

<b>2008-09 Spending Plan</b>	Labor-Management Committees (LMCs) (Collective Bargaining Agreements)
	Gary Johnson, Director The Governor's Office of Employee Relations (GOER)

## A. Overview of Proposed Plan

### A.1 Overall Approach (Executive Summary)

The Governor's Office of Employee Relations (GOER) has developed a financial reduction plan that will allow the Labor-Management Committees (LMCs) to continue to provide core functions at significantly reduced cost and maximum efficiency. The LMCs will implement strict agency-wide savings guidelines for non-personal service discretionary expenses.

While a small agency, the LMCs will achieve savings by limiting the use of overtime to exception-only basis, reducing the use of hourly employees, and encouraging increased employee use of the Voluntary Reduction In Work Schedule (VRWS) program. When vacancies occur, we will hire and backfill only for critical positions.

We have recently reorganized the Workforce & Organizational Development Unit within the Governor's Office of Employee Relations by transferring 12 positions to the LMCs. This move was agreed to in collective bargaining with PEF and CSEA and more appropriately places these positions in the LMCs.

The LMCs will achieve the required \$600,000 non-personal service reduction by following the guidelines above and by agreeing to fund and implement only programs that have a significant return-on-investment for the State. We believe it will take much of the 2008-09 fiscal-year to be able to implement many of the initiatives agreed to with the unions during negotiations. Savings will be found in both large and small projects. At the same time, as described above, GOER and several of the large unions (CSEA, PEF, and UUP) have agreed to increase staff in the labor-management committees to achieve our joint goals. This staffing increase will be offset by reducing use of consultants.

The LMCs will continue to use our existing approval process, which scrutinizes all requests for travel to ensure that conference attendance will be limited to only mission-critical attendance. In addition, the LMCs will explore alternatives to the traditional in-person conference format, such as webinars and videoconferencing, to achieve savings.

GOER's Director has authorized the Administrative Officer and Assistant Administrative Officer to review all proposed expenditures, and approve or deny them based on the criteria above. The LMCs strongly support the Governor's spending reduction directive and we will achieve the assigned goals in all areas.

*A.2 Achievement of Savings on a Recurring Basis*

Austerity measures described above will be in place to achieve recurring savings in both personal and non-personal service. The \$600,000 non-personal service reduction will be achieved by following the guidelines above and by agreeing only to fund and implement programs that have a significant return-on-investment for the State.

*A.3 Protecting Key Priorities*

For the LMCs, the key priority is to meet our contractual obligations by implementing the various programs agreed to in collective bargaining. The plan we have outlined will enable us to meet these obligations.

*A.4 Treatment of New Initiatives*

The LMCs have a number of new initiatives that were agreed to and funded through collective bargaining. We will be able to fund these initiatives with our cash plan. Examples include:

- Expansion of NYS-Ride – This pre-tax transportation benefit enables employees to pay for transit fare using pre-tax dollars; the current NYC-based pilot will be expanded statewide in July.
- Expedited Disciplinary Procedure Pilot – This pilot will permit cases to be heard earlier in the process, and will amount to less time spent in litigation, much shorter suspensions without pay, and therefore, potentially smaller back pay awards.

**B. Summary of General Fund Financial Impacts**

<b>GENERAL FUND -- SAVINGS SUMMARY</b>		<small>Note: All amounts in thousands.</small>	
	Required Reduction	2008-09 Savings	2009-10 Savings
LMCs			
Personal Service	N/A	0	0
Non-personal Service	600	600	600
<b>Total State Operations</b>	<b>600</b>	<b>600</b>	<b>600</b>

*Note: LMC non-personal service savings are achieved through significant reduction in consultant contracts, enhanced travel restrictions, and limiting discretionary purchasing.*

**GENERAL FUND -- YEAR-TO-YEAR CHANGE, AFTER SAVINGS**

Note: All amounts in thousands.

	2007-08 Actual	Revised Projection	Percent Change
LMC			
Personal Service <sup>1</sup>	10,173	7,471	-26.6
Non-personal Service	12,220	25,052	+105.0
Total State Operations	22,393	32,523	+45.2

Note: LMC non-personal increase is due to implementation of four new collective bargaining agreements with CSEA, PEF, UUP, and DC-37.

**C. Identification of Proposed General Fund Actions**

Note: All amounts in thousands.

	2008-09 Cash	2009-10 Cash	2010-11 Cash
<b>GENERAL FUND</b>			
<b>State Operations</b>			
1. Reduce usage of consultants	500	500	500
2. Implement more restrictive travel policy	50	50	50
3. Limit to mission-critical equipment purchases	<u>50</u>	<u>50</u>	<u>50</u>
Total General Fund Actions	600	600	600

**D. Summary of Impact on Other Funds**

N/A

**E. Identification of Proposed Other Fund Actions**

N/A

<sup>1</sup> As a point of clarification, the actual LMC personal service 2007-08 figure provided by the Division of Budget represents both LMC staff personal service and multiple union uniform, clothing, and tool allowances processed through the payroll system by agencies. However, GOER financial reports/data supplied by the Office of the State Comptroller do not reflect the various allowances as personal service. Therefore, GOER is forced to report the allowances as non-personal service rather than personal service. The Total State Operations totals are accurate and reflect the LMCs' cash disbursement ceiling.

## F. Plan to Manage the Workforce

### F.1 Overall Approach

- 1) Hire only for critical positions.
- 2) Permit overtime on an exception-only basis.
- 3) Encourage employees' use of VRWS.
- 4) Use attrition to ensure savings.
- 5) Fund and implement programs that have a significant return-on-investment for the State.

### F.2 Plan for Refill of Vacant Positions (both current and anticipated vacancies)

We anticipate that mission-critical vacancies will be filled to meet contractual obligations agreed to in collective bargaining.

<b>Workforce Impact -- All Funds</b>	
<b>LMC</b>	
<b>a. Initial Target: 65 [for reference]</b>	-----
b. Current Fills PP# 3	59
c. Recurring impact of proposed actions (see Parts C & E)	13
d. Recurring impact of vacancy-refilling plan (see F.2)	55
e. Total FTEs March 31, 2009 (line b, plus c, plus line d)	127
f. Change from Initial 2008-09 Target (line e minus line a)	+62

*Note: The 62 FTE increase is due to commitments made in the recently negotiated agreements with major unions, which includes eight earmarked positions. One additional FTE increase is due to the transfer of one position from GOER to LMCs.*

## G. Monthly Projections: All Funds Workforce; General Fund State Operations/Local/Capital

See Attachment A

## H. Assumptions Underlying the Proposed Plan

This plan assumes:

- The contractual obligations in the collective bargaining agreements will be met within the reduced ceiling level.
- The LMCs' cash ceiling will be raised commensurate with the appropriations achieved when agreements currently in negotiations, or soon to start negotiations, are reached.

## I. Management of Risks Inherent in the Plan

N/A

## J. Additional Savings Opportunities for 2008-09

N/A

## K. Potential Future Savings Opportunities/Operational Improvements (indicate if statutory change is required)

*K.1 For the statewide perspective, GOER offers the following:*

- 1. Explore the possibility of using alternate prescription drug purchasing options including Canadian purchasing** - CSEA proposed this option during negotiations. Based on their experience in doing this with local government employees, they found significant savings. Since it was far too complex a subject to agree to during collective bargaining, CSEA and the State agreed to conduct a study of one vendor, CanaRx, and seek other alternatives to the current method that prescription drugs are purchased on behalf of the Empire Plan Prescription Drug Program.
- 2. Study the ability to self-insure all or some of the components of the Empire Plan and the State-sponsored dental plan** - Given the cost of health insurance and questions about the performance of insurers and administrators, the Department of Civil Service introduced a bill to enable the State the ability to self-insure. The decision to self-insure all or part of the NYSHIP benefits must be examined more closely. Under the self-insurance scenario the State, rather than the insurer, would “hold” the Empire Plan reserves and pay the State insurance tax to itself. It appears feasible that removing the requirement to insure at least the prescription drug program and state-sponsored dental plan will produce savings for the State by allowing the Health Insurance Council to exercise more control and oversight over these benefits.
- 3. Implement a Centers of Excellence Program for Bariatric Surgery** - The State and our public employee unions sought to create a Centers of Excellence Program for Bariatric Surgery because the risk of complications and death can be reduced by referring individuals to a network of the highest quality Bariatric Surgery Programs.
- 4. Managed Radiology and Diagnostic Tests** - Established through recent negotiations with the State unions, the managed radiology program for the Empire Plan will mean that effective July 1, 2008 prior certification will be required for CAT Scans, PET Scans, MRAs, Nuclear Medicine Procedures, and MRIs. With an annual trend for diagnostic procedures of close to 20 percent, the elimination or deferral of even a small number of procedures will result in savings and increased quality of care. The State and the unions will

also be tracking “self-referral” of diagnostic procedures by physicians who own or jointly own CAT, PET, or nuclear medicine equipment. It is generally known in the medical community that medical practices with “on-premises” diagnostic equipment order more procedures. Since the information is more anecdotal than statistically significant, we will wait for the outcome of this review to take steps to more closely monitor those situations.

5. **Empire Plan Prescription Drug Formulary Flexibility** - The Empire Plan Prescription Drug Program uses a Preferred Drug List (Formulary) as the basis for Plan benefits. Because of the negotiated design of the benefit, the Prescription Benefit Manager (PBM) is often unable to take advantage of price reductions in certain medications or avoid costs when drug costs increase. Therefore, as negotiated with the State employee unions, effective January 1, 2009 when deemed appropriate, the Empire Plan Prescription Drug Program Insurer/PBM shall be permitted more flexibility in the administration of the formulary in four specific areas. We will closely monitor savings expected from this change.
6. **Coordinate Agency Training Resources** - GOER is in a position to coordinate training resources, thereby reaping savings without diminishing the training made available to the workforce. This targeted initiative would coordinate training offered by agency trainers and developed by agencies.
7. **Expand Use of Telecommuting** - This initiative could save on leased space, travel, and other areas, while also contributing to the Governor’s efforts to have the State be more “green”.
8. **NYS Learn** - GOER has implemented a statewide enterprise learning management system, NYS Learn, to replace a legacy application deployed about 10 years ago. NYS Learn will be used to administer training offered to M/C employees and other employees through various collective bargaining agreements. In the first phase, GOER is piloting the system with about a dozen agencies. During the second phase GOER is proposing to make NYS Learn available to all state agencies that need to manage their internal training.
9. **Implement Time-Off Program** - Develop a non-mandatory program in which employees choose to take time off without pay for up to 10 days. This program might appeal to those employees with little or no leave credits and provide a direct cash savings to the State. Such a program would have to be negotiated with the unions.
10. **VRWS** - Encourage greater use of the VRWS Program by eliminating pro-rating of leave credits.

*K.2. Performance Measures:*

The LMCs are in the infancy stages of developing performance measures to meet both agency and Executive Chamber needs.