States ignored warnings on unemployment insurance

States ignored multiple warnings, now borrowing from feds to pay benefits to laid off workers

By KEVIN FREKING

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WASHINGTON (AP) _ State officials had plenty of warning. Over the past three decades, two national commissions and a series of government audits sounded alarms about the dwindling amount of money states were setting aside to pay unemployment insurance to laid-off workers.


It's clear now the warnings were pretty much ignored. Instead, states kept whittling away at the trust funds, mostly by cutting unemployment insurance taxes at the behest of the business community. The low balances hastened insolvency when the recession hit, leading about 30 states to borrow $41.5 billion from the federal government to pay unemployment benefits to their growing population of jobless.

The ramifications will be felt for years.

In the short term, states must find the money to pay interest on the loans. Generally, that involves a special tax on businesses until the loan is repaid. Some states could tap general revenues, making it harder to pay for schools, roads and other state services.

In the long term, state will have to replenish their unemployment insurance programs. That typically leads to higher payroll taxes, leaving companies with less money to invest.

Past recessions have resulted in insolvencies. Seven states borrowed money in the early 1990s; eight did so as a result of the 2001 recession.

But the numbers are much worse this time because of the recession was more severe and the funds already were low when it hit, said Wayne Vroman, an analyst at the Urban Institute, a liberal-leaning think tank based in Washington.

The Obama administration this month proposed giving states a waiver on the interest payments due this fall. Down the road, the administration would raise the amount of wages on which companies pay federal unemployment taxes. Many states probably would follow suit as a way of boosting depleted trust funds.
Businesses pay a federal and state payroll tax. The federal tax primarily covers administrative costs; the state tax pays for the regular benefits a worker gets when laid off. The Treasury Department manages the trust funds that hold each state's taxes.

Each state decides whether its unemployment fund has enough money. In 2000, total reserves for states and territories came to about $54 billion. That dropped to $38 billion by the end of 2007, just as the recession began.

Over the next two years, reserves plummeted to $11.1 billion, lower than at any time in the program's history when adjusted for inflation, the Government Accountability Office said in its most recent report on the issue. Yet benefits have stayed relatively flat, or declined when compared with average weekly wages.

"If you look at it from the employers' standpoint, they're not going to want reserves to build up excessively high because then there's an increasing risk that advocates for benefit expansion would point to the high reserves and say, 'We can afford to increase benefits,'" said Rich Hobbie, executive director of the National Association of State Workforce Agencies.

A review of state unemployment insurance programs shows how states weakened their trust funds over the past two decades.

In Georgia, lawmakers gave employers a four-year tax holiday from 1999-2003. Employers saved more than $1 billion, but trust fund reserves fell about 40 percent, to $700 million. The state gradually has raised its unemployment insurance taxes since then, but not nearly enough to restore the trust fund to previous levels. The state began borrowing in December 2009. Now it owes Washington about $588 million.

Republican Mark Butler, Georgia's labor commissioner, said his state had one of the lowest unemployment insurance tax rates in the nation when the tax holiday was enacted.

"The decision to do this was not really based upon any practical reason. It was based on a political decision, which I think, by all accounts now, we can look back on and say it was the wrong decision," Butler said. "Now we find ourselves in a situation where we've had to borrow money and that puts everyone in a tight situation."

In New Jersey, lawmakers used a combination approach to deplete the trust fund. The Legislature expanded benefits and cut taxes, as well as spending $4.7 billion of trust fund revenue to reimburse hospitals for indigent health care. The money was diverted over a period of about 15 years and helps explain why the state's trust fund dropped from $3.1 billion in 2000 to $35 million by the end of 2010. The state has had to borrow $1.75 billion from the federal government to keep the program afloat.
"It was a real abdication of responsibility and a complete misunderstanding of how you finance an unemployment insurance fund _ to make sure you have sufficient money in bad economic times," said Phillip Kirschner, president of the New Jersey Business and Industry Association. "In good economic times you build up your bank account, but in New Jersey, they said, 'Well, we have all this money, let's spend it.'"

California took its own road to trust fund insolvency. Lawmakers kept payroll tax rates the same, but gradually doubled the maximum weekly benefit paid to laid-off workers to $450. The average benefit now is about $300 and is paid for about 20 weeks.

Loree Levy, spokeswoman for the California Employment Development Department, said lawmakers were warned of the consequences.

"We testified at legislative hearings that the fund would eventually go broke and would become permanently insolvent if legislation wasn't passed to increase revenue," Levy said.

California has borrowed $9.8 billion to keep unemployment insurance payments flowing. It owes the federal government an interest payment of $362 million by the end of September.

In Michigan, unemployment insurance tax rates declined from 1994 through 2001. The trust fund prospered during those years because of the healthy economy and low unemployment rate. Then the recession arrived and reserves plunged. In response, Michigan lawmakers passed legislation that lowered the amount of wages subject to unemployment taxes from $9,500 to $9,000. They increased the maximum weekly benefit from $300 to $362. The trust fund dropped from $1.2 billion to $112 million over the next four years. In September 2006, Michigan was the first state to begin borrowing from the federal government.

Other states held their trust funds purposely low as part of an approach called "pay-as-you-go." Texas is a nationally recognized leader of this effort. Its philosophy is that, in the long run, it's better for the economy to keep the maximum level of dollars in the hands of businesses rather than government. Texas had to borrow $1.3 billion in 2009. State officials have no regrets about their policy.

"By keeping the minimum in the (trust fund), Texas is able to maximize funds circulating in the Texas economy, allowing for the creation of jobs and stimulation of economic growth," said Lisa Givens, spokeswoman for the Texas Workforce Commission.

The pay-as-you-go approach goes against the findings of a presidential commission that looked into the issue of dwindling trust funds in the mid-1990s.
"It would be in the interest of the nation to begin to restore the forward-funding nature of the unemployment insurance system, resulting in a building up of reserves during good economic times and a drawing down of reserves during recessions," said the Advisory Council on Unemployment Compensation, which President Bill Clinton appointed.

Hobbie, from the association representing state labor agencies, said there's no way to tell which approach is better over the long haul. He acknowledged that keeping reserves at the minimum in good times goes against one of the original aims of the program — to act as an economic stabilizer in bad times. That's because businesses are asked to pay more in taxes, which leaves them less money to invest in their company.

A survey from Hobbies' organization found that 35 states raised their state unemployment taxes last year.

Hobbie said he suspects that some states allowed reserves to dwindle out of complacency.

"I think we just got overconfident and thought we wouldn't experience the bad recessions we had in, say the mid '70s, and then this big surprise hit," he said.

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Online:
Treasury Department accounting of trust funds: http://tinyurl.com/6783qjj
GAO 2010 report: http://tinyurl.com/69mfc9f
National Association of State Workforce Agencies: http://www.workforceatm.org/
Many government retirees also get public paychecks

Thousands of government retirees across the country return to work to collect public paychecks

By DANNY ROBBINS and PETER JACKSON and TAMMY WEBBER

Published: 10/01/2011

DALLAS (AP) _ At a state agency in Texas, the executive director is receiving a $123,000-a-year salary even as he is drawing a government pension, as he has for the past eight years. In a struggling Michigan school district, 10 administrators retired, started drawing pension checks and returned immediately as contract employees. A school administrator in Illinois makes a combined $409,000 a year in pension payments and salary for overseeing a public boarding school.

Double-dipping — the well-established practice of public workers collecting government pensions and salaries at the same time — has become a hot topic for lawmakers around the country during these times of severely strained budgets and increased focus on the benefits provided to government employees.

Yet even as some states have begun curbing the practice, a review by The Associated Press found tens of thousands of state and public school employees across the country drawing government salaries along with their pensions. In five states alone — California, New York, Texas, Florida and Michigan — at least 66,000 government retirees also receive taxpayer-funded paychecks.

The practice has come under fire not just because of the cost of paying both a pension and a salary to the same person. It also can strain public pension funds because the rehired retirees draw from them but do not contribute while taking the place of workers who otherwise would be paying into the system.

Of particular concern are people who retire early, only to take another government job and draw pension annuities for many more years than they otherwise would. State governments already have a combined $690 billion in unfunded pension liabilities, meaning they do not have enough money coming in to meet their future obligations.

"I don't see any private entity that would allow this to happen, and I don't see why government should allow it to happen," said Kenneth Sheets, a state representative in Texas who tried unsuccessfully to end the practice in his state earlier this year.
Some states have dealt with the issue by imposing lengthy waiting periods on retired public employees seeking to return to their positions, in hopes the jobs will get filled before retirees get a chance to re-occupy them. Others have placed limits on how much of their pensions retired employees can receive if they come back to work. No single agency collects data on government retirees who also are receiving public paychecks, and many states do not provide the information publicly.

To get a snapshot of how widespread the practice is, the AP reviewed a sampling of states of varying sizes, including several in which double-dipping has generated a public backlash.

Available data showed nearly 71,000 double-dippers in California, New York, Texas, Florida, Michigan, Georgia, North Carolina, Pennsylvania and Arkansas. In Illinois and Ohio, populous states with a strong union presence, there appears to be no reliable way to determine double-dipping figures for government retirees.

Aside from data not being available everywhere, the methods used by states to assess the practice vary widely, making comparisons difficult.

In Michigan, for example, data was available for double-dipping educators but not for other state employees. Texas provided data for state employees but not teachers. States that did provide figures typically had data for state government workers or teachers but not for city and county employees.

Defenders of the practice say double-dippers have become easy targets, particularly in states that have allowed pension funds to drop dangerously low.

One of them is Maury Roos, who retired in 2000 after 43 years as an engineer with the California Department of Water Resources. Within weeks of his retirement, he was asked to return part-time. According to the California Public Employees Retirement System, his annual pension is more than $113,000.

Roos said the additional income allows him to travel to engineering conferences. In exchange, he said, the state gets an experienced engineer at a bargain price.

"It actually saves them quite a bit of money as opposed to hiring someone new because there's no overhead," he said.

California had more than 6,000 government retirees back on the payroll as of last December, at pay rates ranging from as little as $8 an hour to as much as $8,437 a month.

Most government retirees collect relatively modest sums when they return to work. Yet critics cite examples of retirees who collect pensions and government paychecks well
into six figures and say double-dipping of any kind sends the wrong message in tough economic times.

In Michigan, for example, more than 11,100 school retirees drew both annuities and paychecks in 2010. They received pension payments totaling $227 million in addition to salaries totaling $71 million, according to data compiled for the AP by the state Office of Retirement Services.

Most of the retirees, some 7,700, already were double-dipping before a law limiting the practice took effect in July 2010. Among them were 10 administrators from a suburban Detroit school district who retired and immediately returned to their jobs as contract employees.

Superintendent Victor Mayo of the Hazel Park school district defended the decision to rehire them, saying it can save the financially strapped district $400,000 a year, or about $5 million over the life of the administrators' contracts. He said that's because the district doesn't have to pay health care or retirement benefits to the rehired administrators.

One, assistant high school principal Ronald Mermuys, draws an annual pension annuity of $53,231, according to district records. Officials did not immediately respond to requests for his salary as assistant principal, and employee salaries were not posted on the district website, as required by state law.

Mermuys, 57, said his decision to retire early and return as a contract employee saved money that was used to retain administrative positions that otherwise would have been eliminated. It was "the best thing for the kids and the district at the time," he said, while also acknowledging the potential pitfalls of double-dipping.

"If (too many) people do what I do, too, the retirement system is not sustainable," he said.

In Illinois, the governor recently signed legislation banning double-dipping between the state and municipalities — meaning, for example, that someone cannot work full-time for the city of Chicago while drawing a pension from the state.

Accounts of large pension and salary combinations prompted lawmakers and the governor to act, including that of a retired school superintendent who draws a $184,000 annual pension while making $225,900 a year as president of a public boarding school.

Glenn "Max" McGee said he understands opposition to double-dipping. But he said in his case, others also benefited from his 2007 retirement as superintendent of the affluent Wilmette School District north of Chicago.
He said he took a $40,000 pay cut to become president of the Illinois Mathematics and Science Academy, a first-of-its-kind statewide public boarding school, and accepted $10,000 less than the board offered him. "The way I look at this, if I'd (continued to work) full-time at Wilmette, the (academy) would be paying somebody more than me ... and I would be getting a bigger pension," he said.

In Florida, more than 12,500 workers in government or public education jobs received pensions totaling nearly $232 million in 2010, according to data compiled for the AP by the Florida Department of Management Services. To discourage the practice, lawmakers passed a measure in 2009 requiring retired public employees to wait six months instead of 30 days before returning to work.

Data compiled for the AP by the state comptroller in Texas show that more than 6,100 people who held positions in state government last year also were receiving $145 million in pensions. Double-dippers comprised about 10 percent of the employees in four state agencies, an AP analysis of the data found.

At the Texas State Board of Public Accountancy, Executive Director William Treacy retired in July 2003 and returned to his position a month later. He now earns a $123,600 salary in addition to a pension for which data was not made public.

Andy Homer, director of government relations for the Texas Public Employees Association, said a 2009 law requiring state retirees to stay out of government service 90 days before returning has been adequate and that no further restrictions are needed. Retired government workers in New York under age 65 who return to public employment are prohibited from receiving pension payments when their annual earnings reach $30,000. Even so, 2,345 retirees were on the state payroll and receiving pensions as of May, according to data compiled by the state comptroller.

Yet the state is unable to keep tabs on the thousands of double-dipping employees in city and county governments who are subject to the same regulation and are part of the state pension system. New York Comptroller Thomas DiNapoli said a bill signed into law this summer will allow his office to track those employees through a centralized system and shut off what he believes is a major avenue for fraud.

"With all the concern about government spending and adequate funding for pensions, we can't afford to squander any of this money in any way," he said.

Webber reported from Chicago and Jackson reported from Harrisburg, Pa. Associated Press writers Emery P. Dalesio in Raleigh, N.C., Bob Lewis in Richmond, Va., Shannon McCaffrey in Atlanta and Adam Weintraub in Sacramento, Calif., contributed to this report.
Recession upends dreams of aspiring teachers

Aspiring teachers see career dreams upended by the recession, as classroom positions dwindle

By JEFFREY COLLINS

Published: 09/24/2011


Stay-at-home-mom Cindy DePace was just hitting 30 when she decided to return to the work force by going back to school and becoming a teacher.

She loved working with kids, could be home in the summer with her own children and had always heard that someone with an education degree would never have trouble finding a job.

Five years later, she has a degree in early childhood education and tens of thousands of dollars in student loans to repay, but no teaching job. Instead, she files records at a law firm in South Carolina's capital.

For decades, the growing number of children in the U.S. and efforts in many states to lower class sizes created a high demand for teachers. Private-sector workers who lost their jobs or were looking for a mid-career change often were encouraged to return to school and earn a teaching credential, while states set up shortcuts to get them licenses.

But the Great Recession and its ripple effects on the state and local tax dollars that fund public schools have upended the conventional wisdom that a teaching job is a golden ticket to career stability.

DePace earned her education degree from private Columbia College and got divorced along the way. Now 35, she has given up her dream of working in a classroom.

She had five interviews, attended several job fairs and filed countless applications without getting a response.

"I've got $60,000 worth of student loans that I have to pay back. I'm paying them back as a single mom, and I'm not even working in what I went to school for," she said. "So I feel like I just wasted my money."

A national survey of school districts in June by the Center on Education Policy estimated that 48 percent of them cut teaching jobs last school year. The survey found 84 percent of districts are bracing for additional funding cuts this year.
A survey in May of more than 1,000 school superintendents across the country by the American Association of School Administrators found that 74 percent anticipate having to cut jobs this year, with the majority of those being teachers or teacher aides. An association survey of 692 school administrators found that 48 percent laid off employees last year.

In California alone, budget cuts have led to about 30,000 teachers and more than 10,000 support staff being laid off in the past three years, according to estimates by the unions that represent them. The number of public school teachers in Michigan has shrunk by nearly 9 percent since peaking at nearly 118,000 during the 2004-05 school year, a loss of about 10,000 jobs. That parallels an 8 percent drop in the number of Michigan public school students but also reflects shrinking state aid.

Those just entering the profession also are vulnerable because of school district rules that require administrators to lay off the most recently hired teachers first, meaning some graduates lucky enough to find a job are out of work within a year. The layoffs have made competition fierce for the few job openings that do become available.

Andrea Ross-Woody, a principal at a private school near Sacramento, Calif., said she received about 50 applications for a teaching job that pays $1,700 a month with no benefits. Some applicants have been looking for full-time work for several years. Others recently completed expensive credential programs at for-profit colleges and are carrying large loads of debt.

"It just amazes me that they keep putting more teachers out there and there are no jobs," said Ross-Woody. "We just have a lot of teachers who are out of work. It's just a very sad situation."

In Austin, Texas, a district with 86,000 students is hiring just 72 teachers. Six years ago, it hired 800.

Most of its open positions are for specialties such as bilingual elementary school teachers or science and math teachers in middle and high schools. Graduates with degrees in early childhood education face stiff competition for very few positions, said Michael Houser, a recruiter for the Austin Independent School District.

"It's a triple tragedy in a way," said Wellford "Buzz" Wilms, an education professor at the University of California, Los Angeles, who has been training new teachers for three decades. "The kids invest all this time and they face such a bleak job market. These are some of the best kids in the world, and we miss putting them where they are needed the most."
College students are getting the message. At UCLA, the number of applicants for its teaching program has fallen by more than a third since 2003, Wilms said.

The enrollment numbers for California State University, which graduates the majority of the state's teachers, are even starker. Enrollment peaked in fall 2002 with 31,000 students but has fallen over the past nine years to 13,500 students last year, said Mike Uhlenkamp, a spokesman for California State University.

Nationally, the number of bachelor's degrees given in education started to decline after 2006, while the number of degrees in fields such as business and nursing continues to increase, according to U.S. Department of Education data.

Some students saw it coming.

Tasha Brannan graduated from Winthrop University in South Carolina in May with a degree in early childhood education, but already had decided to change course as the economy tanked and friends told her about their difficulties trying to land teaching jobs.

"I had heard from so many people who graduated a semester before me or a year before me that had a lot of trouble finding something in the education field. I was really fortunate to find something as quick as I did because I have student loans I have to pay back," she said.

Brannan, 22, is applying some of the skills she learned in her teaching program — patience, flexibility — to a different career: working with a firm that hires temporary workers.

How soon the picture for aspiring teachers will brighten is as clear as predicting when the economy will turn around.

In his recent national address on job creation, President Barack Obama talked about investing $35 billion to prevent the layoffs of up to 280,000 teachers while hiring tens of thousands more, but his plan faces uncertain prospects in a divided Congress.

In the meantime, education professors and school district recruiters offer the same advice: Before graduating, find a job such as a teacher's aide or a substitute that could be a bridge to a full-time teaching position.

That's the route 27-year-old Kim Estey, of Sutter Creek, Calif., has tried to take.

Since earning her teaching credential at California State University, Sacramento in 2008, Estey has worked part-time as a substitute teacher for three districts, earning about $100 a day and hoping to get leads on potential job openings. She recently started tutoring at nights and on weekends to earn extra money.
"I still live with my parents at 27 because they don't want me to give up on my career," Estey said. "There's no way I can move out. I'm engaged and can't plan on getting married until I get a job."

About half the students in her credential program have left education and found work in other fields. But Estey still hopes she can land a full-time teaching job even as she faces more competition from new graduates and seasoned teachers who were recently laid off.

"It's a bad climate right now, but this is really what I'm supposed to be doing," she said. "I'm hoping by next year I'll get something. There is a job out there for me. I've just got to be patient."

Associated Press writer Terence Chea in San Francisco contributed to this report.
Gutted by the recession, a town clings to life

The tax base evaporated in Whitmire, S.C., just as the well of government aid also ran dry.

By JEFFREY COLLINS

Published: 04/27/2011

http://www.startribune.com/nation/121032954.html?page=all&prepage=1&c=y#continue

WHITMIRE, S.C. - This town of 1,600 used to live by the steady thump, whirr and whistle of the looms in its giant textile mills, churning out socks and yarn to be used by other mills in a vast region that stretched from the Appalachian foothills to the coastal plains of the Carolinas.

The mills and the jobs they created led to decades of economic stability that earned Whitmire the nickname "Pearl of the Piedmont."

Now the last of those plants is gone, leaving the town caught between two forces of decline: the evaporation of its job and tax base, and a recession that has hammered governments at all levels.

The plunge in government tax revenue for most states and their resulting budget crises means Whitmire and other small towns across the U.S. are receiving less assistance than they might otherwise get when a major employer packs up and leaves.

State grants have dried up because South Carolina state government must cut hundreds of millions of dollars from its own budget. Meanwhile, the federal stimulus program that had provided tens of billions of dollars to local communities is ending, and Congress has shifted into a cost-cutting mode as it struggles to contain the federal debt.

Those cutbacks in state and federal assistance have consequences for small towns on the margins of the economy, where the recession remains a daily reality.

At first glance, Whitmire, about midway between Columbia and Spartanburg, doesn't look like a town in trouble. The quiet is broken only by passing log trucks or 18-wheelers and the on-the-hour recorded gospel music emanating from the Baptist church.

A recent streetscaping project gave the two blocks of Main Street a nostalgic feel, but that work was paid for with the kind of grants that have dried up in the recession.

A closer look illustrates Whitmire's struggles.
Its budget has been cut nearly in half, from about $1 million to $550,000 in about five years. The town's payroll has taken a similar whack, with just 15 employees left to patrol the streets, pick up trash and keep the water plant running.

"We're only about 1,500 people, so everybody knows everybody else. Some of these people had worked for the city a very long time," said Chrystal Harsha, who has spent eight years as a town councilwoman.

Whitmire and small, rural towns like it were part of the first wave of places staggered by the Great Recession.

Countless towns and cities followed as the recession intensified, discovering that it can be nearly impossible to keep offering the same level of services without raising taxes or fees on residents, many of whom are jobless or working part-time, low-wage jobs just to pay the rent or mortgage.

Cities facing shortfalls

A 2009 report from the National League of Cities provides little comfort, finding that cities across the country could face combined shortfalls of $53 billion by the end of 2012.

One in four cities surveyed last October already had made cuts in public safety. Four in five had cut at least some employees, while half had frozen salaries or put in place some kind of wage cut, according to the report.

At the same time, city governments are facing resistance to tax increases, in part because the recession and persistently high unemployment make it more difficult for residents to reach deeper into their pockets. Even so, 40 percent of surveyed cities raised fees last year to help maintain services.

"I kind of smile sometimes or laugh at these people who say they don't want any government," said Jim Brainard, mayor of Carmel, Ind., and a trustee for the League of Cities. "OK, they don't want public water systems or roads or streets or police protection. If their house burns down, they don't want a firetruck to show up? That's really what local government does."

Whitmire's decline started a decade ago when the giant J.P. Stevens mill, which paid half the town's taxes, closed. The bad news peaked in 2009 when the Renfro Corp. took just 30 days to close what locals called the "sock plant," tossing 570 people out of work and taking away half the water plant's business.
The town listed the empty Renfro plant on a state registry that offers buildings to prospective clients. Carroll, the mayor, recently checked the site and found about 500 similar buildings listed in South Carolina.

The plant's closing set in motion a chain of heart-wrenching events for the mayor and town council, including a hike in water rates that sent bills from about $30 a month to $70. The town also started laying off workers.

The best job of her life

The casualties of the sock plant shutdown include Becky Ellison, who now wonders whether she will ever find another job.

"It seems the more you try to better yourself, the more you get kicked around," said Ellison, a 1986 graduate of Whitmire igh School.

Working at the Renfro plant was the best job of her life. Ellison took home about $350 a week doing quality control, checking the work of other employees. The job gave her affordable health and dental insurance. She worked there for three years before the plant closed, but didn't have much in savings and hasn't been able to find another job.

Now she's staring at a water bill that has doubled and other expenses while making just $185 a week on unemployment as she goes back to school for an associate's degree in administrative office technology.

"It is either eat, or pay my water bill. And I've got to eat," Ellison said.
Do public employees get a better deal? It depends

Are public employees better compensated than private-sector ones? It depends on where, and who

By MICHAEL HILL

Published: 04/16/2011


ALBANY, N.Y. (AP) — A prosecutor in California collects $118,000 in unused sick days. A police officer in New York rings up $125,000 in overtime the year before retiring and "spikes" his pension payments. An Ohio school superintendent is hired for the same job from which he just retired and takes in more than $100,000 annually in salary and pension.

The headlines feed a stereotype of fat-cat public workers with the kind of cushy benefits that most private-sector workers can only dream about. With the economy still wobbly, governors are looking hard at employee pay and benefits, and taxpayers are asking whether state and local governments can remain so generous to public workers.

The issue has risen to national prominence as Republican governors in Wisconsin and Ohio have sought not only to make public employees pay more for their benefits but also prohibit many aspects of collective bargaining for the unions that represent them.

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EDITOR'S NOTE — This story is the latest installment in a joint initiative by The Associated Press and Associated Press Managing Editors on the fiscal crisis facing U.S. states and cities, how state and local governments are dealing with severe budget cuts, and how American lives will change because of it.

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Just how accurate is the portrayal of lavish compensation and benefits for public workers?

Researchers disagree over whether public workers in different states do better when it comes to the larger picture of total compensation — that is, earnings plus benefits. But there's little debate that when it comes to benefits alone, it's better on the public side.
"Because of the economic problems, we've suddenly hit upon the fact that public workers have better benefits. But they've always had them, even previous to collective bargaining. That was one of the reasons people took a government job," said Jeffrey Keefe, a labor and employment relations associate professor at Rutgers University in New Jersey, who argues that state and local workers are generally undercompensated.

The workers cashing in on excessive benefits are not the norm, and average annual benefits for the nation's rank-and-file public work force are relatively modest. Public safety employees, who risk their lives or can be seriously injured on the job, can make a persuasive argument for top-notch benefits. It's one reason Wisconsin Gov. Scott Walker exempted them from his crackdown on public employee unions.

Still, most state and local government workers are not engaged in arresting criminals or saving people from burning buildings and generally receive better benefits than their counterparts in the private sector. They typically receive better pensions, better health care insurance deals and are much more likely to get retiree health benefits.

They also receive other perks not typically matched in the private sector, such as more paid holidays and the ability to cash out accrued sick time.

For every dollar the average private employer pays in benefits per hour, state and local governments pay $1.71, according to federal Bureau of Labor Statistics data.

However, those national averages don't show how public worker benefits vary from job to job and from state to state. And benefits are only part of the compensation picture, along with salary. There is disagreement over whether the public-private benefit gap is offset by higher private-sector salaries.

The most politically combustible public benefits are the ones that have drawn so much attention as states' budget deficits have widened — lifetime pensions and retiree health care. Many states face tens of billions of dollars in unfunded liabilities because they have contractually promised retiree benefits they now cannot afford.

New Jersey Gov. Chris Christie became a Republican star last year by taking on teachers unions over benefits. This year, a new crop of governors has followed his lead.

Pension payments account for roughly 3.8 percent of state and local expenditures, but that share is expected to grow, according to the Center for Retirement Research at Boston College.

In California alone, an independent government watchdog agency published a report this year that estimated a $240 billion shortfall for the state's 10 largest public employee pension plans. Some cities will have to devote from one-third to one-half of their budgets to support retiree benefits in the near future.
Most public workers get "defined benefit" pensions from the time they retire until the day they die, along with health care. By comparison, only about one in five private-sector workers has a defined benefit pension plan. More have 401(k)-style "defined contribution" plans, which put the burden of saving and investing entirely on the employee.

Public employees can receive more than twice the pension benefits of their private-sector counterparts. The Little Hoover Commission, the California watchdog agency that issued the recent pension report, found that retirees with more than 30 years in the state's public employees' retirement system average almost $67,000 a year in benefits, or more than double the state's per-capita income.

It's notably better on the public side for health care benefits, too.

Some states cover the full tab for at least some of their workers' health plans, although that number appears to be shrinking. Governments are more likely to provide health care coverage for dependent grandchildren and part-time employees, and are three times more likely to provide retiree health care coverage, according to the latest employee benefit survey by the Society for Human Resource Management.

Very few private workers get employer-paid health care once they retire.

Retirement and health insurance can account for more than half the value of benefits received by state and local workers. But public employees hold an edge in some other perks, too.

— Researchers peg the U.S. retirement age around 63. Meanwhile, the average teacher retirement age is 58, according to Michael Podgursky, a professor of economics at the University of Missouri-Columbia who studies teacher quality issues. It's common for police officers and firefighters to be able to retire after 20 years of service, although those jobs can be among the most demanding and dangerous. Some states are considering higher retirement ages or have negotiated that change for future employees.

— State and local workers average 11 sick days after a year on the job, compared to private workers' eight, according to the U.S. Bureau of Labor Statistics. Some public workers can "cash out" unused sick days, a rarity in the private sector.

— State and local workers average 11 paid holidays a year, compared to eight in the private sector, according to the bureau. The holiday mix varies. Louisiana gives a day off for Mardi Gras, Massachusetts celebrates Patriots Day as a state holiday, and Georgia is among the states that mark Confederate Memorial Day.
— State and local workers also are less likely than private-sector workers to be fired or laid off, according to federal data.

Private workers do hold an edge in overtime pay and bonuses. The public-private benefit gap also narrows when looking at larger companies — think of benefits for a clerk at a mom-and-pop store versus an engineer at Google. The largest private companies actually pay more per worker for vacation and holiday time, according to the latest per-hour Bureau of Labor Statistics data.

Also, public employees in some states — including teachers in California — are not in the Social Security system, meaning they rely more heavily on their government pensions for retirement security.

While the benefit packages are being targeted in many statehouses, pro-union voices counter that the government employees society relies upon to patrol the streets, rush into burning buildings, teach the next generation or issue driver's licenses deserve to be decently compensated. They say public employees are being unfairly scapegoated for the fiscal crisis afflicting most states.

In New York City, Patrolmen's Benevolent Association President Patrick J. Lynch said police officers' hard-fought benefits are earned, given the perilous nature of their jobs.

"The reality is that when they take that last step off their stoop in the morning, they may not return in the evening," Lynch said. "So we're different, and we need to be treated differently. And that's the thin line that keeps everything working."