State Workforce

I. Overview

This Budget addresses the unsustainable growth in employee benefits by proposing a new tier to the pension system. The Budget also projects that State employee unions will settle contracts consistent with contract settlements in 2011-12 and reflects the centralization of certain State functions to achieve efficiencies.

State employees deliver services to the public and manage a range of facilities and provider networks. They oversee and administer billions of dollars in program funding and capital projects. There are 186,000 state employees employed in Executive agencies, the SUNY and CUNY systems and in the Office of the Attorney General and State Comptroller. In agencies directly controlled by the Executive, the number of positions has declined by 16,000 (11.6 percent) since 2007-08, from 138,000 to 122,000 positions.

Approximately 94 percent of the State workforce is unionized; there are ten employee unions and 14 negotiating units. There are approximately 11,000 Management/Confidential (M/C) employees, who are not represented by a union.

State employees receive an average compensation (salary & other pay) of $68,380 plus fringe benefits, totaling $101,141.

The largest State employers are:

Agency	Workforce (3/31/12 Estimate)
State University of New York	42,206
Department of Corrections and Community Supervision	29,773
Office for People With Developmental Disabilities	20,718
Office of Mental Health	15,327

II. History/Context

In State Fiscal Year 2011-12, the State negotiated fair and equitable contracts with unions representing 65% of the state workforce. These contracts avoided layoffs and reflected the need to reduce costs throughout State government. Similar terms and conditions are being extended to the State's managers — the unrepresented Management/Confidential employees. A feature of the contracts is that employees will receive deficit reduction leave through 2012-13.

Savings are being achieved in two ways. First, the State is temporarily reducing employees' paychecks through the deficit reduction program. Second, employees will make greater contributions to their health benefit costs at levels more comparable to employees in the private sector. There are no general salary increases for the first three years of the new contracts.

These actions are helping to constrain compensation and benefit costs that have been rising at unsustainable levels, affecting both the State and local governments. Since 2002-03, State costs to provide benefits to the State workforce have risen by $1.9 billion to $4.4 billion, representing a 78 percent increase over the period. Without further action, retirement costs will increase by 60 percent over the next 4 years and health benefit costs will increase by 25 percent. Benefits currently total 48 percent of average salary and will rise beyond 50 percent of salary by 2015-16 if left unchanged. This level far exceeds the private sector average for the Northeast reported by the Bureau of Labor Statistics of 29 percent.

While the State has continued to achieve workforce savings by maintaining a hiring freeze on non-essential positions and eliminating funded vacant positions, the State also faces significant challenges in developing future managers, diversifying its workforce and addressing the dynamics of an aging workforce.

III. Proposed 2012-13 Budget Actions

- **Labor Negotiations.** The State will continue to collaborate and bargain in good faith with its unsettled employee unions in an effort to achieve ongoing savings while minimizing the number of layoffs to the extent possible. This budget assumes that all remaining bargaining units without contracts will settle in adherence to the pattern set during 2011-12. Absent new agreements, layoffs may be necessary within unsettled bargaining units.

- **Controlling Benefit Costs for the State and Local Governments.** The Executive Budget seeks to further control the unsustainable growth in employee benefits by proposing a new tier to the pension system. This will provide significant savings over many years for both the State and local governments.

- **New Approach to Workforce.** With this budget, the State begins the process of redeveloping its approach to human resource management to ensure a talented and diverse workforce of the future.

IV. Workforce Summary

Category	2011-12 3/31/12 Est.	Layoffs*	Attritions/ Other	Net Change	Change	
					2012-13 3/31/13 Est.	Percent
Workforce Subject to Direct Executive Control	121,868	(126)	47	(79)	121,789	(0.06)
University Systems	55,105	0	0	0	55,105	0.00
Off Budget Agencies	4,561	0	0	0	4,561	0.00
Departments of Law and Audit & Control	4,263	0	149	149	4,412	3.50
Grand Total	**185,797**	**(126)**	**196**	**70**	**185,867**	**0.04**

* This table does not reflects layoffs that may be necessary in the absence of negotiated workforce savings.

V. Major Initiatives

Gap-closing Actions

Proposal	2012-13 ($ in millions)	2013-14 ($ in millions)
Medicare Part D Maximization (Employer Group Waiver Plans)	26.2	105.4
Public Authority Medicare Part B Cost Sharing	10.5	10.5
Accelerate Pension Payment	29.9	29.9
Total	**66.6**	**145.8**

- **Employer Group Waiver Plans.** The State currently provides prescription drug coverage to its retirees and receives a Retiree Drug Subsidy (RDS) from the Federal government. However, as a result of reforms in the Patient Protection and Affordable Care Act (PPACA), the State will receive greater Medicare Part D reimbursements by switching its retiree drug coverage to Employer Group Waiver Plans (EGWPs) that are approved by the Federal government. Such plans will allow retirees to enjoy their current level of benefits while maximizing Federal reimbursement for State retiree prescription drug coverage.

- **Public Authority Medicare Part B Cost Sharing.** The 2010-11 Enacted Budget required State employees and retirees to contribute toward the cost of Medicare Part B premium reimbursement for the first time. Under such reform, however, only employees and retirees of State agencies contribute toward the cost of such premium reimbursement. Extending the change to employees of certain State public authorities will save an additional $11 million annually.

- **Accelerate Pension Payment.** The State will have over $1 billion in outstanding pension obligations associated with current and prior year amortizations in FY 2011-12. By paying an additional $100 million in pension contributions in the current year to pay down these obligations, the State will realize recurring savings of $30 million beginning in FY 2012-13.

Other State Workforce Actions

- **Collective Bargaining.** The State has set aside funding for contracts that are unsettled up to April 1, 2011, but no funding has been set aside for new contract agreements.

- **Tier VI Pension Reform.** Enacting fair and equitable pension reform is critical to providing State and local governments with fiscal relief over the years to come. A Tier VI pension design proposal applicable to new public employees will reduce pension costs by one half compared to the existing benefit design, and save public employers outside of New York City $83 billion over 30 years, while New York City estimates savings of $30 billion over 30 years. Savings will occur by instituting the following changes:

  - Increasing employee contributions from 3 percent to 4, 5 or 6 percent depending on salary level;

  - Implementing a variable "risk/reward" system under which employee contributions would decrease or increase, within limits, tied to economic conditions;

  - Raising the retirement age from 62 to 65 and prohibiting early retirements;

  - Decreasing the pension multiplier from 2 percent to 1.67 percent for each year of credited service (e.g. employees with 30 years of service would receive a pension equivalent to 50 percent of final average salary versus 60 percent of final average salary under Tier 5); and

  - Excluding overtime and other payments from the formula used to calculate final average salary for pension allowances.

- Creating a defined contribution option for public employees which would be voluntary for new employees and improve financial planning for public employers. The new option would:

  Provide a minimum employer contribution of four percent of salary.

  Provide for additional employer contributions of up to three percent of salary when matched by the employee.

  Afford public employers financial stability by limiting employer contributions to a maximum of seven percent.

  Offer a portability and vesting feature not available with defined benefit options.

- **SAGE Commission.** The Executive Budget includes recommendations of the Spending and Government Efficiency (SAGE) Commission. This includes centralization of functions, which will allow State agencies to more readily focus on their core missions. The Office of General Services is reimagined as a statewide service provider of procurement, real estate and financial and human resource services. To increase efficiency and cut bureaucracy, the SAGE Commission also proposes a combination of mergers and collaborations: the collection function in Higher Education Services Corporation will be integrated with the Tax Department; and transferring the Belleayre Ski Resort to the Olympic Regional Development Authority.

- **Workforce Management.** Initiatives are proposed to improve how the State recruits and manages its workforce. Proposals will reform Civil Service Law to make it easier for agencies to recruit new talent, better enable employees to move between agencies, protect the rights of employees who are transferred and broaden the ability for agencies to make five-year term appointments. Reforms include:

  - Advancing statutory changes to enhance flexibility in hiring, promoting and transferring employees;

  - Merging the functions of the Department of Civil Service and the Office of Employee Relations into the Department of Workforce Management to address workforce issues from a strategic, statewide view;

  - Creation of a statewide center for training; and

  - A new recruitment and diversity campaign.