Gongwer News Service, Inc.

Michigan Report

The Capitol Record Since 1906

Volume #48, Report #17, Article #3--Wednesday, January 28, 2009

EDUCATION RETIREMENT STIMULUS URGED BY LAWMAKERS, M.E.A.

Faced with a projected $247 million School Aid Fund deficit in the coming fiscal year, the Michigan Education Association and a bipartisan group of lawmakers announced Wednesday a plan to provide an incentive for school employees eligible for retirement to make that transition.

The plan would enhance the multiplier retiring school employees receive from 1.5 percent to 2 percent, which translates into $500 or so more dollars per month in retirement income, said Rep. Fred Miller (D-Mount Clemens), who plans on sponsoring the House legislation.

The number of school employees currently eligible for retirement ranges from 50,000 to 70,000, said MEA President Iris Salters. The organization estimates that if 10 percent of that population were to take the retirement incentive it would save school districts $410 million next year and approximately $1.7 billion over the next 10 years.

While the time frame for school employees to decide whether to take the incentive has not yet been ironed out, Mr. Miller said his bill would initially have a March 1 starting date. He said that could change as the legislation moves through the process. Sen. Wayne Kuipers (R-Holland) said it's his hope employees could choose to retire by the end of the current school year so districts can make staffing decisions over the summer.

Schools would save money under the plan by retiring more expensive employees and bringing on younger, lower-paid employees, but Mr. Kuipers also noted that districts with declining enrollment could also choose to leave some positions vacant.

While the money saved would stay in local school districts and wouldn't translate into a direct benefit for the School Aid Fund, Mr. Kuipers said the local savings could mitigate any changes in state aid to schools.

He emphasized the K-12 budget for next year still must be negotiated, but added that reducing the per-pupil foundation allowance to both cut the SAF deficit and recognize the retirement plan's savings would not likely be a popular idea.

The MEA's support for the legislation is tied to the savings staying in public education and to spurring investment in programs such as early childhood education or reducing class size, Ms.

Salters said. However, she added that while she will be pushing for investment this year, it's more likely those programs will be financially boosted along the way.

"We have to address our state's dropout crisis and these savings provide a unique opportunity to invest in early childhood programs, class size reduction and other proven methods to help more students graduate from high school," Ms. Salters said.

To address the proverbial brain drain issue, Ms. Salters said it's her hope older school employees will do more mentoring to younger employees.

Rep. Rick Jones (R-Grand Ledge) said his hometown's district provided $45,000 as an incentive for school employees to retire and not only did it save the district $2 million, it also allowed young and energetic employees to be hired.

Governor Jennifer Granholm is "open to creative solutions that save money," her spokesperson Liz Boyd said of the proposal, but the governor also wants to make sure these are short- and long-term fixes.

Ms. Boyd said they had just received MEA's press release on the measure and had not yet seen the legislation, so it would need further study before she could comment further.

Adding to the number of people receiving benefits under the school employee retirement system would increase costs, but supporters of the plan said that would balance out with being able to hire people graduating out of Michigan colleges instead of them having to look for work outside of the state, as well as any costs related to possible mass school layoffs.

Ms. Salters said she's been told the cost to the retirement system would be about $50 million, which is less than the savings retirement would produce. She also said the retirement system can spread out those costs over several years.

But the Education Action Group criticized the plan for shifting costs.

"They're taking the lead weight out of the front pocket of taxpayers and putting it in their back one. At some point, taxpayers are still going to be caught with their pants down," the group's vice president Kyle Olson said.

Gongwer News Service: The Capitol Record Since 1906
124 West Allegan Street, Suite 1200, Lansing, Michigan, 48933
Phone: 517.482.3500 **Fax:** 517.482.4367 **Email:**gongwer@gongwer.com