In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed House Bill 1567.

This bill allows members of the State Employees' Retirement and Pension Systems who have 25 years service and are at least 50 years old to retire early. As an incentive, eligible employees who retire during the 60-day window period (July 1, 1992 through August 31, 1992) will be granted two additional months of service credit for each year of service. The legislation prohibits those who participate in the early retirement program from accepting any temporary or contractual employment with the State. It also requires the Executive to abolish 60 percent of all positions vacated through early retirement. Finally, the bill provides for the first $2 million in savings to be credited to the Sunny Day Fund, the next $13 million to the General Fund, and any remaining savings to the Rainy Day Fund.

While House Bill 1567 appears to be a painless way to downsize State government and reduce costs, I am concerned about the long-term fiscal implications and the adverse effect it will have on State government operations. My skepticism is based on the inability of numerous other states to achieve their desired goals.

Virginia's early retirement program was supposed to cut costs by $37 million in fiscal year 1992. State officials there have already reported that the program will fall short of its goal by $10 million, forcing cuts elsewhere in the state workforce.

Arkansas' early retirement program also failed. Its downfall was that too many retirees had to be replaced and long-term salary savings could not be achieved.

My first concern about House Bill 1567 is that the cost effectiveness of an early retirement program has been overstated. While the actuarial projections indicate that the State will realize approximately $15 million annually in salary savings, these savings can only be achieved if the vacated positions remain unfilled for an extended period of time. Furthermore, the costs to the pension and retirement systems will approximate an additional $39 million -- more than double the estimated salary savings. More importantly, the cost analysis ignores what the genuine needs of State government will be at a future date. A second concern is that House Bill 1567 requires State employees to receive two months of additional service credit for each year of creditable service. Providing this incentive will increase an employee's pension benefits by 16.7 percent. This provision is worrisome because it drives up the liabilities of the pension and retirement system funds and gives a substantial monetary bonus to many employees who may well have planned to retire anyway.

Another problem with the legislation is that it does not take into consideration that State agencies have experienced seven rounds of budget cuts and have already eliminated more than 5,000 positions over the last two years. As a result, staffing levels at many agencies are already inadequate. I cannot anticipate which employees would take advantage of this program but the legislation nevertheless requires that 60 percent of the positions vacated by early retirement be abolished. This deprives the Executive of effective control over staff, and could have a devastating impact on the level of State services provided in the areas of public safety, higher education, health care, juvenile services, and the Comptroller's Office. This problem is exacerbated by the fact that those who will take advantage of this legislation will undoubtedly be our most experienced State employees.