ED PENSION COST SHIFT
Oppose

HIGHER ED COST SHIFT: The shift of pension costs to the universities and community colleges was agreed to by the administrations of both of these employer groups. The employee groups that represent the educators at these institutions of higher education are opposed to this shift and were not consulted on this plan. Universities will pass on this cost to students by increasing tuition. It was stated in public forums that every percentage of cost shift would translate into a 2 percent increase in tuition. Community colleges, which serve many students from low income areas, argue that they can absorb these costs, but it will be at the expense of property tax payers or students. Community colleges will rely on increasing tuition, cutting educational opportunities or increasing property taxes to fund their portion of the cost shift. This proposal will make higher education even more unaffordable for many Illinoisans.

Community college and university budgets have been consistently cut over the past decade and received relatively level funding for this year from the state. Where will universities and community colleges get the resources to pay this additional cost?

Universities may say they will find efficiencies, which means staffing cuts or a reduction of educational opportunities. However, if universities want to maintain their current levels of educational opportunity, cuts alone will not be able to allow for that. Tuition will have to be raised. In a public forum in the House of Representative, representatives from Northern Illinois University stated that every 1 percent of payroll costs shifted to the university would translate to a 2 percent tuition increase.

Community Colleges will not only will be faced with having to cut services to the most economically disadvantaged students that tend to go to their schools, they will be forced to use tuition increases and/or property taxes that would have gone to fund education.

EXTRAORDINARY MAJORITY TO INCREASE BENEFITS: The legislation would require a three-fourths majority vote for any bill with a pension benefit increase. The provision is applicable to all pension systems including TRS. This threshold is higher than the three-fifths required for the General Assembly to incur bonded indebtedness. This would set up a clear imbalance between a simple majority to cut pension benefits while requiring three-fourths to increase them. Lastly, the voters of Illinois resoundingly defeated the constitutional amendment put forth on the November 2012 ballot that would have required a vote of three-fifths by the General Assembly.

(Over)

THE ISSUE: Currently, the state pays a portion of the pension costs for K-12 suburban and downstate teachers (including suburban Cook County). This allows suburban and downstate communities to utilize their local property taxes to directly fund their local schools. Cost shift to local suburban and downstate schools refers to the normal cost of the benefits earned by active members and not the unfunded liability of the system. The total estimated amount of employer normal costs that would be shouldered by local school districts could be as much as 8.5 percent of payroll or more than $850 million.

REASON FOR OPPOSITION: The shifting of pension costs to suburban and downstate schools would force local districts to either increase property taxes in order to maintain their local commitment to education, or local schools would have to further cut educational opportunities for our students. This shift will further erode and devastate local school budgets. According to the Illinois State Board of Education, more than 67 percent of the schools in Illinois are operating in the red. Schools simply do not have the means to meet the educational needs of our students as things are now. The state's share of education funding has been cut by $800 million over the past four years and the only stable financial resource is the local taxpayer commitment to their schools.

THE NUMBERS: There are 860 school districts that would be forced to pay the cost of the shift. The average school district certified personnel budget is $10.6 million. That means that a shift of 1 percent of payroll for the average school district would amount to $106,000. The average school faced with this new bill would be forced to reduce educational opportunities by laying off 3-4 teachers and/or eliminating additional educational programs for students. If districts are unable to raise property taxes, this is what the shift will do at the local level. This scenario would play out year after year as this new cost is phased in. At the end of an 8-year phase in, the average school would have lost $3.6 million that would have gone to their local schools. With 67 percent of the school districts in the state in deficit spending during this fiscal year, this is the wrong direction to go.