

**HR 27 (McSweeney) / SR 545 (Rezin)
HR 38 (Skillicorn)
Education Pension Cost Shift is Wrong for Illinois Schools**

IEA Position- SUPPORT and COSPONSOR

POSITION: The IEA opposes shifting pension costs to suburban/downstate schools, universities and community colleges statewide. A cost shift would reduce educational opportunities for our students. HR 27 and HR 38 illustrate why an educational pension cost shift is financially wrong and would only serve to shift pension burdens from the state to students and local property tax payers.

THE ISSUE: Currently, the state pays a portion of the TRS pension costs for K-12 suburban/downstate teachers (including suburban Cook County) and the SURS pension costs for institutions of higher learning throughout Illinois. This allows local communities to utilize their local property taxes to directly fund their local K-12 schools and community colleges. Under the proposed cost shift, the responsibility of paying the normal cost of the pension benefits earned by educators on an annual basis would be transferred from the state to local school districts, universities and community colleges.

It is assumed under this proposal that the unfunded liability (the existing pension debt) of the system would remain a state obligation. However, any actuarial changes could change year to year and increase the cost of the pension shift. The total estimated amount of employer normal costs that would be shouldered by local school districts, universities and community colleges could be as much as 8.5 percent of payroll, or more than \$1.4 billion annually.

THE NUMBERS: There are 860 K-12 school districts that would be forced to pay the cost of pensions. For example, 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 inconsistent for years. Local schools have had their state funding either delayed or prorated. School districts simply do not have the financial means to meet the increasing educational needs of our students as things are now.

Universities and community colleges do not currently have a full-year budget. It is on the record that for every percentage of pension costs shifted to a university, it would equate to a 2 percent increase in tuition. Community colleges are for many the doorway to higher education, but the shifting of pension costs to them would force them to either increase tuition, increase property taxes and/or cut educational opportunities to fund the cost shift. Clearly, this proposal will make higher education even more unaffordable for many Illinoisans.