

HR 187 (McSweeney)**EDUCATION PENSION COST SHIFT IS FINANCIALLY WRONG****Support**

POSITION: IEA opposes shifting pension costs to suburban and downstate schools. A cost shift would force local districts to either increase property taxes or further cut educational opportunities for our students. HR 187 illustrates why an educational pension cost shift is financially wrong and would only serve to shift pension burdens from the State to the status of an unfunded mandate.

Since more than two-thirds of the State's school districts spent from their reserves to keep afloat last year, a cost shift is clearly the wrong direction to go. It would have a devastating impact on public education in suburban and downstate schools.

THE ISSUE: Currently, the State pays a portion of the TRS 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. Under the proposed cost shift, the responsibility of paying the normal cost of the pension benefits earned by active members on an annual basis would be transferred from the State to local suburban and downstate school districts. It is assumed that under this proposal, that the unfunded liability (the existing pension debt) of the system would remain a State obligation. 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.

THE NUMBERS: There are 860 school districts that would be forced to pay the cost of pensions. Here's an example of the impact this cost shift would have: The average school district's certified personnel budget is \$10.6 million. That means that a shift of 1 percent of payroll would amount to \$106,000. To pay this new cost, if the district is unable to raise property taxes, it would be forced to reduce educational opportunities by laying off 3-4 teachers and/or eliminating programs for students. As the new cost is phased in, this scenario would play out year after year. At the end of an 8-year phase in period, the average school district would have lost \$3.6 million. Clearly, this shift will further erode local school budgets and programs.

According to the Illinois State Board of Education, more than 67 percent of Illinois' schools are operating in the red. The State's share of education funding has been cut by \$800 million over the past four years. School districts simply do not have the means to meet the educational needs of our students as things are now.