

CITIZENS BUDGET COMMISSION

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CBC Statement on the Passage of the Extender Bill Today

New York, NY – May 10, 2010 – The Citizens Budget Commission (CBC) today issued the following statement by CBC President Carol Kellermann:

With the passage of the temporary spending bill today New York will begin a forced savings plan through the furlough of State employees. With a \$9 billion budget gap yet to be addressed this year and a \$20 billion gap in just three years, savings are urgently needed and labor is one of the right areas of the budget in which to seek them.

Labor costs comprise 20 percent of the State operating budget and they are growing. By fiscal year 2013-14 total compensation is expected to reach \$22.2 billion, an increase of \$3.3 billion, or 18 percent. Fringe benefit costs are rising particularly rapidly. By fiscal year 2013-14 the fringe rate as a share of salary is projected to reach *60 percent*. Health insurance costs are expected to grow by 40 percent over the financial plan period and pension costs by a whopping 184 percent.

Although short-term measures that conserve cash are appropriate under the circumstances, the real solution to the problem will only come with the passage of a budget that reduces spending on a recurring basis. New York will face fiscal difficulties so long as it continues unsustainable spending and makes financial promises—to the labor unions or any other constituency—that it cannot keep.

Labor representatives must begin to be partners in the solution rather than courtroom adversaries. There are alternatives to forced furloughs that have the benefit of providing significant savings for more than one year.

First, more of health insurance premium costs should be shared with current and retired employees. In addition, the practice of allowing retirees to buy down the future costs of health care premiums by applying unused sick days should be discontinued and the highly unusual reimbursement for the cost of Medicare Part B premiums ended.

Second, a defined contribution option should be added to the pension system for all State employees. New hires could be given the option to enroll at the outset of their employment with incentives to join. New employees who anticipate greater mobility in their careers might prefer a portable option to a fixed plan.

Third, the size of the State workforce and payroll needs to be reduced. Since the State's fiscal crisis began State employment has been reduced by just 1.6 percent, or 3,640 positions. In this coming year the Executive Budget proposes to reduce full-time positions even less, by just 674 or 0.03 percent, by the end of fiscal year 2010-11. This plan is insufficient. Greater reductions through attrition, as well as the possibility of reducing headcount through layoffs, should be under consideration. A wage freeze should be implemented. If the four percent increase due in the final year of the current contract were eliminated payroll costs would be substantially reduced going forward.

There are options besides a forced furlough and a battle over its legality in court. Governor Paterson is right to insist that all parties recognize fiscal reality. A budget that recognizes reality is past due and Legislators, labor leaders, lobbyists, and every other constituent group with a vested interest should join in to get one passed.

Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.