JOURNAL OF THE SENATE

TUESDAY, January 22, 1974.

The chief clerk makes the following entry under the above date.

EXECUTIVE COMMUNICATIONS

State of Wisconsin
Office of the Governor
Madison, Wisconsin

January 21, 1974.

To the Honorable, the Senate:

I am returning Senate Bill 512 to you without my approval.

No one is more mindful than I of the impact that inflation has had upon all of our citizens, including retired teachers, who must get along on fixed incomes. I am also aware that many retired teachers are persons who during their earning years were rendering an invaluable public service at a relatively low level of compensation, thus preventing the accumulation of large pension benefits and other assets from which to derive retirement income.

Nevertheless, a number of compelling reasons have led me to veto Senate Bill 512. I would have no hesitancy signing a bill to provide teacher retirement supplements if the only beneficiaries were those teachers with meager pensions and minimal income from other sources. Senate Bill 512, however, represents a departure from this principle, a principle which has been the basis for most of the previous supplement legislation and particularly Chapter 290 of the Laws of 1971. Chapter 290, unlike Senate Bill 512, provides retirement supplements on the basis of need, and excludes those teachers who have an adequate retirement income from pensions and Social Security.

Senate Bill 512 limits its coverage to those teachers retiring before 1965. However, many of those teachers who retired after 1965 are ineligible for the improved formula benefits provided by Chapter 20 of the Laws of 1973. The latter group would benefit from pending Senate Bill 627.

For the remainder of the 1973-75 biennium, enactment of Senate Bill 512 would cost approximately 4.9 million dollars of General Purpose Revenues. Senate Bill 627, if passed and approved, would add an additional cost of 5.6 million dollars for the balance of this biennium. By contrast, teacher supplement payments from General Purpose Revenues under all previous legislation will be about 4 million dollars this biennium. Thus, Senate Bill 512 would more than double the current cost of teacher retirement supplements, and this cost would be more than tripled if Senate Bill 627 were also enacted.

I believe our fiscal resources are inadequate to fund the supplements proposed under both Senate Bill 512 and Senate Bill 627. Therefore, I urge the Legislature to reconsider Senate Bill 512 in the context of the current economy and the limited availability of General Purposes Revenues. It is my hope that this reconsideration will result in a decision to follow what I believe to be the most equitable and prudent course -- to use the dollars available to aid all teachers retiring before 1973 who have the greatest need.

It is with respect to the issue of need that Senate Bill 512 is most deficient. Contrary to the representations of its proponents, the bill aids the least needy of those teachers retiring before 1965. The purpose of retirement supplements is much the same as the Homestead Tax Credit, which is to provide relief to those on fixed incomes who are hurt most by inflation. Therefore, retirement supplements, like the Homestead Tax Credit, should be determined by taking into consideration all sources of income so that the most needy receive the benefits.

Senate Bill 512 is also deficient in that it grants benefits, in part, on the basis of age. The age-related benefits are intended to provide additional relief to those teachers who have had the longest exposure to the pressures of inflation. However, if teachers who retired before age 65 are to be treated equally with those who retired at age 65 (and have therby benefitted by all the salary and pension increases available to persons in their age groups), any retirement supplements paid to account for inflation should be based on the length of retirement, not the age of the recipient.

In a broader context, I am troubled by the process by which pension and supplement bills reach my desk. I have become increasingly concerned not only about the large amount of money involved in this retirement legislation, but also about the development of such legislation outside of the regular budget-making process. Since the major expense of government is the cost of personnel, of which the associated cost of retirement and other fringe benefits is a major part, reform of the budget-making process to include consideration of retirement legislation is absolutely mandatory.

Such reform will have other desirable results. Haphazard consideration of retirement legislation gives special interest groups an advantage to the detriment of sound fiscal planning and development of equitable retirement programs. By incorporating retirement programs in the general budget-making process, we will eliminate the patchwork approach which now characterizes the development of such legislation.

My approval of any new retirement legislation will be conditioned upon progress toward the development of a system that will apply consistent budgetary policies and standards of coverage to the many complex provisions of the various retirement systems. I am prepared to work with the appropriate members of both houses of the Legislature to accomplish the substantial reform necessary.

In addition to the broad revenue and budget-planning questions, Senate Bill 512 also raises a serious question of equity. This is a retirement <u>supplement</u> bill. Under the State Constitution, only teachers may have their retirement benefits supplemented from current tax revenues <u>after</u> they have retired. The amendment allowing teachers this advantage was approved by the people in 1956. An amendment to extend a similar advantage to all public employees will be considered at the 1974 Spring Election.

This referendum will give us a current indication of the public's willingness to pay pension supplements. If supplements for all public employees are approved, a fair and rational policy will be required for considering the needs of not only teachers, but also the needs of all other retired public employees covered by State retirement programs. These considerations also require that any teacher retirement supplements approved now be based upon sound policy considerations.

Respectfully submitted,

PATRICK J. LUCEY

Governor