NEW YORK STATE LEGISLATURE

2010-2011 JOINT BUDGET HEARINGS

February 10, 2010 9:30 am

Workforce Issues

HEARING ROOM B

LEGISLATIVE OFFICE BUILDING

NYS Office of Civil Service	Nancy Groenwegen Commissioner
NYS Governor's Office of Employee Relations	Gary Johnson Director
NYS Department of Labor	Colleen Gardner "Acting Commissioner"
NYS Worker's Comp Board	Robert Beloten Chairman
CSEA	Fran Turner Director Lori LaPlaca Exec VP of Local 016 Workers Cmp Ct Reporter Robert Anderson PEF Shop Steward Workers Cmp Court Judge
Public Employees Federation	Kenneth Brynien President
Organization of NYS Management & Confidential Employees	Barbara Zaron President

Retired Public Employees Association	Stan Winter President Tony Cantore Legislative Rep.
Workers Compensation Section NYS Bar Assoc.	Peter J. Walsh, Esq. William Croppet, Esq
Center For Economic Growth	Michael Tucker President
Displaced Homemaker Program	Eleanor Moran Executive Director, Women's Employment & Resource Center
Direct Support Profession Alliance of NYS	Joseph Macbeth Co-President

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Department of Civil Service
Nancy G. Groenwegen, Commissioner
Testimony Before The Joint Legislative Fiscal Committees
February 10, 2010

Good morning Chairman Kruger, Chairman Farrell, distinguished members of the Senate Finance and Assembly Ways and Means Committees, staff and guests. I am pleased to have this opportunity to appear before you to comment on this year's Executive Budget recommendations for the Department of Civil Service and to discuss the actions my agency is taking to meet the challenge of administering the State's merit system and employee health insurance program efficiently and cost-effectively. I am pleased to be joined today by my friend and colleague from the Governor's Office of Employee Relations, Director Gary Johnson.

There is no question these are trying times for the State of New York and all New Yorkers. As the head of the State agency responsible for ensuring that Executive Branch agencies have the workforce they need to meet their core responsibilities, I know well the challenge each agency confronts on a daily basis in continuing to meet those responsibilities with diminished resources. I must tell you that, from my perspective, New York State's workforce continues to perform superbly. I believe that view is shared by you and hope that it is shared by your constituents as you grapple with the very difficult budget issues before us.

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Those of us who are sometimes in the public eye are very well aware that "my" policies, "my" actions, "my" communications are not just mine alone. We're dependent on others who crunch numbers, sift facts and sort options. Similarly, some State agencies also are in the public eye as they protect health, build bridges and safeguard the streets. But they are dependent on agencies like mine that provide the resources—human resources in this case—that they need. When we don't do our job, they can't do theirs.

Governor Paterson's 2010-2011 Executive Budget includes an 11.5% reduction in the Department of Civil Service's General Fund dollars, or $2.4 million. While the reduction presents enormous management challenges, I assure you that the Department of Civil Service will continue to do its job in support of the State agencies that you have heard from earlier. Our staff has an admirable track record of using innovation and cooperation to leverage the resources that are available and to satisfy customer needs with dispatch and professionalism. My staff is nothing if not resourceful.

Here are some of the key initiatives that will see progress in the coming year.

Building a Talented State Workforce

As you know, the Department of Civil Service is charged with administering the State's career service personnel system in a way that ensures merit and fitness remains the criterion for hiring and promotion decisions at every level. In doing so, we must contend with certain demographic facts that tend to work against workplace stability and continuity:

- 61% of the State workforce is 45 or older
- 14% is 58—the average retirement age—or older
- Nearly 20% of the State workforce will be eligible to retire with full benefits within the next 5 years
- Nearly 36% of the State's managerial/confidential workforce will be eligible to retire with full benefits within the next 5 years
- The average age of new hires is 38.2.

Initiatives affecting agency organization and operations, more often than not, require behind-the-scenes assistance from the Department of Civil Service. Current examples include the several proposed agency mergers, the closure of facilities by the Department of Correctional Services, the Office of Mental Retardation and Developmental Disabilities and the Office of Children and Family Services, the receipt of federal stimulus funds by the Departments of Labor and Transportation and the extension of unemployment insurance and COBRA benefits.

Another example was referenced in recent news accounts: the Governor's proposal to add 330 more workers to the Department of Taxation and Finance's compliance staff. We expedited the exams for many of these positions—they were held this past Saturday, February 6—and successful candidates will soon be helping the State collect revenue that is owed.

We continue to work closely with customer agencies to devise strategies that will make New York State more competitive in attracting and retaining such high-demand professionals as accountants and auditors, IT personnel and engineers who fill critical positions. We recently rolled out an online evaluation of training and experience of accountants and auditors, an alternative to the traditional/ written test. The online process chops months off the application/testing/ canvassing process for both entry- and journey-level positions in this field. We're evaluating this web-based examination process for extension to more titles in the future.

Technology has helped elsewhere in compensating for fewer staff. We are proud of the success of the Eligible List Management System, or ELMS, which we developed almost solely in-house. With ELMS, agencies can generate letters to individuals on a list regarding appointment opportunities, be assured of avoiding inappropriate transactions, reduce paper and pencil processes, save time, make available within minutes lists of certified individuals for interview and improve online access to list and individual information. It is now being used by all Executive agencies to expedite the hiring system and reduce human error. The feedback from agencies and the public employee unions has been almost entirely positive.

In the coming months, you can expect to see the fruits of two new interagency workgroups tackling workforce issues. One is seeking to define "complexity" or "difficulty" as a factor in determining the appropriate classification and level of compensation for positions in the State service. The other group is studying the implementation of a "dual career track" for information technology positions in State Service. This group will be making recommendations for distinct promotional criteria for certain IT titles where is can be demonstrated that specialized technical skills or expertise, rather than managerial or supervisory skills, are required.

These initiatives are currently underway to ensure that the kind or nature of specialized skills and expertise, the complexity of assignment and the difficulty or originality in performing work are incorporated into the classification and compensation system to position the State to recruit and retain a skilled and innovative workforce.

Diversifying the Workforce

Talent can be found in every community of this State by those committed to search for it. We know that the State government workforce does not fully reflect all the diversity that makes New York State special. Latinos in particular are underrepresented. This hurts our effectiveness. Research has showed that a more diverse workforce is a more innovative and capable workforce. Such a workforce certainly gains more credibility with the people we serve.

About a year ago, we published a detailed profile of the State government workforce, both overall and agency by agency, regarding the representation of minorities, women and persons with disabilities as of January 1, 2008. Soon we will publish an update that will show modest progress for most racial/ethnic groups and, most notably, for persons with disabilities.

Altering the makeup of a classified workforce of more than 168,000 is painfully slow work under the best of conditions. Progress becomes even more difficult during a hiring freeze. But State government employment has its advantages: competitive salaries, attractive benefits and a variety of careers. And it's work that matters. My Department is leveraging these advantages in a variety of ways.

I would particularly like to note the success of our outreach efforts for the Professional Careers Test given in March 2009. This is the main avenue for entry to manager positions in State government. Well before the exam was even announced, recruiting staff began an intense campaign of visits to CUNY and SUNY campuses and career fairs. We published the most detailed test guide we've ever produced. We joined with four CUNY campuses to offer exam preparation courses. The fact that some 300 minority candidates are among the 2,000 immediately reachable on the resulting eligible list suggests that this approach can work and can serve as a model for future such exams.

Supporting Localities

Local governments need talented workforces as well and follow most of the same merit system laws and rules that control State hiring. The State Civil Service Commission oversees the 97 local civil service commissions and personnel agencies and periodically reviews and reports on elements of their operation. The Department offers training and guidance and provides and scores most of the exams taken by candidates for local positions.

We expect this year to implement a program that will permit localities to better tailor the exam schedule to meet their needs and to accelerate the administration of certain tests. The program will initially include examination service in 12 occupational areas. We anticipate that approximately 400 examinations will be administered during the pilot phase of this program. This represents almost 10% of the overall local examination workload, which during 2009 included examinations for 4430 local titles.

While local civil service agencies generally work hard to provide good service to governments and job candidates, they sometimes are hampered by lack of resources or inexperience, or both. Just in the last decade, seven small cities—Corning, Glens Falls, Jamestown, Olean, Gloversville, Hornell and Little Falls—have chosen to shut down their civil service operations and consolidate with county or regional operations to save money and improve effectiveness. It is a trend that we continue to encourage.

Keeping Health Insurance Affordable

My department also administers the New York State Health Insurance Program (NYSHIP), the third largest employer-sponsored health insurance program in the United States. It covers over 1.2 million individuals, including State and local government employees, retirees and their dependents.

The past year has certainly heightened everyone's awareness of the issues of health care cost, coverage and quality. New York has long been committed to providing its workforce with comprehensive health insurance. That commitment remains as strong as ever.

The extent of health care coverage and the cost to employees is the subject of contract negotiations carried out by Director Johnson and his colleagues at the Governor's Office of Employee Relations. My Department's goal is to ensure that the collectively negotiated coverage is provided at the lowest cost possible to the State and other employers and that the program is well administered and serves the needs of our customers.

The premium now being paid by you and me along with the State and participating local governments for 2010 is, in the aggregate, up just 3.3% over last year's. That makes New York a real anomaly, given the increases nationally that are two and three times that. It came about because my Department bargained hard with insurance carriers to reduce rates by $226 million from what they had demanded. Additionally, we applied $410 million from reserves generated by favorable claims experience from prior years and leveraged a Federal District Court decision to induce our network of participating pharmacies to accept about $13 million in reduced reimbursements. Several elements of the premium negotiations referred to above will generate savings not only in 2010 but in future years as well.

I would note that the minimal premium increase for 2010 followed a 2009 increase that was just 1.2%. Our intent in managing NYSHIP has always been to avoid dramatic fluctuations in premiums from year to year because they complicate financial planning. Our use of a significant portion of the dividend available in the premium stabilization fund this year provided financial relief to participating local governments, which were in significant financial distress. However, that means far less dividend will be available for application in the 2011 plan year, posing a significant challenge for premium setting.

I would request in the coming year as you continue to struggle with the budget deficit that you give serious consideration to Governor Paterson's proposal to allow—not require—conversion of NYSHIP to a self-funded plan. We estimate a conversion could eventually save State and local governments and their employees in excess of $200 million annually without impact on employees' health care coverage. Even the prospect of such a conversion could induce insurers to accede to more favorable contract terms. As you know well, the State and localities need relief from any source available.

In the next few months we expect to conclude our audit to determine if all those dependents claimed by NYSHIP members are actually eligible for coverage. The contractor conducting the audit guarantees a minimum savings of $13 million on a $4.3 million contract. We estimate we have already achieved that savings just through the 25,000 dependents who have been voluntarily removed from coverage. Additional savings will occur as we verify that other dependents are unable to document their eligibility for continued coverage.

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I am grateful to the Legislature for your support, in budget as well as other matters, since I have become Commissioner. I know that you share with me a recognition of the importance of a workforce that is talented, especially when that workforce is smaller.

I look forward to your help in meeting this challenge. Thank you. I'd be happy to answer any questions.

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GOVERNOR'S OFFICE OF EMPLOYEE RELATIONS
Gary Johnson, Director
February 10, 2010 – 9:30 a.m.

TESTIMONY BEFORE THE LEGISLATIVE FISCAL COMMITTEES
Legislative Office Building, Hearing Room B

Good morning Chairman Kruger, Chairman Farrell, distinguished members of the Senate Finance and Assembly Ways and Means Committees, staff, and guests.

I am pleased to appear today on behalf of the Governor's Office of Employee Relations to testify on the state's employee relations and workforce issues. And it is my pleasure to be here with my good friend and colleague from the Department of Civil Service, Commissioner Groenwegen.

WORKFORCE STATUS

Let me begin by reviewing for you the status of the state workforce. Filled positions decreased this year. We expect to be at 196,375 positions by March 31, 2010. This will be a net decrease of 3,550 positions in one year from March 31, 2009. More particularly, in the portion of the state workforce subject to executive control, the net decrease will be 3,975 positions, while the workforce not subject to the Governor's control will actually increase slightly by some 425 positions.

The trend overall since Governor Paterson took office in March 2008 is similarly worth noting. In just those two years, the number of positions subject to executive control will have decreased some 5,150 positions overall.

The Governor's proposed 2010-11 budget sets the total number of employees at 195,700, achieving an additional net workforce decrease of 675 positions by March 31, 2011. This reduction is based on a combination of just 134 anticipated layoffs, 16,605 separations through attritions, and 16,065 mostly refills.

The 2010-11 Executive Budget contains more than $1 billion in reductions to state agency operations spending, incorporating $500 million in additional across-the-board agency cuts and $250 million in negotiated workforce savings. Those savings include $28 million from administratively rescinding for a second year the scheduled four percent general salary increase for non-union, management/confidential employees, as well as closing some prisons, right-sizing youth facilities, and merging some agencies. It also realizes savings through shared-service initiatives spearheaded by Governor Paterson's Office of Taxpayer Accountability.

The budget recommends closing Lyon Mountain and Butler minimum-security prisons in January 2011, and Moriah Shock and the Ogdensburg medium-security prison in April 2011. Those closures respond to a decline in the prison population of an estimated 1,100 inmates in the current fiscal year and an additional 1,000 inmates in the 2010-11. When these facilities close, the Department of Correctional Services can reduce its workforce by 637 staff, including 17 managerial staff. These actions will save overall $7 million in 2010-11 and $52 million in 2011-12.

In addition, the budget right-sizes the residential juvenile justice system by reducing capacity in line with population trends in the Office of Children and Family Services youth facility system. The Annsville and Taberg residential facilities would be consolidated, and the Tryon Facility and the residential center for girls in Lansing would be downsized to reduce excess capacity. These actions would take place in January 2011 and reduce staffing needs by 251 positions, producing overall savings of $3 million in 2010-11 and $15 million in 2011-12.

The Executive Budget anticipates a number of workforce actions to reduce state employee salary costs. These negotiated workforce actions are targeted to save $250 million in general fund savings in 2010-11. Options to achieve those savings include:

- Salary payments in 2010-11 could be deferred until an employee leaves state service, at which time employees would receive a lump-sum payment based upon their annual salary at the time of the payout. This will generate $30 million in savings for each day deferred.

- The 4 percent salary increase scheduled for 2010-11 for many represented employees could be eliminated or reduced, providing $63 million in general fund savings for each percentage point of increase avoided ($120 million – All Funds). As I noted earlier, the four percent general salary increase for M/C employees scheduled for this April will be withheld, providing some $28 million in savings.

- Requiring employees and retirees to contribute toward Medicare Part B premiums would increase annual premium costs to employees and retirees by $30 for individual coverage and $80 for family coverage, but provide $30 million in savings in 2010-11.

The Governor's budget also recommends efficiencies and cost-savings by merging or consolidating several state agencies and public authorities. These include merging the Department of Economic Development and the Empire State Development Corporation into a new Job Development Corporation, and merging the Office of Homeland Security, Emergency Management Office, the 911 Board, the Office of Cyber Security and Critical Infrastructure Coordination, and the Office of Fire Prevention and Control into a single state agency, the Division of Homeland Security and Emergency Services. While we anticipate significant savings from these mergers and consolidations, that restructuring is not expected to significantly impact staffing numbers.

COLLECTIVE BARGAINING

As the Governor's labor relations representative, GOER negotiates with nine unions representing 14 bargaining units. The current round of bargaining began in 2007. We have agreements in place for 2007 to 2011 for the bargaining units represented by the Civil Service Employees Association, United University Professions, the Public Employees Federation, District Council 37, the Police Benevolent Association of the New York State Troopers, and the New York State Police Investigators Association.

There are also agreements or interest arbitration awards for 2007 to 2009 with the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) for the Security Services Unit, and with Council 82 for the Security Supervisors Unit. Negotiations with these units for agreements to succeed arbitration awards or contracts that expired in 2009 have not yet started.

In December we reached a tentative two-year agreement for 2007 to 2009 with the CWA/Graduate Student Employees Union for the State University Graduate Student Negotiating Unit. We await the graduate students' ratification vote, currently anticipating a vote in March.

Interest arbitration hearings for 2005 to 2007 with Council 82 for the Agency Law Enforcement Services bargaining unit are underway and scheduled through the spring.

Negotiations for NYSCOPBA's Security Services Unit for 2009 to 2011 will begin on February 25, and we are now scheduling negotiations for that same period with Council 82 for the Security Supervisors Unit, and with CWA/GSEU for the State University Graduate Student Negotiating Unit.

In January 2009, by agreement of all parties, representation of the State Lifeguards bargaining unit passed from NYSCOPBA to UUP, and GOER is in talks with UUP on issues revolving around that transfer. The lifeguards will continue to be covered by terms of the 1999-2003 State-NYSCOPBA Agreement until we can reach a successor agreement with UUP.

I am hopeful that we can successfully conclude negotiations with all of the bargaining units that still have agreements outstanding. We plan to start negotiations In the fall of 2010 for agreements to succeed the contracts that will be expiring in April 2011.

LABOR-MANAGEMENT INITIATIVES

In addition to our responsibility for negotiations, GOER continues work with the unions to provide innovative programs designed to meet the specific needs of our workforce. Our accomplishments over the past year include:

- *IT In-Sourcing Legislation and MOU* – In relation to the information technology in-sourcing legislation you enacted this year, GOER collaborated with PEF to use negotiated joint labor-management funds, appropriated pursuant to Article 15 of the Professional, Scientific, and Technical (PS&T) Unit Agreement, to develop and deliver training programs that will give state employees the information technology skills and certifications they need to replace IT consultants. The joint State-PEF Professional

Development Committee administers these programs. We also agreed to provide up to $1 million for IT training that will allow state employees to assume responsibilities performed by IT consultants.

- *eNYS-Learn* – GOER will be assisting the State in implementing an enterprise learning management system, eNYS-Learn. The first phase will include agencies that the federal government has mandated to provide public safety training through the Office of Homeland Security and the State Emergency Management Office, employment security training provided through the State Department of Labor, and state employee training provided through collective bargaining agreements between GOER and public employee unions. This system will be the first in series of shared-services initiatives aimed at curtailing redundancy in the State's current learning management efforts. It will reduce spending on licenses and annual maintenance associated with multiple systems, and move the State one step closer to our shared workforce vision of functioning as a 'single employer.'

- *NYS-Balance* – Beginning in May 2009, NYS-Balance, a statewide, confidential resource and referral service was made available to assist executive branch employees represented by CSEA, PEF, DC-27, UUP, and NYSCOPBA, and those designated M/C. Trained consultants provide employees and their families with resource and referral on issues related to work and family. Consultants are available 24 hours a day, seven days a week, via a toll-free number or the Internet, and employees can also access numerous resources online at www.nysbalance.ny.gov. In just the first seven months in operation, there were over 27,000 logins to the NYS-Balance website, employees ordered over 20,000 educational materials free of charge, and over 3,200 employees received consulting assistance in negotiating the challenges they face at work and home.

- *Safety Training Pilots* – GOER is partnering with the Office of Mental Retardation and Developmental Disabilities to pilot a comprehensive safety program at two facilities during 2010-11. Each year a significant number of state employees are injured on the job and many of these cases occur at OMRDD facilities. OMRDD has reached out to the unions and to GOER to work together to implement a comprehensive safety program, based on buy-in and support from the most senior managers to the line supervisors. Under this initiative, the agency and the unions will collaborate to identify hazards in the workplace and define comprehensive steps to reduce safety hazards, the devastating impact on injured employees, and the State's workers' compensation costs.

GOER has a 40-year tradition of working with the unions to provide our employees with fair collective bargaining agreements, training programs, and a safe, efficient workplace. Faced with an unprecedented fiscal challenge, we will continue to work with the unions to achieve the sacrifice in negotiated benefits made urgent by that challenge, and to continue to promote the economical and effective performance of state government.

Thank you. I'll be pleased to take your questions.

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Acting Commissioner Colleen Crawford Gardner
NYS Department of Labor
Budget Testimony
February 10, 2010

Joint Legislative Fiscal Committee

Good afternoon Chairman Kruger, Chairman Farrell, Chairman Onorato, Chairwoman John, Senators and Members of the Assembly. I am pleased to join my colleagues here today to provide my first official testimony since my appointment last week as the Acting Commissioner of Labor, and I welcome the opportunity to discuss the Department of Labor's Executive Budget for State Fiscal Year 2010-2011. I know all of you join me in wishing Patricia Smith well on her recent appointment as the Solicitor of the United States Department of Labor.

Thank you for this opportunity to outline the Department of Labor's accomplishments, budget and operations over the past year and our plans for this year.

Our agency's mission is to protect all workers, assist the unemployed and work with businesses to retain and expand jobs to connect people with employment. I would like to tell you how we have achieved our mission in the face of these very difficult economic times.

Approximately 86% of the Department of Labor's operating budget is funded by federal special revenue appropriation. Our overall budget has grown significantly over the past two years, increasing from $2.8 billion in State Fiscal Year 2007-2008 to more than $10 billion in State Fiscal Year 2009-2010, largely due to the dramatic rise in unemployment across the state. Most of the increased funding came to the Department in the form of federal unemployment insurance benefit payments.

Last year, Commissioner Smith spoke about how the downturn in the economy was creating anxiety for workers and employers across our state. She said that Governor Paterson and our agency would advocate for federal extended unemployment benefits to help ease the stress on unemployed New Yorkers.

The Governor's efforts to secure federal extended benefits succeeded. Thanks to federal stimulus funds, New York State now provides an unprecedented 73 weeks of emergency and extended unemployment insurance benefits in addition to 26 weeks of regular benefits. This includes 20 weeks of extended benefits that are currently funded 100% by the federal government. Thanks to legislation proposed by Governor Paterson and passed by the State Legislature last May, New York was able to offer these benefits.

Stimulus funds also provide claimants who apply for benefits by the end of this month an additional $25 in their weekly benefit payments. This is vital, since we have not increased our maximum benefit level in more than a decade. We have paid out $713 million in stimulus funds to claimants for this modest boost in weekly benefits.

We currently pay unemployment insurance benefits to about 655,000 people each week. Just two years ago, we paid benefits to about 175,000 people each week. We paid $9.2 billion in unemployment insurance benefits in 2009. That figure includes $5.1 billion in regular unemployment benefits and $4.1 billion in federally funded emergency and extended benefits.

This extraordinary jump in claims in just two years has placed a burden on the Unemployment Insurance Trust Fund. At the end of 2009, the Trust Fund had a deficit of more than $2 billion. It is expected that this deficit will increase to nearly $3.5 billion by the end of 2010.

Currently, federal stimulus funds are saving our businesses $150 million in payroll taxes, as interest payments that would normally be assigned to them due to the Unemployment Insurance Trust Fund deficit have been waived by the federal government until the end of this year. Still, we do expect that the worsening Trust Fund deficit will require the average unemployment insurance tax rate assigned to employers to increase by more than 0.2 percentage points. However, each employer's tax rate is calculated based on individual experience, so each employer's year-to-year change could be more or less than that amount.

It is important to note, though, that the extension of benefits and supporting provisions will end soon unless Congress acts to extend these provisions beyond February 28th. That is why Governor Paterson and the Department of Labor are actively working with New York's congressional delegation to advocate for additional federal benefit extensions.

I can't overstate the importance of extended unemployment insurance benefits. Currently, people who exhaust 26 weeks of regular benefits may receive a combined total of up to 99 weeks of regular benefits and federal extended benefits, depending upon when they first filed for unemployment compensation. However, unless the February eligibility deadlines are extended for the various tiers of extended benefits, those who made their very first claim for unemployment insurance after August 23, 2009 will not be eligible for any federally funded extended benefits at all – they will only receive 26 weeks of regular benefits.

Unless Congress extends benefits beyond the current deadline of February 28th, we estimate that 575,000 New Yorkers will be negatively affected. We hoped that Congress would act this week to extend benefits for a few months, but negotiations are still underway (as is the snow, which has paralyzed Washington).

To put the urgent need for additional benefits in perspective, in December New York's unemployment rate reached 9% – matching a 26-year high. While below the national rate, our unemployment rate is expected to continue to rise this year, even as the economy improves. This is because some firms may continue to lay workers off, while others may be slow to rehire. Young workers will begin looking for work for the first time. And many of the long-term unemployed, who gave up looking for work, will re-enter the labor force as active job-seekers. As they enter the labor force as active job-seekers, they will be counted in the unemployment statistics.

There are several areas of the state where the unemployment rate is over 10 percent, particularly in the New York City metropolitan area. And the unemployment rate for youth and minorities continues to be unacceptably high.

Since the state went into recession in August 2008, we have lost 263,500 private-sector jobs, or about two-thirds of the jobs added during the 2003-2008 economic expansion. These job losses have cut across a wide variety of industries – including manufacturing, professional and business services, and financial services.

The national numbers are even more alarming for youth, where the proportion of those aged 16 to 24 who are *employed* is at 51.4%. That is the lowest proportion ever recorded since the U.S. Bureau of Labor Statistics began tracking it more than 60 years ago.

New York's long-term unemployment rate, which tracks those who are unemployed for 27 weeks or more, was 34% in 2009. It exceeded the national average of 31.5%. An average of 275,900 people in New York State were long-term unemployed in any given month in 2009, and this trend is worsening. During the last quarter of 2009, 40.3% of New York's unemployed were long-term unemployed, and the average duration of unemployment was 30.1 weeks.

These statistics underscore the importance of unemployment insurance benefits. They are a lifeline for New Yorkers – helping them to remain in their homes, pay their bills and put food on their tables as they look for new jobs or seek training for new careers.

And, these benefits help to pump countless dollars into our local economies. Studies show that every dollar paid in unemployment insurance benefits generates a $1.64 increase in economic activity – providing a boost to local businesses.

The increase in unemployment insurance (UI) claims prompted us to examine our resources and make changes in order to serve our UI customers better.

I am pleased to report that New York was one of the first states to get extended benefits into the hands of claimants. Each new benefit tier was enacted with a short lead time. They put a strain on our system resources and technologies, yet we were able to keep pace and we haven't missed a payment.

To assist claimants, we placed a UI benefits calculator on our web site. It is easy to use and allows users to enter in the date of their first claim and, within seconds, find out how many weeks they are eligible for under current law. The calculator has become one of the most popular features on our site, with approximately 150,000 hits in just the first month. The calculator has since been adopted by the U.S. Department of Labor.

To improve the claims process, we extended the hours of our telephone claims centers – until 7 p.m. on Mondays and Tuesdays. We have used federal funds to increase our staff to handle the growth in claims and made our procedures more efficient. In the first three weeks of January, we answered more than 90% of original claims calls on their first call, even though that's our busiest time of year. We answered more than 74,000 calls the first week in January alone.

The use of our web site for filing claims also increased. Currently, about 65% of claims are begun on the web, and about 60% of them do not require the assistance of an agent to complete the claim. Our goal this year is to have 70% of claims begun on the web, and 70% of them to be completed without an agent's assistance.

The Department of Labor was one of the first, if not ***the*** first state agency, to embrace the use of social media like Facebook, Twitter and YouTube to get information out to the public as quickly as possible. The UI extensions create a lot of confusion, and by using social media, we are able to answer questions directly, even on nights and weekends. More than 3,000 New Yorkers joined our social media sites in just six months, and we expect this number to grow this year.

As I mentioned, the increase in benefit claims challenged our resources. We met the need to process the additional claims through innovation, hard work, and enhancements to our system technologies.

Last year, we reported that we had completed putting computer hardware in place and were poised to increase the pace of software development. This year, I can report that we were successful in delivering several new systems, and we are nearing completion on several others. Our multi-year Unemployment Insurance System Improvement project is on schedule. I am happy to report that it will be completed within the next three years, on time and within budget.

Despite our best efforts, given the volume of calls, I'm sure some of you have heard complaints from constituents about difficulties in getting through to the telephone claims center, or about being put on hold for long periods of time. We're introducing an automated system to address that. It's called Virtual Hold. Virtual Hold allows customers to be called back rather than remain on hold when they call the claims center. They have a choice of either being called back when their position reaches the top of the queue, or at a specified day and time later in the week.

Our tests of the system were very successful, and in the near future, we will expand the use of this tool statewide. In the first use of Virtual Hold, 56% of callers elected to have the system automatically call them back at a specific time. Not only will this system increase customer satisfaction, it will decrease the number of telephone lines we need, and the amount spent in toll charges, per-minute usage charges and call center staffing. We anticipate that we can realize an *annual savings* of more than $600,000.

Another automation improvement that we are testing will alert staff who are busy on other tasks that they need to answer customer calls when call volume reaches a certain level.

Claimants can also use a toll-free UI Helpline number in One-Stop Career Centers to get assistance on their UI claims.

All of these improvements help us to get benefits into the hands of claimants in a more efficient and timely manner. But they're only part of the story. We are also using advanced technology in our One-Stop Career Centers to help put people back to work.

Last year, we began using SMART 2010, which is software that matches job seeker skills with potential job openings in a variety of industries. The software uses artificial intelligence to analyze resumes and match skills and experience to jobs, often to jobs people haven't thought of previously.

Our agency has taken full advantage of federal stimulus dollars made available under the American Recovery and Reinvestment Act, or ARRA. Much of the stimulus funding received by our agency was disbursed in the form of UI benefits or in federal formula to local workforce investment areas to provide employment and training services to the unemployed.

We have used ARRA funds to increase the number of staff in our One-Stop Career Centers to handle the influx of new UI customers looking for re-employment.

Our One-Stop system served more than 746,000 customers for the four-quarter period ending September 30, 2009. Approximately 25,500 of them were enrolled in training services through the additional ARRA funds.

Last summer, nearly 24,000 lower-income youth statewide had summer jobs, thanks to $61 million in Workforce Investment Act (WIA) employment and training funds made available to local workforce investment areas under ARRA. Administered by our agency, these funds provided paid work experience, education, skills training and support services for at-risk youth. The maximum age of eligibility was raised from 21 to 24 so that young adults 14 to 24 were able to participate. Some of these jobs continued after the summer ended via career ladder programs. The ARRA funds, however, have been virtually exhausted. Without additional federal funds from the pending job-creation bills, we do not expect to have a similar summer jobs program in 2010. Our agency will continue to advocate for the expansion of federal funding to continue this very successful youth program.

This past September, we awarded approximately $5 million in WIA-ARRA funds for Disconnected Youth Grants to organizations statewide. Programs supported with these funds will expand the career awareness of low-income youth, ages 14 – 24; provide dropout prevention services; and develop their basic skills to give them a foundation for future education and employment. Services will include career planning, work readiness training, high school diploma or GED preparation, and training in basic occupational skills. Priority is given to programs that emphasize training for employment in green industries, collaboration with community colleges and improving the environment.

Other WIA-funded training efforts include:

- The Building Skills in New York State (BUSINYS) Program. This initiative provided funds to businesses to train their employees in specific, transferable skills that lead to career growth and increased earnings. Last year, we awarded about $4.7 million to 150 businesses to upgrade the skills of approximately 7,400 current workers and keep them employed.

- The Emerging and Transitional Worker Program. The Department awarded approximately $15 million to 44 organizations to provide more than 6,200 low-income, unemployed people skills to find employment and advance their careers. Career planning and work readiness training are emphasized, in addition to occupational skills training. Three-quarters of the programs target construction and have a green component.

Along with the training programs I just mentioned, our WIA funds support many important initiatives, including: Career Pathways; gas cards; consultation on employee stock ownership plans (to avoid layoffs); disability program navigators; services for veterans, and more.

Our agency also supports green jobs initiatives that focus on training to support career ladders and pathways out of poverty in the clean energy industry.

The Department is working to enhance our understanding of the workforce development and training needed to support large-scale, statewide green jobs initiatives. Through our Regional Economic Transformation Strategies Initiative, we encourage efforts to develop economic development strategies around green and renewable resource industries.

Our agency supports the State Energy Planning Board by providing information to the state's clean energy industry. Last May, we produced a report, entitled "New York State's Clean Energy Industry: Labor Market and Workforce Intelligence." It addressed three key aspects of the state's clean energy job market: labor market characteristics; workforce development and training (including barriers faced by minority communities); and state-level collaboration.

To support our workforce development services, our state received $174 million during fiscal year 2009, up nearly $15 million, or 9%, from 2008. And the state received another $169.4 million in WIA funding under ARRA, these funds were primarily issued by federal formula to local areas. Where appropriate, we also helped local advocacy, education and training partners apply to the U.S. Department of Labor for federal stimulus grants in order to maximize the resources coming into our state.

It is important to point out that from Fiscal Year 2000 to Fiscal Year 2009, New York's WIA formula funding decreased by $131 million, or 43%. So today, we are serving a record number of customers, yet we have less financial resources than a decade ago.

Despite the challenges this creates, for the program year ending last June, we met all of the nine federal WIA performance requirements.

In addition, our state received an incentive grant for meeting performance requirements for WIA, the Adult Education and Literacy Act and the Perkins Act for Program Year

2007. It appears we will qualify once again for our performance in these three federal programs during Program Year 2008.

In addition to stimulus funds, New York State was awarded up to $11.1 million under a National Emergency Grant (NEG) to assist financial services workers who were affected by the financial crisis. The award was made in response to a joint application to the U.S. Department of Labor made by New York, Connecticut and New Jersey. The grant period began last December and runs through the end of this year.

The NEG funds support individual training plans to help workers meet their re-employment goals. The training benefit allows up to $12,500 per person for up to two years of training. We anticipate providing services to some 5,000 individuals under this grant.

We're also helping more UI recipients participate in training while they're collecting benefits under the 599 Program. To expand the use of this program, we moved much of the training plan review process to staff in local One-Stop Career centers, where new UI customers are called in and assessed on their need for training to find re-employment. We also expanded the interpretation of the criteria used for approval. This is allowing more people to be approved for training under this program.

All of our employment and training services help to keep our state competitive. In short, workforce development *is* economic development.

In view of that, we are collaborating with our sister agencies on a statewide level.

At the Governor's direction, we have teamed with Empire State Development to encourage companies across the state to take advantage of New York's business development programs to retain and expand job opportunities, and recruit new workers into our state.

We are also represented on the Small Business Project Team, which is part of the Small Business Cabinet. We are tasked with implementing four key recommendations:

- Integrate economic development and workforce training activities through a sector-based strategy;
- Create and expand a layoff aversion program;
- Assist small businesses with on-the-job training opportunities; and
- Improve opportunities for youth in small businesses.

We've also collaborated with the Office of Temporary and Disability Assistance on a variety of programs, including summer youth employment and the promotion of the "mybenefits.ny.gov" web site, where New Yorkers can learn if they qualify for programs designed to help low-income, working families.

Using a National Governors' Association grant, we've created a partnership with the New York State Office of the Aging to increase workforce opportunities for older New

Yorkers. We are linking information on our web sites to give information and assistance to older workers, and we are educating state and local staff in our One-Stop Career Centers about the issues and opportunities associated with this segment of our workforce.

We're also enhancing our efforts to assist New Yorkers at the other end of the age spectrum. We recently created an Office of Career Development and Youth Initiatives in our agency. It will promote career planning services, work readiness training, services for disconnected youth and other youth-oriented programs. It will also foster collaboration with other agencies to meet the needs of tomorrow's workforce.

Our agency is also a member of the Governor's Children's Cabinet, and we co-chair the disconnected youth workgroup of the Cabinet. The workgroup on disconnected youth focuses on helping the hardest to serve, including youth in foster care, youth on probation or in juvenile justice facilities, and youth with incarcerated parents. A report on the Cabinet's accomplishments and recommendations is expected in the near future.

Connecting people with jobs is a major part of our mission. And once they have jobs, we want people to keep them.

As you can imagine, laying off staff is the last thing a business owner wants to do. That's why we have focused on expanding our layoff aversion activities. For instance, Shared Work is a layoff alternative program that is authorized under the state's UI laws.

It helps businesses survive temporary downturns and retain valuable, trained staff. Companies can reduce the hours of their full-time employees by 20% to 60%, while employees maintain their existing benefits and receive partial unemployment benefits to supplement their lost wages.

We've been promoting this program and its benefits across the state, with great success. Participation in Shared Work has increased dramatically. In 2008, there were 483 companies participating. In 2009, there were 2,251 – an increase of 366%!

Although the benefits paid out under Shared Work are only a small portion of the total UI benefits we pay out, they have a big impact on the Trust Fund. For instance, there were 23,200 planned layoffs in the state last year that used the Shared Work program instead. If the program had not been available as a layoff alternative and one-half of those planned layoffs had actually happened, the cost of full, regular benefits paid to those individuals would have exceeded $60 million.

Another layoff aversion program is being piloted in New York City and Long Island. We call it NY-ASSET. Through the use of an automated early warning dashboard, which digitally analyzes data from a number of public and private sources, staff can select those businesses in distress that can benefit from targeted guidance. A management service has been retained to help companies focus on financial restructuring, marketing, new product development, investments and buyouts to put them back on a sound financial footing. We are evaluating this pilot and, depending on the results, we may develop plans to roll it out statewide by the middle of this year.

Despite all of our layoff aversion efforts, layoffs do happen. When large layoffs occur, a reinvigorated, stricter Worker Adjustment and Retraining Notification, or WARN, Act helps us to reach out to dislocated workers sooner. The new WARN Act took effect last February. It requires employers of 50 or more workers to notify them 90 days in advance of a mass layoff or plant closing affecting 25 or more people. (The federal WARN regulations apply to companies with 100 or more workers and require 60 days' advance notice.) The new act also has more teeth because it gives the Commissioner of Labor enforcement authority. More advance notice means more lead time for us to help avoid layoffs. Or, if that's not possible, advance notice gives us more time to provide Rapid Response services and help workers find new jobs or develop training plans before their positions are terminated. I would like to extend our appreciation to the State Legislature for passing the WARN legislation.

To meet the demand for Rapid Response, we have designated lead staff in all ten regions of the state and added additional workers. A significant number of the new staff is stationed in the New York City area, which is the largest and hardest hit area of the state during this economic recession. In the central region, we have created a "SWAT" unit that can travel throughout our upstate regions to supplement regional staff as needed.

As we work to build the capacity of our state's workforce, we want to make sure all workers are treated fairly and paid appropriately under our state's labor laws.

I am pleased to report that 2009 was a good year for workers' rights, as we set new records in collections.

In 2009, our Bureau of Public Work disbursed more than $9 million to nearly 2,600 workers who were underpaid on public works projects.

Our Division of Labor Standards disbursed $20.2 million to 15,424 workers who were cheated out of their wages due. These numbers represent the Division's largest annual recovery to date, an increase of over 15% since 2008.

Last year, we continued in our approach of proactive, targeted investigations, including restaurant sweeps in Brooklyn and Ithaca, continued efforts in the backstretch, and a number of proactive sweeps in construction, manufacturing, and other industries as part of the Joint Enforcement Task Force on Worker Misclassification.

Several significant cases were resolved during 2009, including:

- Recovery of $1.5 million in underpayments from nine "Amish Market" and related stores;
- Recovery of $2.3 million in underpayments from nine "Ollie's" restaurants; and
- The first-ever confiscation of unlawfully manufactured garments pursuant to law, involving uniforms made by Suburban Textiles, Inc. for the New York City Police Department.

The Division also convened a Wage Board to review the Wage Orders in the Restaurant and Hotel Industries, resulting in a "Report and Recommendations to the Commissioner" that is being used as the basis for proposed regulations.

Several new laws took effect in 2009, creating additional responsibilities for the Division:

- a prohibition against mandatory nurse overtime;
- a requirement that employees' wage rates be communicated in writing when they begin employment; and
- a provision strengthening the prohibition against retaliation by employers, including a five-fold increase in available penalties in such cases.

The new notice of pay rate and anti-retaliation laws provide the Department with additional tools to combat wage theft, and I would like to thank the Legislature for supporting the legislation.

The Division also instituted a formal revisit program in 2009, in which selected prior violators are revisited to determine whether they are in compliance.

To help protect our most vulnerable workers, The Bureau of Immigrant Workers' Rights participated in 208 outreach events during the year, reaching thousands of immigrant workers. These events reached day laborers and union workers, small business owners, community and faith-based organizations, advocates, consuls and elected officials, among others. The Bureau is helping the Department improve our services so that those with limited English proficiency have full access to our services and information.

The Bureau arranged a press briefing with the Independent Press Association (foreign language media) about the Department's enforcement activities and about the July 2009 increase in the state minimum wage. This event garnered considerable coverage in a variety of foreign-language newspapers, ranging from Urdu to Korean to Chinese.

The Bureau hosted roundtables for immigrant service providers and advocates in Binghamton. It hosted training for frontline workers at Latin American consulates. And, the Bureau spearheaded our agency's participation in an MOU with the Mexican Consulate, U.S. Department of Labor, and the Catholic Migration Office to collaborate in resolving referrals coming from a new, toll-free hotline.

As I mentioned earlier, we are using technology in our efforts to get people back to work. At the same time, we are employing technology to help ensure the integrity of the UI system. Using computer data matching with the Department of Tax & Finance, along with proactive investigations by our Misclassified Worker Task Force, and better coordination with local law enforcement and prosecution agencies, we have enhanced our ability to detect UI insurance fraud.

Last year, the task force conducted 19 sweeps. Misclassification was found in almost every industry group. As a result of our sweeps, along with hotline calls and other tips we received, we identified nearly 19,200 instances of employee misclassification, discovered more than $235 million in unreported wages, and identified unemployment insurance taxes due of over $6 million. We also assessed $300,000 in fraud penalties.

In addition, our UI Division's audit and compliance program completed 13,200 audits and investigations, and found more than 113,900 misclassified employees, unreported wages of over $2 billion, and over $35.9 million in UI taxes due.

Our Office of Special Investigations significantly increased investigations of claimant fraud cases last year. It found nearly 20% more fraudulently obtained benefits than the year before, closed 10% more cases, and recovered more than $22 million in overpayments.

In addition, last year we successfully prosecuted the first State Unemployment Tax Act, or SUTA, dumping case in the country. SUTA dumping happens when employers or their agents manipulate payrolls in order to gain a more favorable UI tax rate. In 2006, the state's labor law was amended to establish monetary and criminal penalties against employers who knowingly fail to report transfers of business from one entity to another in order to manipulate their UI tax rates. As a result of an investigation and a referral from the Manhattan District Attorney's office, a corporate officer was indicted in November on two felony counts for violating this statute.

All of these efforts work to ensure the integrity of the UI Trust Fund, and they level the playing field for employers who play by the rules.

It would be wonderful if, at the end of this year, Governor Paterson was able to say that every employer in the state complied with the labor law in 2010 and we have nothing further to report. Until that day comes, however, we'll continue to vigorously enforce the law in all corners of the state.

We will also continue to protect the safety and health of public workers, and the general public in those areas under our purview.

Last year, our Public Employee Safety & Health (PESH) Bureau increased its inspection activities. It conducted 2,260 inspections, an increase of 19% from 2008. It issued 6,019 violations for the year, an increase of 30% from the previous year.

The PESH Bureau's outreach to nursing homes and highway departments has helped to bring about a reduction in injury rates. The nursing home outreach program is being expanded to cover the NYS Office of Mental Hygiene and the NYS Office of Mental Retardation and Developmental Disabilities.

The PESH Bureau was also active in enforcing the new workplace violence prevention rule, which became effective last April. It found 257 violations of the rule during 87 of its investigations.

Safety and health assistance was also provided to small, private-sector employers, as more than 2,000 on-site consultation surveys and training sessions were conducted in all business sectors. More than 10,000 infractions of safety and health regulations were found and corrected, removing 200,000 workers from potential risk.

Our Industry Inspection Bureau tested 251 applicants for crane operator certification during 2009, and 107 passed the exam. Since the implementation of crane penalties, the Bureau has fined five employers for allowing the operation of a crane without a certified operator. It also fined seven individuals for operating a crane without a valid certificate of competence.

The majority of the recent accidents that occurred at amusement parks were due to the way the rides were operated, not to mechanical failure. In 2008 we conducted 240 off-hour operational inspections and issued 84 violations. I'm pleased to report that there were no serious accidents or mechanical failures during the 2009 amusement season.

We implemented a new regulation to certify Pyrotechnicians, and we certified 209 people so far. We also implemented new regulations dealing with the ski industry. These changes will keep our standards in line with current national standards. They will provide the best possible protection to people who use aerial tramways, while keeping New York's ski resorts competitive with other areas in this country and abroad.

The Asbestos Control Bureau continues to conduct off-hours inspections and continues to find violations involving dry removal, failure to maintain an enclosure, and improper disposal of asbestos material. In addition, joint inspections have been conducted with other state agencies, local governments and federal agencies. This collaboration has resulted in successful prosecutions by the US Department of Justice, resulting in significant monetary penalties and prison time. When we find cases of willful violations, we seek to revoke the contractor's license so they can no longer expose the public to the dangers of asbestos fibers.

To protect workers who are injured on the job and help them return to work, our agency played a key role in the implementation of the 2007 workers' compensation reforms. Our agency received initial start-up funds from the State Legislature to provide support staff, who are working on our responsibilities under the reforms. Continued funding is necessary to ensure effective implementation of strategies to help injured workers return to work.

Since December 2008, we have issued a required annual report that tracks the outcomes of permanently, partially disabled workers' compensation claimants. Last year, we launched a Workplace Safety and Loss Prevention Incentive Program that provides employers savings on their workers' compensation costs if they implement a safety program, a drug and alcohol abuse prevention program, and/or a return-to-work program.

We have been working with the Workers' Compensation Board to improve return-to-work outcomes of claimants. We collaborated with the board on a pilot program aimed at early intervention, including sharing outcome information for claimants who were referred to the One-Stop Career Centers. The pilot proved to be ineffective due to an extremely low number of qualifying claimants, but it has yielded valuable information for the future.

In addition, we're working with the board to ensure that claimants receive reduced earnings awards if they must return to work at a lower rate of pay. We are also reviewing return-to-work incentives used by other states.

In conclusion, we will continue to do our work at the Department of Labor to the best of our ability. It is vital to the well-being of New York's workers and employers, especially in an economy like this one.

Economists predict that the economy may begin to turn around later this year, but job growth will likely lag behind economic growth.

So, while we hope for a brighter tomorrow, we must continue to provide the best protections and services to New Yorkers today.

I ask for your continued support. Thank you.

New York State Department of Labor

Executive Budget Request for Appropriation

- The 2010-2011 Executive Budget requests appropriations totaling \$8.066 Billion for the Department of Labor.

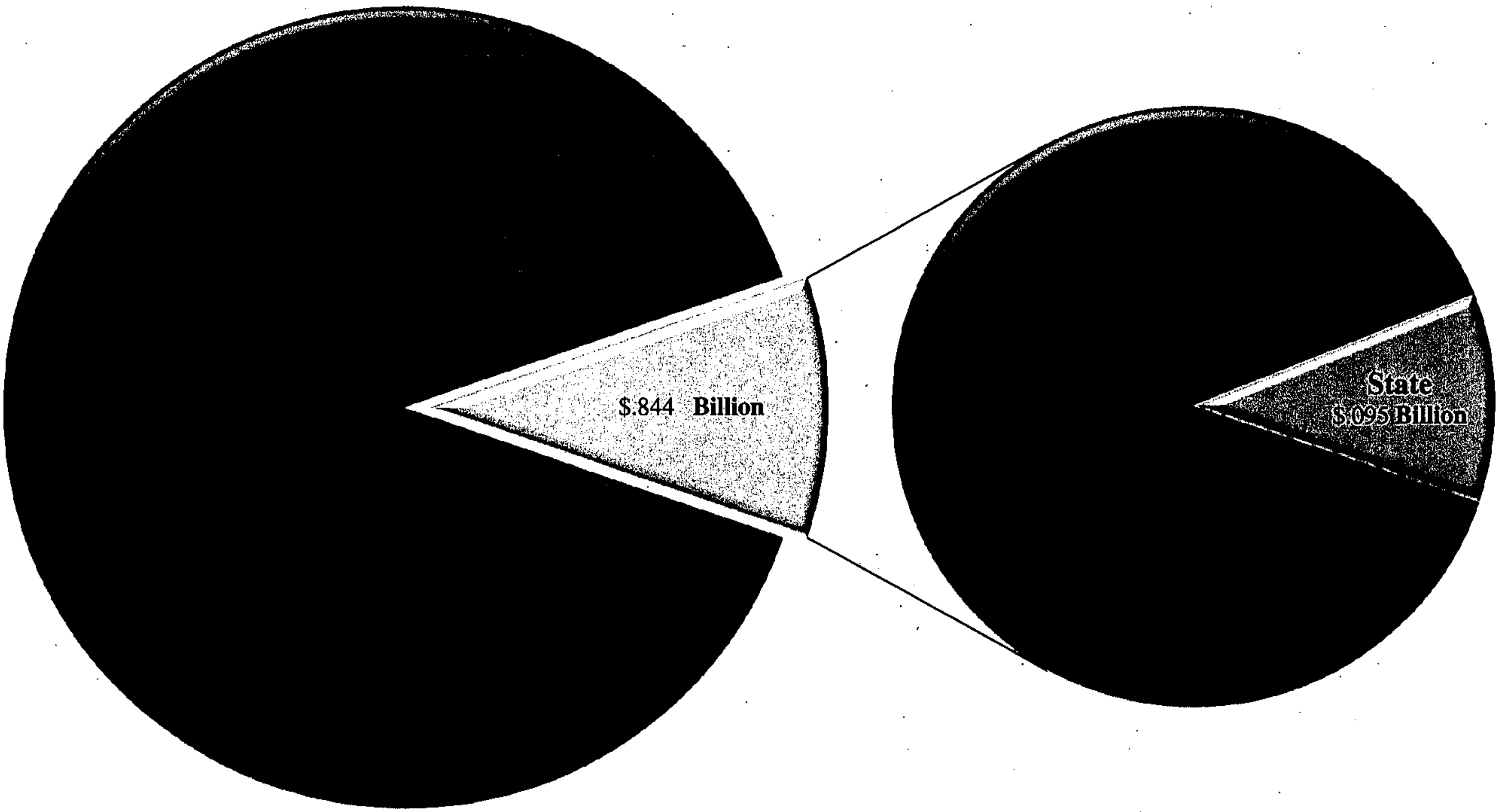
- The attached graphs provide a breakdown of the appropriations requested.

- The first graph provides a breakdown of the \$8.066 Billion between

  Unemployment Insurance Benefits (\$7.222 Billion),
  Federal Grants (\$ .749 Billion), and
  State Programs (\$ .095 Billion).

- The second page of graphs provides a further breakdown for the Special Revenue Federal and Special Revenue Other- State Programs.

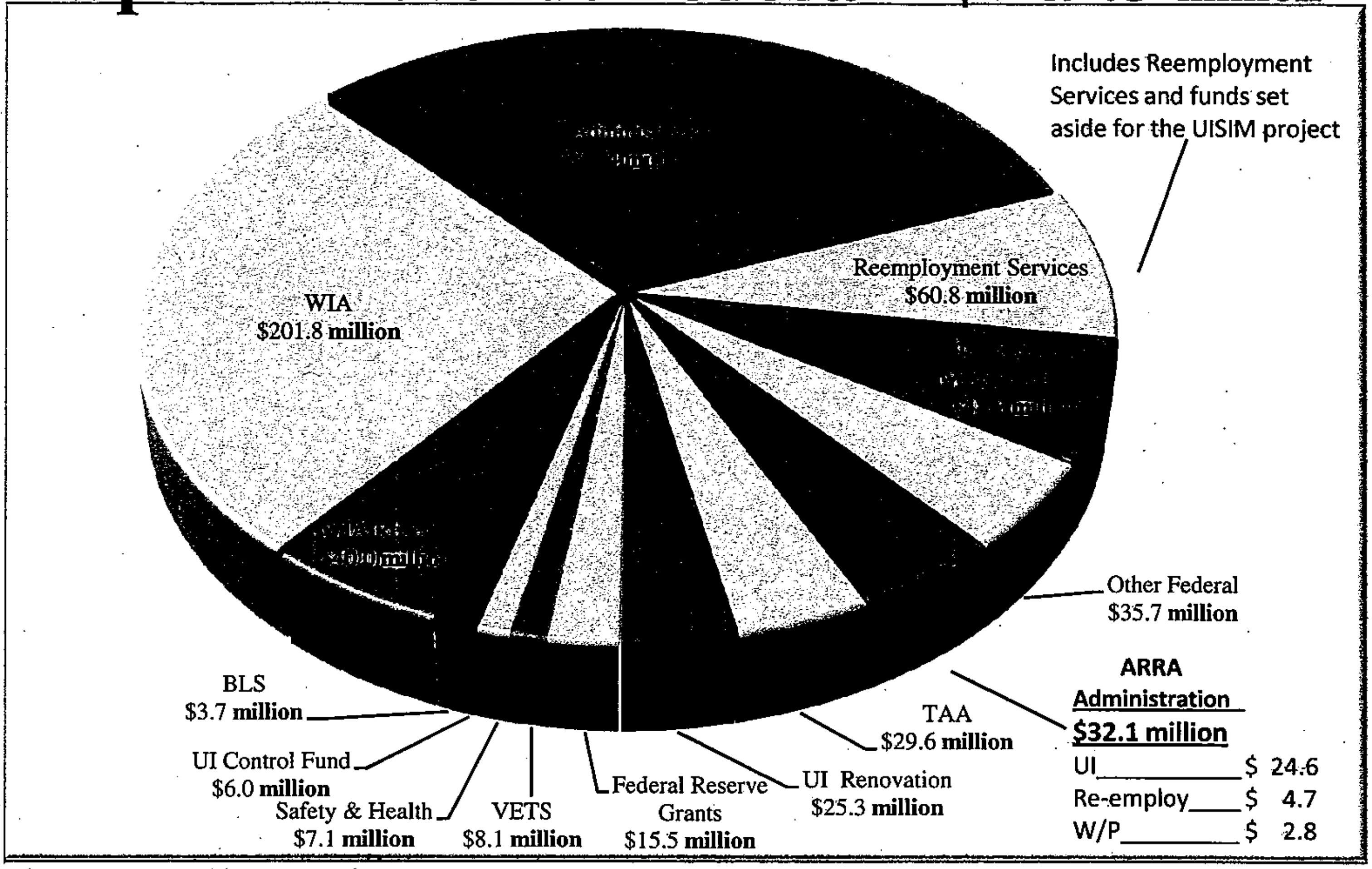
SFY 2010 - 2011
NYS Department of Labor Annual Funding
Executive Budget Appropriation Request
$8.066 Billion



* The appropriations include regular UI and ARRA benefit payments and payments for Occupational Training

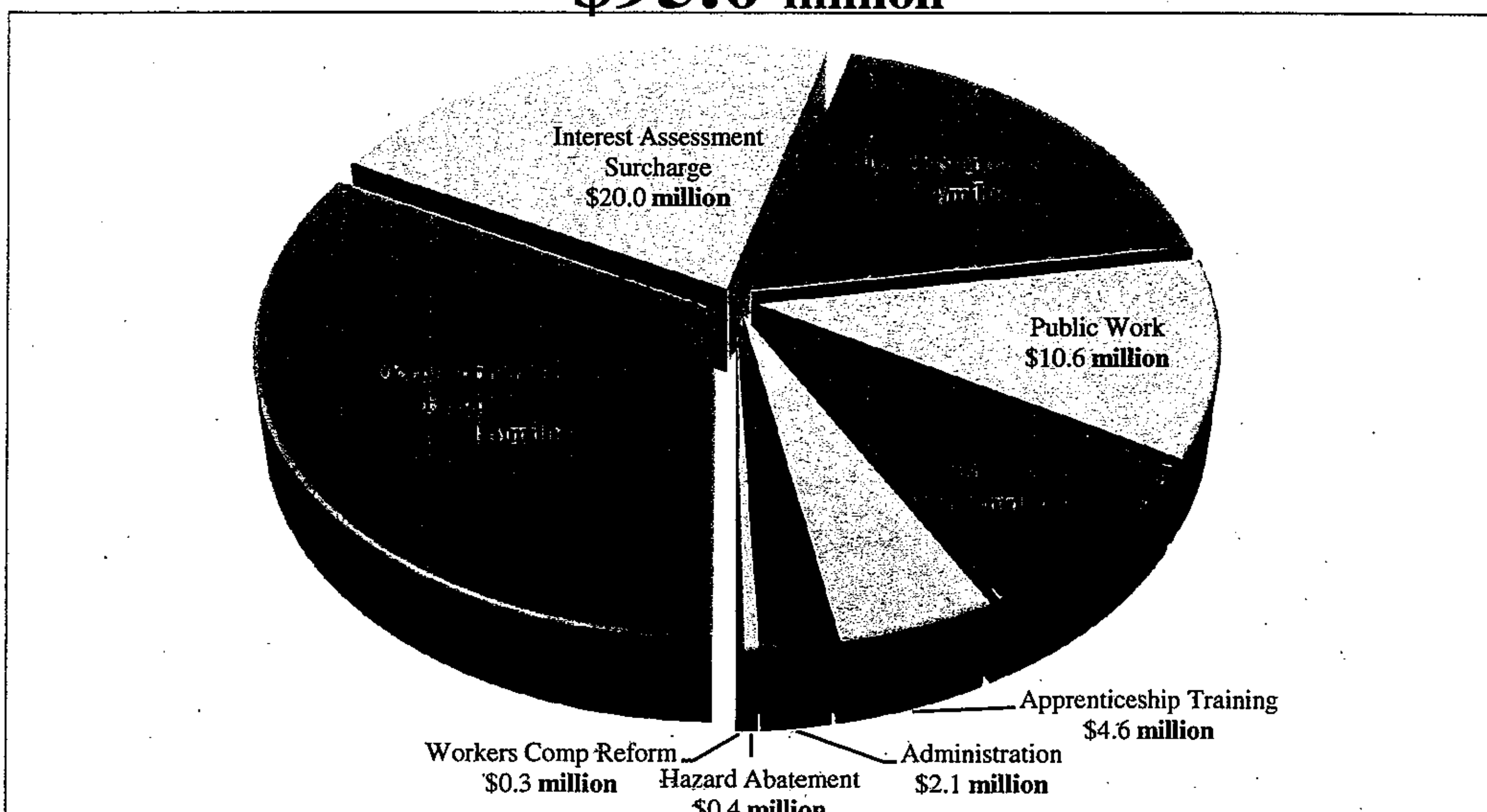
SFY 2010 - 2011

Special Revenue Federal - $749.3 million



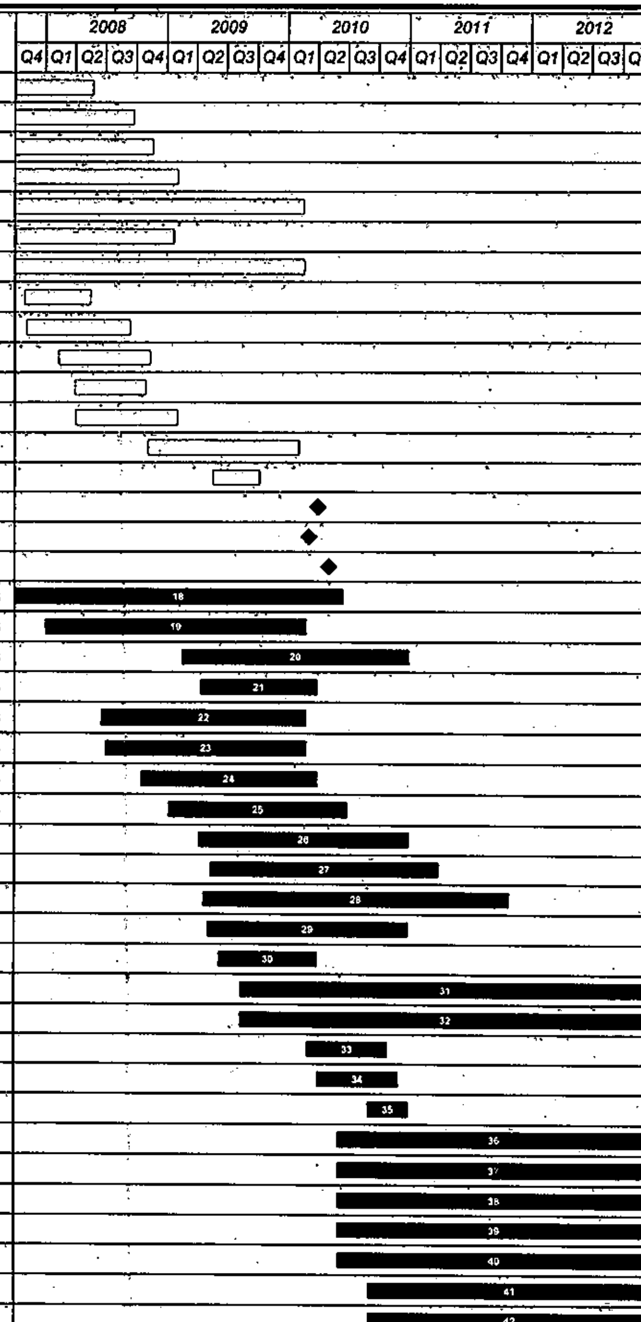
Special Revenue Other - State

$95.0 million



UISIM Project Timeline

ID	UISIM Projects	Start	Finish	Status
1	Core Processor (Servers) Installation	10/1/2007	5/23/2008	Complete
2	Storage Expansion	10/1/2007	9/23/2008	Complete
3	Call Center Monitoring	7/5/2007	11/20/2008	Complete
4	Rational Development Framework Integration	8/14/2007	2/3/2009	Complete
5	xPression Implementation (LGAS Replacement)	6/4/2007	2/17/2010	Complete
6	Enterprise Content Manager (ECM) Implementation	10/5/2007	1/22/2009	Complete
7	PeopleSoft General Ledger Implementation	10/1/2007	2/19/2010	Complete
8	Tivoli Tool-set Installation	11/1/2007	5/16/2008	Complete
9	Conceptual Data Model	11/7/2007	9/12/2008	Complete
10	Enterprise On-Demand Implementation	2/12/2008	11/12/2008	Complete
11	SOA Infrastructure	4/1/2008	10/29/2008	Complete
12	UI Web Display Employer Info for OC	4/3/2008	2/2/2009	Complete
13	Enterprise Service Bus (ESB) Commercial Off the Shelf (COTS) Service Exposure	11/7/2008	2/3/2010	Complete
14	Install and Configure Rules Engine	5/21/2009	10/8/2009	Complete
15	Business Process Workflow Implementation *	4/1/2010	4/1/2010	Canceled
16	UI Tax Image Conversion - Image Plus to ECM *	3/5/2010	3/5/2010	Canceled
17	UI Benefits Image Conversion - Image Plus to ECM *	5/4/2010	5/4/2010	Canceled
18	eFile Core Application & Address Change	1/2/2007	6/15/2010	In-Progress
19	UI Tax Rating	1/2/2008	2/25/2010	In-Progress
20	UI Multi-Year Tax Rating	2/17/2009	12/30/2010	In-Progress
21	Employer Home Page - Consolidated Accounts Receivable	4/14/2009	3/30/2010	In-Progress
22	UI Employer Registration	6/19/2008	2/25/2010	In-Progress
23	Common Authentication	7/2/2008	2/25/2010	In-Progress
24	SOA Security Monitoring	10/16/2008	3/30/2010	In-Progress
25	UI Benefit Intake	1/8/2009	6/29/2010	In-Progress
26	UI Benefits Certification	4/9/2009	12/30/2010	In-Progress
27	UI Benefits Adjudication	5/14/2009	3/30/2011	In-Progress
28	UI Hearings & Appeals	4/23/2009	10/28/2011	In-Progress
29	UI Audit and Investigation Case Mgmt System	5/6/2009	12/29/2010	In-Progress
30	UI Virtual Call Queuing Callback Manager	6/9/2009	3/30/2010	In-Progress
31	UI Benefit Ledger Replacement	8/13/2009	12/28/2012	In-Progress
32	UI Tax Ledger Replacement	8/13/2009	12/28/2012	In-Progress
33	xPression Implementation (L-Gen Replacement)	3/2/2010	10/29/2010	Future
34	xPression Implementation (Elixir Replacement)	4/1/2010	11/30/2010	Future
35	eFile Bulk Filing	9/1/2010	12/30/2010	Future
36	UI Tax Report and Payment Processing	6/1/2010	12/28/2012	Future
37	UI Employer Refunds	6/1/2010	12/28/2012	Future
38	UI Tax Adjudication	6/1/2010	12/28/2012	Future
39	UI Benefits Payment Processing	6/1/2010	12/28/2012	Future
40	UI Employer Charges Posting	6/1/2010	12/28/2012	Future
41	UI Tax Collections	9/1/2010	12/28/2012	Future
42	UI Benefit Collections	9/1/2010	12/28/2012	Future



* Some previously reported projects no longer appear because their functionality has been included in the deliverables of other projects.

4

Since 1910

CSEA

New York's LEADING Union

Testimony on 2010-11 Executive Budget Proposal – Workforce

Before:

New York State Senate Finance Committee
Chair, Senator Carl Kruger

&

New York State Assembly Ways and Means Committee
Chair, Assemblyman Herman D. Farrell, Jr.

Wednesday, February 10, 2010
Legislative Office Building
Albany, NY

Testimony Submitted by
Fran Turner

As CSEA approaches its centennial anniversary, we are once again ready to help reach responsible solutions to the difficult choices that will be faced in the upcoming budget. CSEA members take the situation very seriously, and you should know that we are part of the solution, not the problem. Throughout the years, CSEA members have been there in good times and bad to deliver essential services to New Yorkers. We contribute to the quality of life in every part of the state every day. CSEA has always partnered with elected officials throughout the state to address tough times and this year is no different, but cutting jobs and services will not make things better in New York. We urge Governor Paterson, state legislators and local officials across New York to find a fair balance that protects services and keeps people working.

Far too often, the services that public employees deliver are taken for granted. Nobody cares about the services provides or the people who deliver them as long as roads are plowed, children are bused to and from school and the sick and elderly are cared for. It is only after these services are not provided that people realize the vital role that public employees have in our everyday lives.

Public employees are under attack from editorials and conservative think tanks all over the country. Our members are described as being overpaid, having fat pensions and lavish benefits. The fact of the matter is that these attacks on CSEA members are not true. The media should get the record straight. The average salary for current CSEA State members is approximately $40,000, they pay 25% of their health care premium and co-pays on top of that. CSEA's retirees, contrary to news reports, live on an average annual pension of $14,000. During a time of attack editorials, inaccurate press releases, and lies about pay and benefits, it is difficult to keep the morale of public employees high. However, these employees continue to show up to work at every hour of every day to keep New York running.

Misuse of Temporary Workers

Time and time again we see articles and editorials claiming that the state has a bloated workforce. It seems that if enough people say something, regardless of its validity, everyone will begin to believe it. However, the facts are that state agency staff shortages have created mandatory overtime problems, quality issues and have left the state with a temporary, shadow workforce that do not have the benefits, rights, and respect of full time, permanent employees. CSEA recently uncovered that state agencies have been using thousands of temporary employees in place of permanent state workers. State agencies have spent at least $62 million on temporary workers hired through temporary service agencies since April 2008. These workers, who receive no benefits and have no rights under the law, have been used for years to hide the fact that the state workforce has been depleted to such an extent that the agencies are no longer able to deliver promised services to the citizens of this state.

The worst offender is the state Department of Health (DOH) which has spent more than $13 million taxpayer dollars on temporary services followed by the State University of New York (SUNY) system at $9 million; the Office of General Services (OGS) at $5.6 million; state Education Department at $4.7 million; Law Department at nearly $3.4 million; and the Department of Transportation at more than $3 million.

We have known for years about the use of these temporary employees. However, it was not known that it was to this extent. It was not known until recently that many of these temporary workers have been on the job for years. It is time for the state to stop being in denial about needing more employees. There is no need for the state to pay a premium to a for-profit, out-of-state company for employees when the same work can be performed by permanent state employees. The State must comply with the merit and fitness provisions of the State Constitution and Civil Service Law for the hiring of employees instead of the rules of a for-profit corporation. Temporary should mean temporary and not employment that extends for years.

CSEA does recognize that at times agencies have assignments that are extremely short in duration and might be better suited for employees who are not full-time. That is why CSEA proposes the creation of a temporary state workforce pool that could be used to fill positions that fit this description. This pool could be used if a person is on vacation, medical leave, or some other extended absence. This pool would mitigate the cost of using private companies while also ensuring that temporary employees are not being abused with no benefits and less pay than permanent employees. This temporary workforce could also be our future state workforce. Currently, the average age of a CSEA state worker is 48 years old. This worker has approximately 20 years of service. Having a temporary state workforce pool could be the planning stage for new workers in the future.

State University of New York

Governor Paterson has proposed a plan that would exempt SUNY of accountability to the legislature, Attorney General, and Comptroller. SUNY's record shows that they can not be trusted when it is given any type of flexibility. This is why

CSEA opposes Governor Paterson's proposal to allow SUNY the ability to purchase good and services without prior approval by the Attorney General and Comptroller, as well as avoid competitive bidding and prevailing wage laws. Prior approval by the Attorney General and Comptroller ensure that a system of oversight exists.

Further, CSEA is opposed to giving SUNY free reign over privatizing services instead of utilizing trained and knowledgeable public employees. Throughout the country we have seen the privatization of public services continually fail to deliver on its promises. We can not afford to have our SUNY system fail. It is critical to ensure that quality public services are provided by qualified public employees. Employees that currently work for the state university system are dedicated, hard working and extremely knowledgeable of their subject areas. Not all private contractors deliver the quality and maintain the accountability that the citizens of New York expect and deserve from their government.

Health Care

CSEA was dismayed to see the elimination of the trend factor for nursing homes and hospitals. This cut will cause severe hardships for public facilities at a time when they are struggling on a daily basis. This cut, projected to total $106 million for hospitals and $112 million for nursing homes, will make a bad situation worse. Facilities will have to layoff frontline staff or cut the level of care patients receive. Neither of these options are acceptable or safe.

CSEA recognizes that change in the state's nursing home system is inevitable. However, it is critical that before one nursing home is closed or downsized we must ensure that there are other options available for long-term care in the community. What we need is a definitive plan of investments for building a new, modern long-term care system that will ensure access and affordability for all New Yorkers instead of a piecemeal approach that we take now.

Governor Paterson's "County long-term care financing demonstration program" would allow up to five counties to reduce their county nursing home bed capacity or close a county nursing home and dedicate the savings to community based long-term care alternatives. County nursing homes are many times the homes of last resort for individuals who do not have the resources to live in a private nursing home or are too ill to be in an assisted living facility or at their home. We have severe concerns that while a county is encouraged to downsize or eliminate a public nursing home they will do so without knowing the true demand for services and will overestimate the capacity of alternative types of care in the community. This will undoubtedly leave those most vulnerable without the care that they will require. Further, with the coming spike in the elderly through the retirement and aging of the baby-boomers we do not feel that this is the time to play a game of Russian roulette with our public nursing homes.

Facility Closures

CSEA is opposed to the closure of Lyon Mountain Minimum Security Prison, Butler Minimum Security Prison, Moriah Shock Facility and Ogdensburg Medium Security Prison. The closure of these prisons will jeopardize the safety of inmates and put the safety of staff in jeopardy by making other prisons more crowded. Further, the minimum security prisons proposed to be closed will hurt inmates who are about to reenter society. The purpose of minimum security prisons allow inmates the time to transition back into society. They provide job skills, training and education in order to prevent the revolving door so prevalent in our correctional system.

CSEA is opposed to the Governor's proposal to consolidate the Annsville and Taberg residential facilities, as well as the elimination of the limited-secure program for boys in the Tryon Boys facility in Johnstown and the non-secure residential program for girls in Lansing. Although OCFS says that these facilities are near empty, CSEA has real concerns that they were emptied for ideological and monetary reasons rather than a decline in serious youth crime. While OCFS is intent on keeping these youth in their own community, a laudable goal, they are blind to the fact that community services are inadequate to handle this clientele. One needs only to look at the unfortunate incident last year in Lockport to understand.

In addition, OCFS has never released a plan for where or how services would be provided in the future. They have only taken a haphazard approach and closed and downsized over the past several years without providing additional support for community programs. OCFS must engage in more long term planning before there are more closures or downsizing.

Economic Development Merger

The Governor proposes to eliminate the NYS Department of Economic Development (DED), and merge its functions with the Empire State Development Corporation into the NYS Job Development Corporation. While CSEA realizes the need for government efficiencies to address the budget crisis, we are apprehensive of supporting a merger because of concerns over public accountability, the transfer of agency regulatory powers to a public benefit corporation, the elimination of legislative oversight and the impact on unionized employees.

CSEA would like to suggest an alternative format for this consolidation. The economic development programs should be merged under the Department of Economic Development. The Empire State Development Corporation would continue as a legal entity for the sole purpose of financing economic development investments but would have no employees. This format would preserve economic development programs in a state agency rather than a public authority. In this way, accountability and transparency will be preserved.

Revenue

As families across New York State face difficult times, our legislators must consider all revenue proposals to help close the budget deficit. New York State has collected a sales tax on stock transfers made by Wall Street firms and traders. Since 1981 this state sales tax has been immediately given right back to the Wall Street broker in the form of a 100% rebate. This loophole costs New York State $16 billion in lost revenue each year.

We are calling on the state to temporarily reduce the Stock Transfer Rebate to 80% and allow the state to keep 20% of the revenue that is generated. That would provide us with $3.2 billion in additional funding to help our state weather this financial storm. Wall Street helped make this economic mess. It is only fair for them to help us get out of it.

CSEA supports the Governor's plan for additional revenue by imposing a tax on soft drinks that contain more than ten calories per eight ounces, such as soda, sports drinks, energy drinks, colas, fruit and vegetable drinks that contain less than 70% natural fruit or vegetable juice. CSEA also supports an additional $1 per pack increase in the cigarette tax but also feels the state needs to address the hundreds of millions of dollars in cigarette taxes in New York that are not being collected. A law passed in 2008 allows the state to collect all cigarette taxes before the products reach Native-American reservations. If enforced, it is estimated that New York could raise $1 billion in revenue each year from collecting this tax.

CSEA is proud of its 100 years history of fighting to strengthen public services. Protecting and strengthening those services will remain a priority for CSEA members over the next century as well. We look forward to working with you on addressing the issues outlined here today as well as any others that may arise over the course of the next several months.

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Testimony of
Kenneth Brynien
President

The New York State Public Employees Federation

To The
Assembly Ways and Means and
Senate Finance Committees

Workforce Hearing
February 10, 2010

Mr. Chairman, committee members, I want to thank you all for allowing me to speak on this issue that is vital to all New Yorkers.

I am Kenneth Brynien, and I am president of the 58,000 member New York State Public Employees Federation. We represent the professional, scientific and technical state employees.

As you know, this year the Executive Budget calls for a reduction of 674 full-time equivalent positions in the state workforce.

This continues a two decade long reduction in what the State spends in employee wages and salaries. Yet, there are groups in this state who every year call for an extra pound of flesh from state workers. These groups insist state agencies and the state work force are huge contributors to the state's fiscal woes. However, a different picture appears when you examine the facts.

[SLIDE 1]

- There has been zero growth in the state operations budget for state agencies since 2008. When compared to every other part of the budget, state agency budgets have grown at the lowest rate over the last 10 years.

{SLIDE 2]

- In constant, 2009 dollars, the amount spent on state employees has fallen by about $300 million since fiscal year 1989-90. That's an average decline of $15 million per year.

{SLIDE 3]

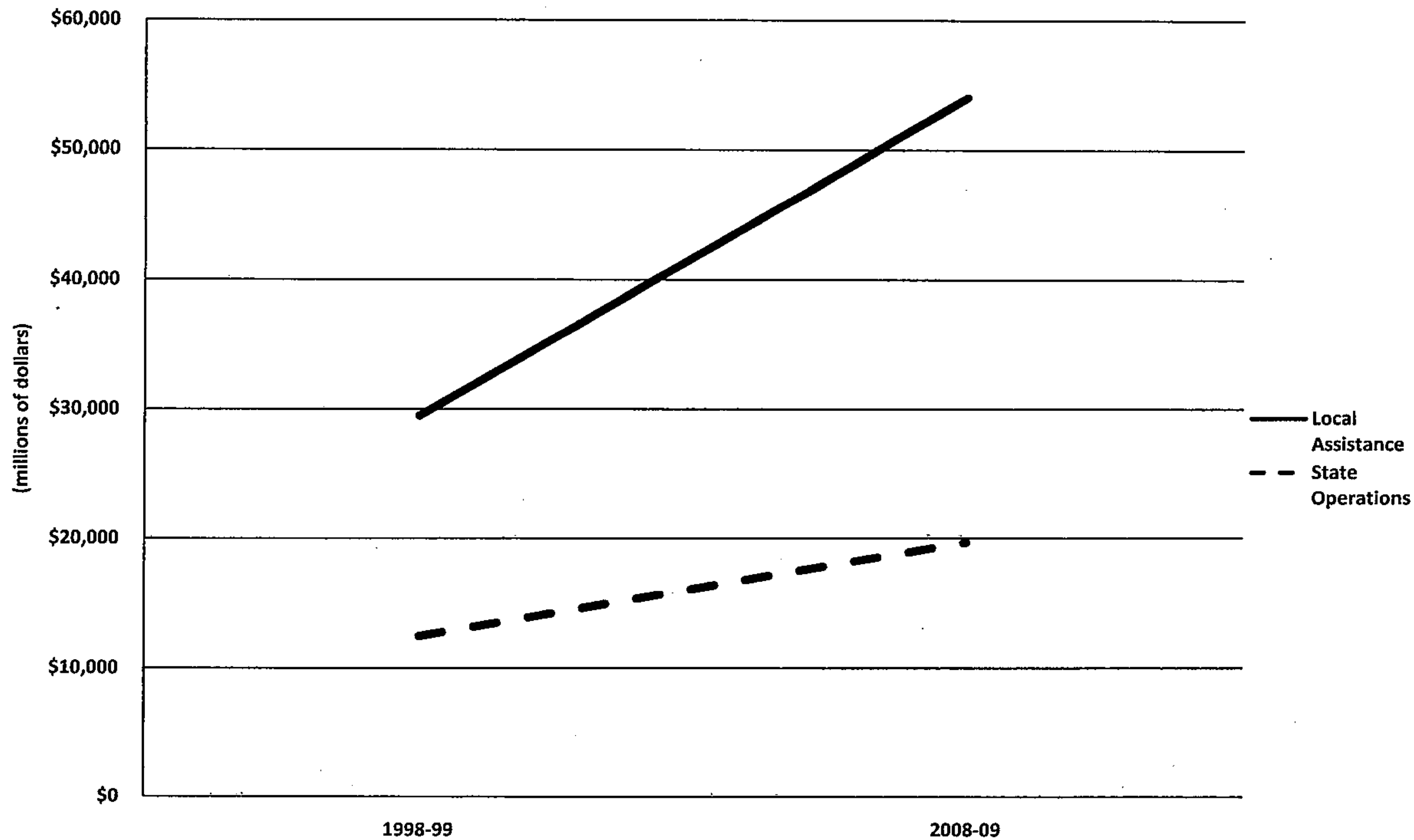
- If the governor's budget is enacted, the state work force will be the same size it was ten years ago and more than 15,000 positions smaller than in 1994, despite an increased need for state services.

The knee-jerk response to any fiscal crisis especially over the past two decades has been to target the state workforce; unfortunately, the Executive Budget is drawn from the same playbook – the play, go after the state workforce.

It makes this call despite the fact that state workers provide a much better "bang for the buck," than high cost consultants who too often replace civil servants. The average consultant performing work my members do costs the state $82.42 an hour or $160,719 a year. That's 62% more than the average $50.80 average hourly cost for equivalent state employees including fringe benefits.

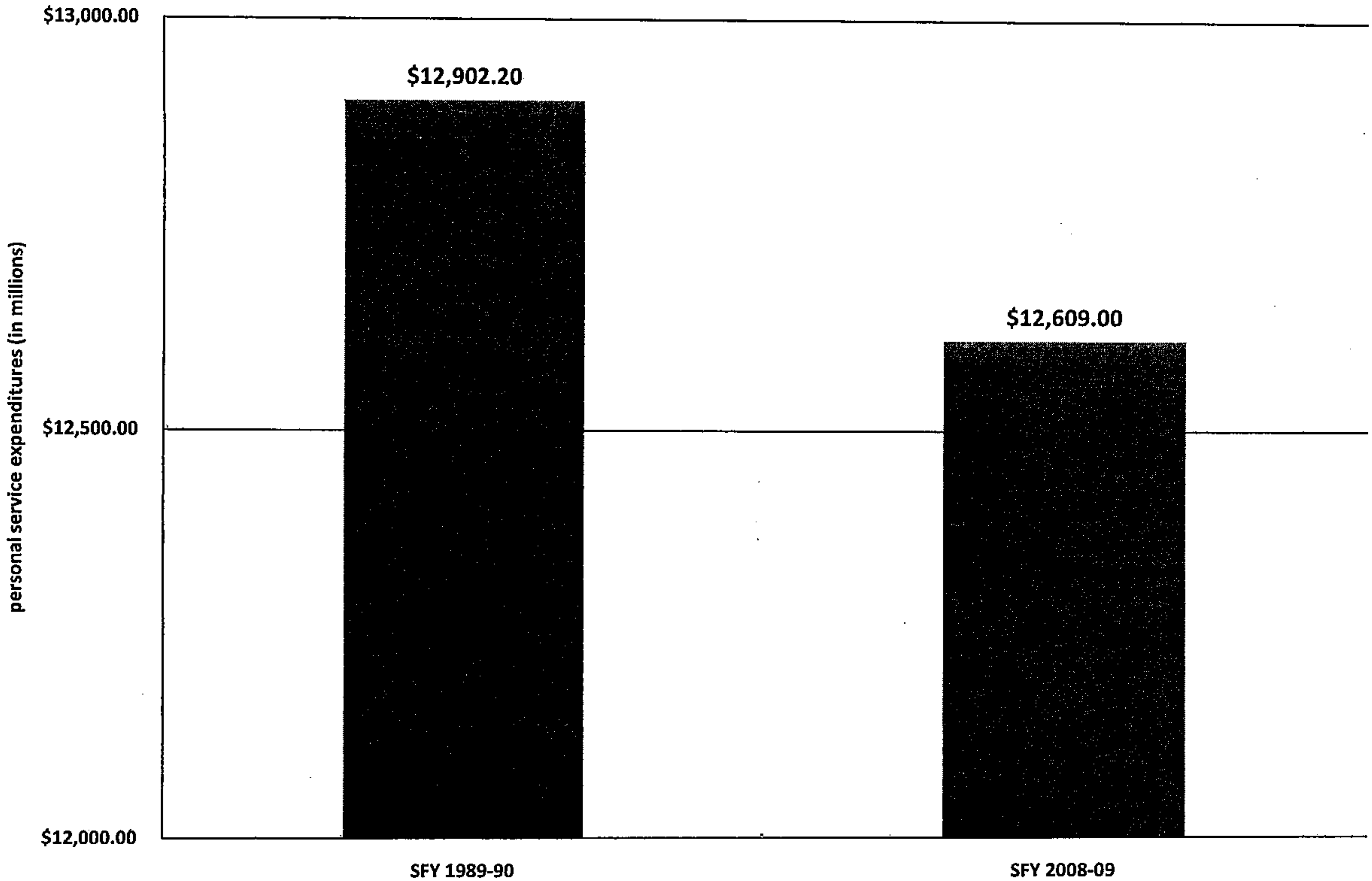
State operations budgets have grown at a lower rate than the local assistance budget.

(Spending Growth Over Ten Years)

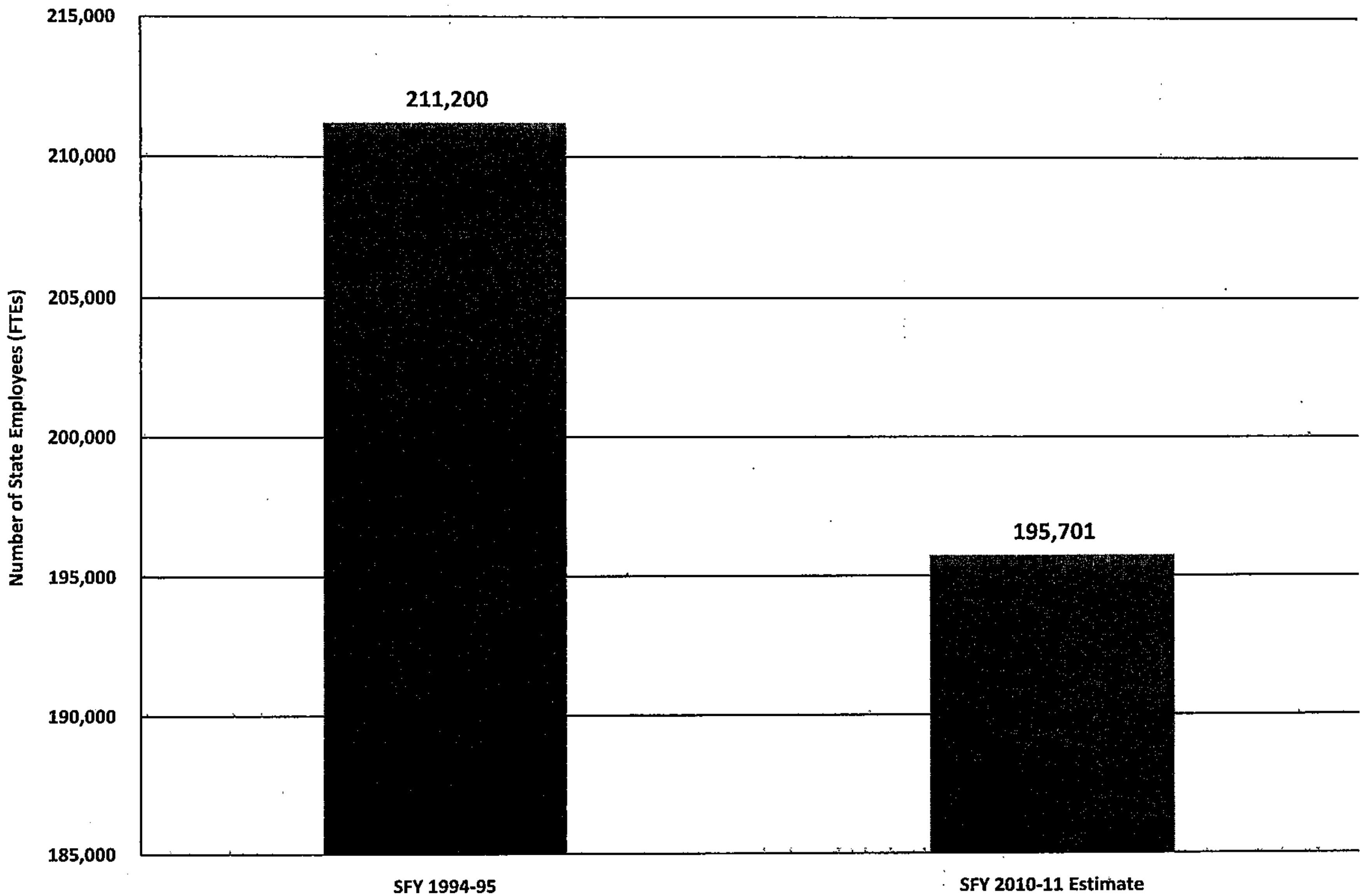


Source: SFY 2010-11 Financial Plan Overview, Executive Budget

New York State spends almost $300 million less for employee wages than it did in 1990 (in 2009 dollars).



Since 1994, the State workforce has been reduced by over 15,000 positions.



New York State has one of the smallest state workforces per capita in the nation. It is 32% below the national average and smaller than all of its neighboring states as well as most others. Only six states have smaller state workforces per capita than New York.

Despite this, the proposed budget is striking, once again, at the public servants who deliver vital services; all this while the state wastes hundreds of millions of dollars each year on consultants.

To their credit, the governor and the legislature, through the efforts of Assembly members John and Destito and Senator Savino, and the support of the leadership, have begun to institute policies to start reducing the states use of high price consultants, particularly in information technology. However, the governor must more aggressively take on the consultants that are draining agency budgets, especially in the Department of Transportation.

PEF has a plan that will start saving the state $375 million annually by 2012-13. Phased in over three years this plan will save the state $656 million over that three year time period. These savings together with others we are proposing will more than pay for any restorations PEF is seeking.

Before I explain how PEF proposes to do this, I would like to go over some specific concerns PEF has with the Executive budget.

State Employee Salaries and Benefits

The Governor proposes a $250 million cut in the salary and benefits of state employees and to shift the payment of Medicare part B premiums to the state health insurance plan.

PEF opposes these cuts and cost shifts. State employees and retirees are middle class taxpayers who will be affected by the spending cuts and fee increases in the proposed budget, just like any other resident of New York. The Governor's proposal to impose further cuts on State employees and retirees imposes a double burden on them.

The proposed elimination of salary increases and a pay lag violate negotiated labor agreements. Contracts negotiated in good faith must be honored. The governor is not trying to renegotiate any other binding contracts the state has except for state employee contracts – that's an unfair double standard.

State employees have already borne the brunt of cuts. Since 2008 the State workforce has been cut by 4,500 positions. In 2009 PEF and CSEA agreed to a new pension Tier 5 that will save the State and local governments $35 billion over 30 years.

If the state workforce must be cut further, rather than lay off workers, the state should expand the voluntary severance program it offered last year. The governor originally proposed to reduce the workforce by 4,500 positions by offering a $20,000 severance payment. Only 1,200 positions were eliminated through the severance program and over 1,000 employees were denied participation. At a minimum these 1,000 should be offered the severance which would save the state over $52 million in FY 2010-11. A number of agencies refused to offer the severance plan at all. They should be mandated to offer it. If the state eliminated another 2,300 positions through the severance program, meeting the governor's initial target, the state would save an additional $120 million.

In addition the state saves hundreds of millions of dollars in health insurance costs when its retirees begin to receive Medicare. That is why they have historically reimbursed retirees for the cost of their Medicare part B premiums. The Governor's proposal is to make this cost an obligation of state employees and retirees through the health insurance plan.

The Legislature should reject salary and benefit cuts, restore funds to allow the State to honor its contractual obligations and amend the budget bill by continuing the state responsibility to pay Medicare Part B premiums.

PEF **Supports** the Following Governor's Cost Savings Proposals For Employee Benefits:

- Allowing state and local governments to amortize their pension payments.
- Allow NYSHIP to self-insure for employee health benefits
- The Governor also proposes several agency consolidations that save a total of $10 million that PEF does not oppose.

Reduce State Employee Overtime Costs

Many of you have raised the issue of the state's excessive overtime spending for state employees. We agree with you and worked with you to limit mandatory overtime for nurses. It is important to understand that overtime is the result of short-staffing in state agencies. We have reduced the state workforce but not its workload. State Agencies still have to complete mandated work and its institutions must meet safe staffing levels mandated by accreditation agencies.

That's why state agencies spent more than $500 million dollars on overtime pay in 2008-09. We recognize that some overtime is inevitable, but we believe that as much as 60% of this overtime could be eliminated by hiring entry level state employees, saving at least $33.5 million annually, or over $100 million over 3 years.

State Employee Facility Closures & Position Reductions

PEF opposes the proposed closure of Office of Children and Family Services (OCFS) facilities in Annsville and the downsizing of the Tyron and Lansing facilities.

The closure and downsizing may result in young people being placed in privately operated programs that cannot meet their needs, leading to greater recidivism and higher costs.

One-third of youth placed by OCFS in private facilities fail in these placements and are transferred to OCFS facilities. If the State wants to reduce recidivism they should fully implement the Governor's Juvenile Justice Task Force Report's recommendations to improve staff/youth ratios in OCFS facilities so more intensive services can be provided by teachers, counselors, and other staff.

The downsizing of these facilities might result in small, short term gains, but be far more costly over the long haul.

PEF is also opposed to the proposed Department of Correctional Services (DOCS) closures at Lyon Mountain, Butler, Moriah Shock Incarceration and Ogdensburg.

DOCS already has thousands of double bunks in medium security facilities, many of which were not constructed to accommodate double-bunks. Additionally DOCS is using a large number of temporary beds in their facilities.

Closing these facilities may lead to future capacity shortages and hazardous situations such as even more double-bunking.

In addition these OCFS and DOCS closures will further deteriorate the already fragile economies of the upstate communities in which they are located and will result in the wholesale relocation of hundreds of families, and more vacant homes and closed businesses.

PEF also opposes the elimination of 34 positions at the Department of Agriculture and Markets.

It is troubling that during a time when there are increasing public health scares owing to illnesses caused by food borne pathogens, the State wants to cut 29 positions out of Agriculture and Markets Consumer Food Services programs and another 13 positions in its Agriculture Business Services program.

These cuts involve ending kosher food inspections and farm products grading services. The state claims that it must end kosher food inspections due to a court decision. However, the final court decision on kosher inspections was issued seven years ago and should have no impact on how inspectors have done their job since it was issued.

The loss of Farm Products Grading Inspectors will have a major negative impact on the state's agriculture business and it's agricultural exports. There are no private entities to perform the farm grading services that Agriculture and Markets Farm Products Grading Inspectors provide, as the Executive Budget has claimed. The USDA does not and will not perform this service for New York State. In order to export products such as apples and maple syrup, a USDA certification is required and Agriculture and Markets Farm Products Grading Inspectors provide this service.

PEF opposes these cuts in programs that are important to consumer protection and food safety. The legislature should restore $543,000 for these positions.

Department of Transportation

[SLIDE 4]

What has happened in the Department of Transportation over the last three years is a case study of why hiring freezes often result in greater costs for the state. The proposed budget cuts 91 positions at the Department of Transportation. If this cut is approved, DOT will have lost 1,011 positions since 2008. What's worse is that DOT's design and construction program, which employs state engineers who design and inspect our roads and bridges, has lost 1,464 positions since 2008.

[SLIDE 5]

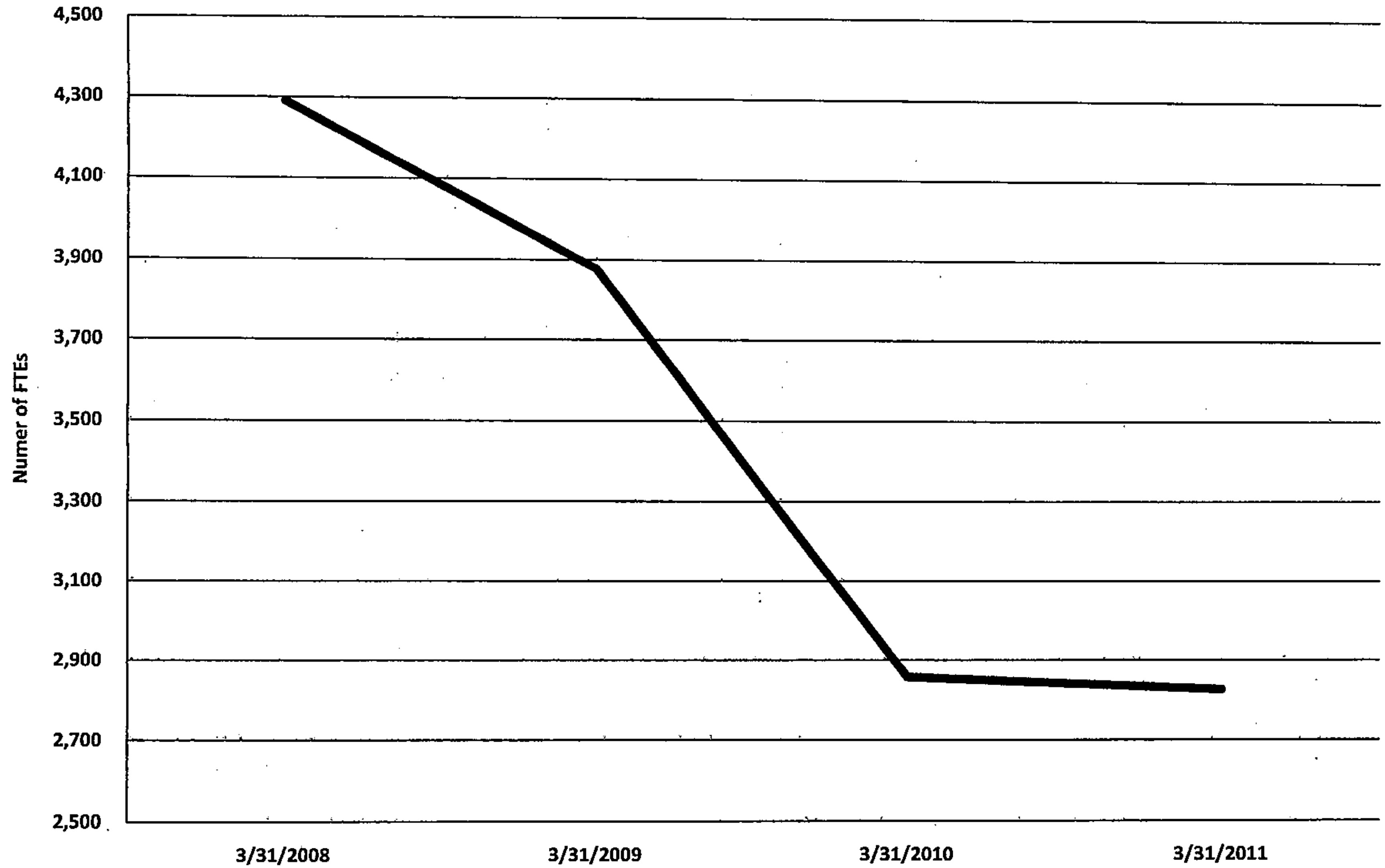
Meanwhile, last year DOT spent over a quarter billion dollars on consultant engineers to do work similar to that formerly performed by state-employed engineers. That's $24 million more than it spent in 2008 and $52 million more than it spent in 2004.

[SLIDE 6]

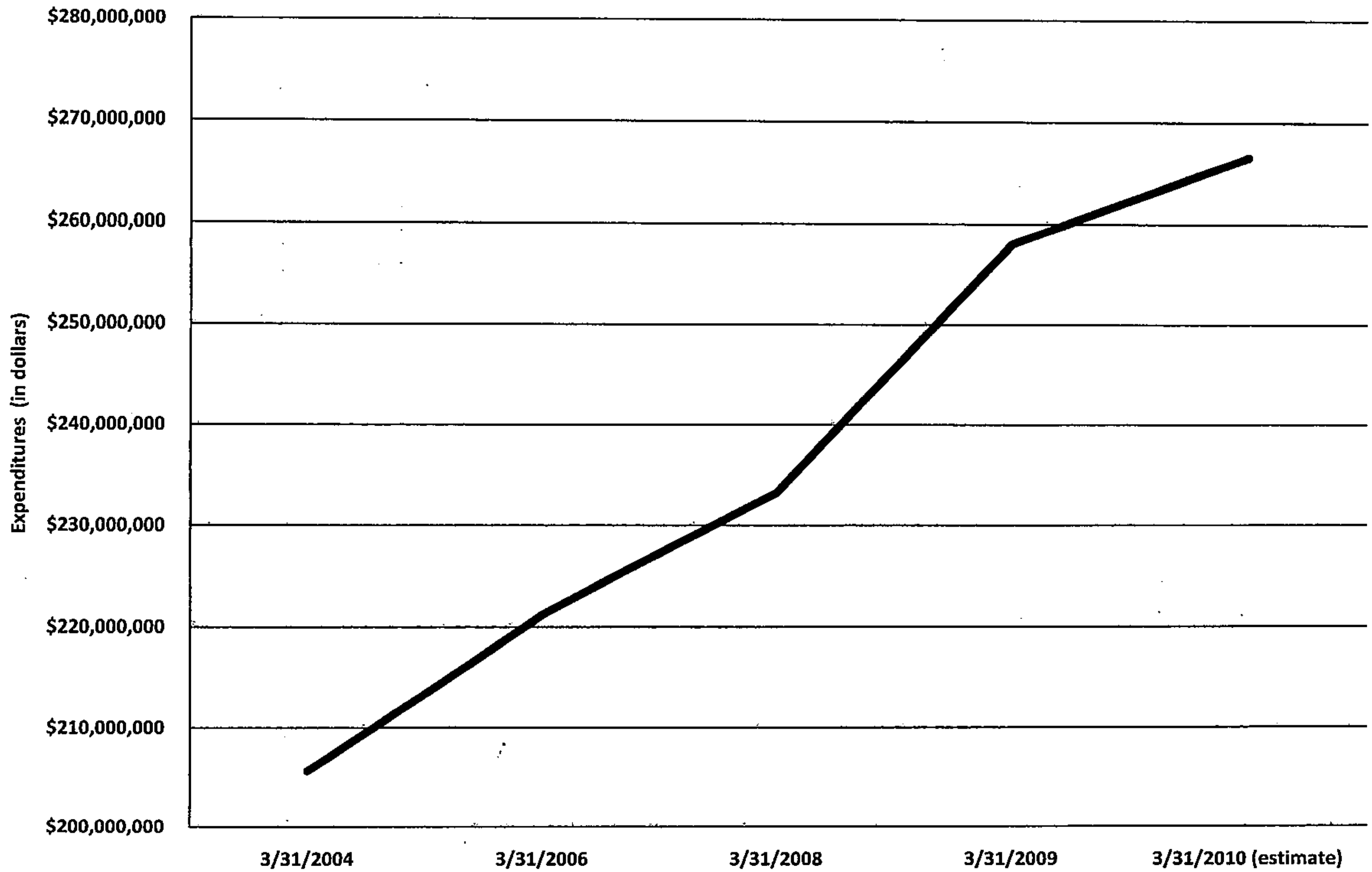
Multiple studies by the State comptroller and other analysts have demonstrated that consultant engineers cost between 50% and 70% more than state employee engineers who do the same work. Based on information collected by the Comptroller's office DOT spends an average of $82.09 an hour for a consultant engineer; 64% more than its cost for a comparable state employee engineer including the cost of their benefits.

Despite these facts DOT admits that currently 60% of its engineering work is done by consultants. PEF strongly believes that DOT engineering positions should be restored, to pay for them DOT should be directed to reduce its hiring of consultants by at least 50% over a three year period, beginning now. The state could save up to $82.4 million a year in DOT by following this plan.

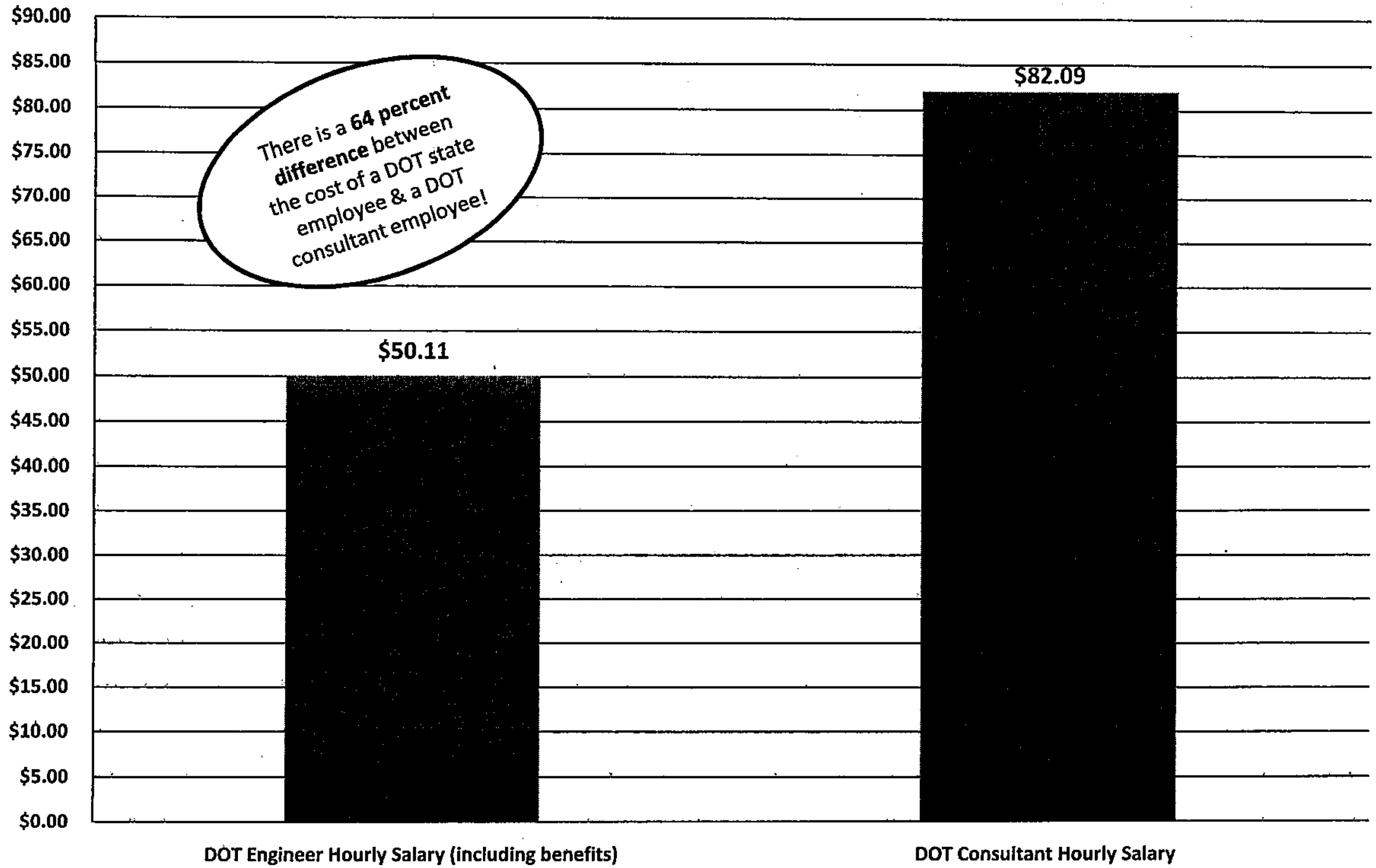
DOT Design and Construction State Employees have decreased by 1,464 FTEs since 2008.



DOT Consultant Engineering expenditures are expected to be up by as much as 30 percent since 2004.



Hourly Rate Comparison
DOT State Employee vs. DOT Consultant Employee



Consultant Reduction Plan

[SLIDE 7]

As we have shown in DOT the best way for the state to save money is by cutting its use of private consultants.

In a time when the state is facing severe fiscal constraints, spending on all consultants, including support staff and graduate assistants, in SFY 2008-09 rose to $2.9 billion; a $100 million increase over the previous fiscal year.

That's the equivalent of 23,329 full time consultants working for the state, over 2,500 more consultants than the previous fiscal year.

During the first three quarters of this fiscal year the state's spending on consultants is $8 million more than it spent in the first three quarters of SFY 2008-09.

Mr. Chairman, committee members, why is it that the governor wants to cut the number of public servants, while his agencies are increasing the number of consultants, which actually cost the state MORE than public employees?

For more than a decade, the State Comptroller's Office, private auditing firms and public employees' unions have been pointing to the state's irresponsible and essentially uncontrolled spending on high cost private consultants, but so far only the tip of the iceberg has been exposed.

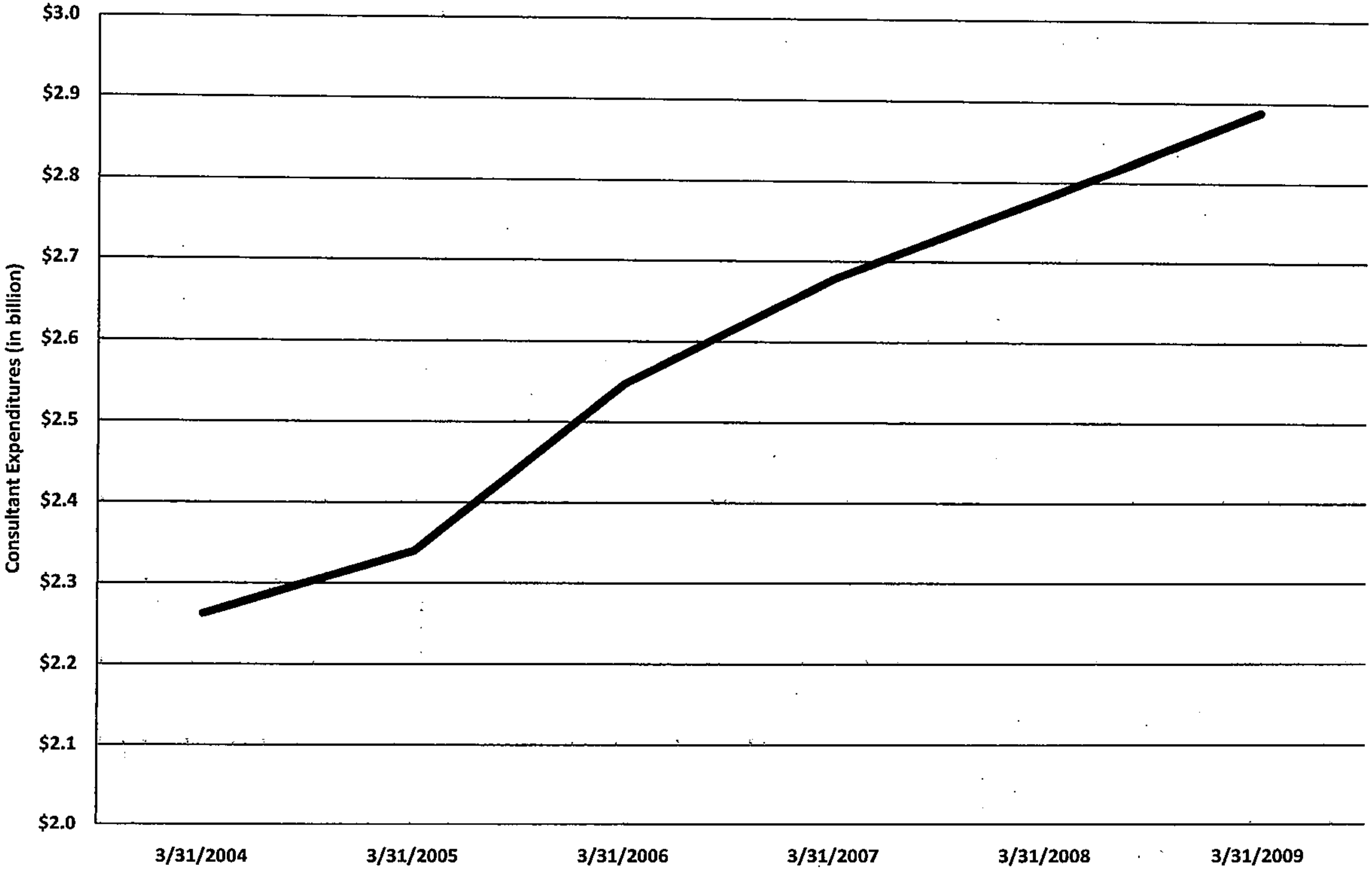
Based on reports filed with the Office of State Comptroller, which only cover 20% of total consultant expenditures, New York State continues to pay thousands of consultants performing professional services an average of $160,719 annually; 62% more than public employees doing similar work cost, and that includes benefits.

The recently enacted Information Technology Consultant Reduction plan and the implementation of the Governor's Task Force on Personal Service Contracting Issues recommendations should further reduce the state's wasteful spending on consultants. The State needs to build upon these initiatives.

The State should enact a Consultant Reduction Plan with a goal of saving $375 million annually by 2012-13. Phased in over the three years, this plan could save the State over $656 million.

The plan should:

Overall consultant expenditures have increased by $100 million over the previous fiscal year and have increased by $625.6 million since 2004.



- Require the Division of Budget to set savings targets for each state agency for consultant spending, focusing on information technology and engineering services as these categories will achieve the greatest savings.

- Institute a freeze on new and renewed state agency consultant contracts over $100,000 until a cost benefit analysis is completed by an agency and reviewed, and a waiver is approved by the Division of Budget.

- Require the Department of Transportation, as part of their Consultant Reduction plan, to conduct at least 90% of their bridge inspections with state employees within three years.

- Provide for enactment of a law that requires state agencies to perform a Cost/Benefit analysis before entering into any consultant contract more than $100,000; and

- Provide for enactment of a law that requires penalties for failure to file reports under consultant disclosure law. DOB and the Office of the State Comptroller (OSC) should also take the necessary steps to improve the consultant reporting as recommended by the Governor's Task Force on Personal Services Contracting.

Revenue Proposals

PEF supports the governor's proposed Excise Tax on Syrups or Simple Syrups, Bottled Soft Drinks, or Powders or Base Products which will raise $465 million in revenue. We also support his proposal to increase excise tax on cigarettes by $1 a pack which will raise $210 million.

However, these revenue measures are insufficient to close the state's budget gap in a fair manner. The governor has proposed that revenue measures only be used to close 16% of the budget gap while proposed spending cuts would close 72% of the gap. Last year we closed the budget gap through roughly equal measures of spending cuts, revenue increases, and federal assistance. We need to follow a similar course this year.

It is important to note that big businesses' share of state tax revenue relative to state personal income has declined by 50 percent since 1980 as they've taken advantage of loose tax laws which allow big corporations to dodge their fair share of taxes in New York. In addition the wealthiest 1% of new Yorkers pay about 7% of their income in state and local taxes while the rest of us pay between 10% and 11%

I have attached to my testimony revenue ideas advocated by New Yorkers for Fiscal Fairness which would generate billions of dollars annually. They include keeping part of the stock transfer tax that the state now completely rebates, closing corporate tax loopholes, and a Financial Crisis Responsibility Fee (FCRF) Hold Harmless Tax. New York State and City should impose a FCRF Hold Harmless Tax on the financial institutions that have a federal FCRF liability, and the Federal government should allow such payments to New York State and New York City to be credited against federal FCRC liability.

These include proposals to insure that the financial institutions, whose greed and recklessness caused the state's fiscal crisis, pay their fair share of the cost of getting us through the crisis.

In conclusion, PEF has proposed a means to achieve the workforce savings identified in the executive budget proposal without the negative impacts that come from cutting state services to the bone and beyond and still honoring the states contractual commitment to its employees.

[SLIDE 8]

These are:

- **<u>Institute a Consultant Reduction Plan</u>** This can **save $656 million over the next three years.**

- **<u>Expand the Voluntary Severance Program</u> If offered without restriction, the severance could save the state more than $52 million in FY 2010-11 and if the governor's initial target of 4,500 employees for the severance program was met the state could save another $120 million.**

- **<u>Institute a Workplace Injury Reduction Program</u>** Workplace injuries cost the state between $113 and $227 million per year in direct and indirect costs. A 20 percent reduction resulting from comprehensive prevention efforts to address causes of the injuries could result in **$45 million in savings.**

- **<u>Capture Overtime Savings.</u>** Reduce overtime by 60% by hiring entry level state employees, saving at least $33.5 million annually, or over $100 million over 3 years.

Mr. Chairman, committee members I very much appreciate the opportunity to speak to you today and look forward to working with you to craft a budget that truly asks for equal sacrifice from everyone.

Thank you.

Achievable Savings Proposals

- <u>Institute a Consultant Reduction Plan</u>

  $656 million in savings over the next three years.

- <u>Expand the Voluntary Severance Program</u>

  Offered without restriction, more than $52 million in savings in FY 2010-11.

  Fully implemented with the Governor's original target of 4,500 employees $120 million.

- <u>Institute a Workplace Injury Reduction Program</u>

  Comprehensive prevention efforts, 20 % reduction in injuries, $45 million in annual savings.

- <u>Capture Overtime Savings.</u>

  $33.5 million annual savings, or over $100 million over 3 years.

PEF **Memo**

TO: State Senators and Assemblymembers

DATE: January 28, 2010

RE: ***SFY 2010-11 Budget Priorities of the Public Employees Federation***

PEF asks the Legislature to modify the Governor's budget in these areas:

State Employees and Retirees - Salary and Benefits

Salary and Benefit Cuts - The Governor proposes to impose through the budget a cut of $250 million in the salary and benefits of state employees. The Governor proposes to achieve this by negotiating modifications to labor contracts such as a five-day "lag" in payroll or a delay or reduction of pay raises that are due to take effect on April 1, 2010. State agencies budgets have been reduced by $250 million to reflect this proposal even though no negotiated agreement has been reached.

Medicare Part B premiums - The Governor also proposes to shift part of the cost of Medicare premiums ($30 million) from the State to State employees and retirees. The budget estimates that it would increase premium costs to workers and retirees by $30 per year for individuals and $85 for families, but these amounts could increase in the future.

PEF Position: PEF opposes these cuts. State employees and retirees are middle class taxpayers who will be affected by the spending cuts and fee increases in the proposed budget, just like any other citizen of New York. The Governor's proposal to impose further cuts on State employees and retirees is unfair since it imposes a double burden on them. The proposed elimination of salary increases and lagging of pay would be a violation of negotiated labor agreements. Contracts that were negotiated in good faith must be honored.

State employees have already borne the brunt of cuts. Since 2008 the State workforce has been cut by 4,500 positions. In 2009 PEF and CSEA agreed to a new pension Tier 5 that will save the State and local governments $35 Billion over 30 years.

The Legislature should reject salary and benefit cuts, restore funds to allow the State to honor its contractual obligations and amend S6606/A9706 by deleting Part U (Medicare Part B).

PEF Supports the Following Governor's Cost Savings Proposals For Employee Benefits:

Pension amortization - This proposal would allow the State and local governments to amortize part of the increase in employer pension costs that are projected to occur because of investment losses in the stock market. It would have the benefit of reducing the volatility of employer costs.

State budget savings: $217 million in 2010-11, $475 million in 2011-12. The legislature should enact S6606/A9706 Part V.

Allowing NYSHIP to self-insure for employee health benefits - This would reduce costs without negatively affecting benefits. State budget savings; $15 million in 2010-11, $30 million in 2011-12. The legislature should enact S6606/A9706 Part T.

State Employee Layoffs & Facility Closures

Office of Children and Family Services (OCFS) - Effective January 2011 the Annsville non-secure facility will be closed and consolidated with the Taberg non-secure facility, the Tryon campus will be downsized by closing the limited secure boys program and downsizing the Lansing non-secure center. The budget estimates 75 position abolitions that could lead to layoffs, but the actual number could be higher.

PEF Position: PEF is opposed to these proposed closures. In some cases, this may result in young people being placed in privately operated programs that are not really able to address their needs, leading to greater recidivism and often to higher costs. One-third of youth placed by OCFS in private facilities fail in these placements and are transferred to OCFS facilities. If the State wants to reduce recidivism then they should fully implement the Governor's Juvenile Justice Task Force Report's recommendations to improve staff/youth ratios in OCFS facilities so more intensive services can be provided by teachers, counselors, and direct care staff as well as the proposed enhancement of mental health staff. These closures will have a serious negative impact on workers, their families and their communities. The Legislature should restore $2.9 million to keep these facilities open and avoid employee layoffs.

Department of Correctional Services (DOCS) – Due to a significant projected decrease in the inmate population the Executive Budget proposes a January 2011 closure date for the Lyon Mountain minimum secure facility and the minimum security facility at Butler Correctional Facility and an April 2011 closure date for the minimum security Moriah shock incarceration facility and the medium security Ogdensburg Correctional Facility. These closures will reduce the DOCS workforce by 637 positions.

PEF Position: PEF is opposed to these proposed closures. Currently DOCS has thousands of double bunks in medium security facilities, many of which were not constructed to accommodate double-bunks. DOCS is also using a large number of temporary beds in their facilities. In addition, minimum and medium security beds should be more widely used to transition inmates out of maximum security facilities and into our communities. Closing these facilities may lead to future capacity shortages and hazardous situations such as increased double-bunking. In addition currently 1,231 federal prisoners are housed in county jails. The state should explore moving these federal prisoners to state facilities as a way to reduce local governments' cost of housing these federal prisoners and keeping DOCS facilities open.

Although the department has committed to working with PEF to find positions for the displaced employees, these closures will have a serious negative impact on workers, their families and their communities. In many cases in order to keep a job employees will have to relocate hundreds of miles away from their current homes which could involve relocating their entire families. The legislature should restore the $3 million necessary to keep these facilities open this fiscal year.

Department of Agriculture and Markets - 34 position abolitions/layoffs. This reflects the reduction of 29 positions in the Consumer Food Services program which is primarily due to proposed reduced Kosher Enforcement staffing due to a court decision that limited the State's role in performing religious inspections and 13 position reductions in the Agriculture Business Services program due to the proposed discontinuation of farm products grading.

PEF Position: PEF opposes these cuts in programs that are important to consumer protection, food safety and the state's agricultural industry. The final court decision on Kosher inspections was issued seven years ago and should have no impact on how inspectors have done their job since it was issued. The loss of Farm Products Grading Inspectors will have a major negative impact on the state's agriculture business and it agricultural exports. There are no private entities to perform the farm grading services that A&M Farm Products Grading Inspectors provide. The USDA does not and will not perform this service for NY. In order to export products, such as apples, a USDA certification is required and NYS A&M Farm Products Grading Inspectors provide this service. The Legislature should restore $543,000 for these positions.

Office of Mental Retardation and Developmental Disabilities (OMRDD) - The budget eliminates 20 positions for research scientists at the Institute for Basic Research (IBR). These scientists are currently conducting important research to help combat Alzheimer's disease, fatal brain disorders in infants, and other genetic diseases. Although the budget states these positions will be reduced through attrition, there is a risk that layoffs may result and the research program at IBR will be impaired.

OMRDD also will transfer 10 positions that are responsible for conducting Medicaid compliance reviews of its not-for-profit provider network to the Office of the Medicaid Inspector General (OMIG). This may lead to contracting out this audit function to consultants at a much higher cost to taxpayers

PEF position: The legislature should restore $1,538,000 to keep these 20 positions in IBR and reject the transfer and contracting out of audit functions.

Additional Problems with the Executive Budget

Department of Economic Development (DED) - The Executive Budget proposes to merge two entities that deal with economic development- the Department of Economic Development (DED) and the Empire State Development Corporation (ESDC) into a new public authority to be known as the Job Development Corporation. PEF represents professional employees in the Department of Economic Development. We do not represent any employees in ESDC, which is a public authority rather than a state agency. ESDC employees are not civil servants.

PEF Position - PEF supports the goal of improving the effectiveness of the state's economic development programs by integrating these agencies. However, we believe that the language of this bill needs to be modified to provide that the agency will be staffed by qualified civil service professionals. The proposed language partially addresses this issue, but S6609/A9709 Part L must be modified to protect workers' rights and to protect the public interest.

State University of New York (SUNY) - The Governor proposes language to alter the relationship between SUNY and the State government by giving SUNY greater authority to enter into contracts and leases and to buy and sell real estate and enter into "public-private partnerships" without prior review by the Comptroller, Attorney General or the Legislature. It would also give SUNY authority to increase tuition and to spend money raised from tuition and other sources without legislative appropriation.

PEF Position: PEF opposes this "flexibility" language as it relates to contracts for services and public-private partnerships. It goes too far in removing oversight and accountability. The review of contracts for services by oversight agencies like the Comptroller and Attorney General exists for a good reason- to make sure that the public interest is protected. The proposed language is so broad it could lead to unanticipated results that could alter SUNY's operation without real public input. For example, parts of SUNY campuses could be leased out to private operators, or SUNY professional employees could be replaced by contractors. SUNY has never demonstrated the need for this proposal. The legislature should amend S6607/A9707 by deleting Part E. A more limited version of flexibility for SUNY should be considered.

Roswell Park Cancer Institute: The budget amends PHL § 2807-v to discontinue HCRA funding for the Roswell Park Cancer Institute Anti-Tobacco Program. This will cut $13.6 million in funding that will negatively impact research at this noted cancer research center.

PEF Position: The legislature should reject this change in S6608/A9708 Part E and restore the $13.6 million in funding for RPCI.

Department of Transportation (DOT) – The budget cuts 91 positions in DOT. If this cut is approved, DOT would have lost 1,011 positions since 2008. Meanwhile DOT continues to spend millions of dollars on contracted consultants to do engineering work similar to that formerly performed by state-employed engineers. Multiple studies by the State comptroller and other analysts have demonstrated that the State could save millions of dollars by reducing the use of consultants in DOT.

PEF Position: The DOT engineering positions should be restored and DOT should be directed to reduce its hiring of consultants by 50% over a three year period, beginning now. This could produce cost savings of up to $84.2 million annually.

State Spending Cap - The Governor proposes to enact a cap that would limit increases in state general fund spending to no more than the average of inflation over the prior three years. This is an impractical measure that pretends to reduce spending without indentifying any actual spending cuts. It would prevent the State from fulfilling its most basic obligations and would prevent the State from responding to changing conditions.

PEF Position: PEF is opposed to a spending cap. The legislature should amend S6610/A9710 by deleting Part Q.

Authorize State agencies to enter into memoranda of understanding with Cornell University to procure services and technical assistance - This proposal would authorize State agencies to enter into memoranda of understanding (MOUs) with Cornell University (Cornell), instead of contracts, to procure services and technical assistance.

PEF Position: PEF is opposed to this language that would reduce accountability and oversight and may lead to increased costs due to contracting of services to high-cost consultants. The legislature should amend S6609/A9709 by deleting Part U.

Disproportionate Share Hospital Auditing - The budget proposes authorizing the Department of Health (DOH) to contract, without a competitive bid or request for proposal, with one or more firms for the purpose of conducting audits of Disproportionate Share Hospital payments and audits of hospital cost reports.

PEF position: PEF has demonstrated that in most circumstances, state employees can do as good a job as outside contractors, and at a better value for the taxpayer. Instead of contracting out these functions the state should utilize civil service employees to provide this function. The legislature should amend S6608/A9708 by deleting Section 51 of Part B.

PEF Supports the Following Proposals

Pharmaceutical Industry Regulation - Prohibits inappropriate gifts and payments from pharmaceutical companies to physicians and other prescribers, and requires that information provided to prescribers by pharmaceutical companies about their products be accurate and not misleading. The legislature should enact Sections 38 through 38-b of Part B of S6608/A9708.

Social Worker/Mental Health Professional License Exemption - Extends current social worker and mental health professional licensing exemptions for the Department of Mental Hygiene, the Office of Children and Family Services, and local government programs. The legislature should enact Part R of S6607/A9707.

Increase Excise Tax on Cigarettes by $1 a Pack - This proposal will further reduce the incidence of smoking, especially among young people, and result in an additional $210 million in revenue in 2010-11. The legislature should enact Part B of S6610/A9710.

Impose An Excise Tax on Syrups or Simple Syrups, Bottled Soft Drinks, or Powders or Base Products - This excise tax is equivalent to one cent per ounce on syrups and soft drinks. Based on the New England Journal of Medicine estimates, on average, this tax will increase the price of sugar-sweetened beverages by 17 percent, which will reduce consumption by approximately 15 percent. It will improve nutrition, reduce obesity and recover some of the health costs caused by consumption of high calorie, nutrient poor foods and beverages. It will raise $465 million in revenue in 2010-11 and $1 billion in revenue in the out years. The legislature should enact Part C of S6610/A9710.

For more information, contact the PEF Legislative Department • 800-724-4997 • Fax 518-432-7739

Revenue Raisers		Estimate of Dollars Raised
Support Call for Additional Federal Aid to States	*Progressive State's Network, in coordination with AFSCME and other key national allies, are launching a campaign for state legislators to call for a new federal jobs plan that includes fiscal relief to state and local governments in order to foster economic growth and create and maintain jobs.*	
NYS Financial Crisis Responsibility Fee (FCRF) Hold Harmless Tax	*The President announced his intention to propose a Financial Crisis Responsibility Fee that would require the largest and most highly levered Wall Street firms to pay back taxpayers for the extraordinary assistance provided so that the TARP program does not add to the deficit.*	
Brownfields Clean-Up Program	*On July 23, 2008, Governor David A. Paterson signed into law legislation to reform certain aspects of the State's Brownfield programs. This legislation amends Chapter 1 of the Laws of 2003, which established the Brownfield Cleanup Program (BCP). The BCP, among other things, provides BCP tax credits in return for the cleanup and redevelopment of BCP sites. The principal reforms enacted relate to restructuring the tax credits to provide balance between remediation and redevelopment credits. Legislation was passed in 2008, but the cap for tax credits is still set too high. In a report by the Comptroller in June 2008, current projects could cost the state $3 billion. New York and Connecticut have redevelopment incentives as well as cleanup incentives, while MA, NJ, PA, and VT only have cleanup incentives. Tax credits should be more aligned with the amount of remediation and level of clean up that happens, rather than the cost of redevelopment. The problem remains that many programs that were grandfathered in to the program prior to the changes will still receive exorbitant redevelopment credits which could cost the state billions. This program needs to be further reformed so we are not excessively subsidizing redevelopment.*	approximately $1 billion
Eliminate the Empire Zone Program	*Empire Zone program sunsets in 2010 and should be eliminated in its current form. This would save the state approximately $600 million per year. This program has proven to be ineffective and fraught with abuse. We have advocated its elimination for years. The governor is proposing a new program to replace it that he states is more linked to job creation than the current program. We already have IDAs at the local level (that also need to be reformed) but would serve the same function as a statewide program.*	$600 million
Reduce/Eliminate Contracting Out to Private Consultants	*In SFY 2008-09, the state spent $2.9 billion on consultants and paid them an average annual rate of $160,719. Consultants charge 62% more than state employees who do the same work including the cost of state employee benefits. Consultant spending for the first half of this year is at the same rate as last year. The state should reduce the use of these high priced consultants before any state employee loses their job or pay. Replacing half of these consultants with state employees will save the state over $656 million over the next three years.*	approximately $200 million per year

Support Bulk Purchase of Pharmaceuticals	*Language inserted into last year's budget allows the Department of Health to negotiate directly with drug companies for lower cost drugs. According to recent studies, New Yorkers spend over $20 billion a year on prescription drugs. Approximately $4 billion (or more) of this spending is in the Medicaid program. We should use our purchasing power to force drug companies to provide us with lower cost drugs. We could save hundreds of millions or more if we were able to get drugs for what the federal government currently pays. The Progressive States Network has model legislation for states that are attempting to reign in prescription drug costs.*	approximately $200-$500 million
Make Permanent the Temporary PIT Increase	*Passage of a tax increase on wealthy NYers was included in last year's budget. Rates went from 6.85% to 7.85% for families making between $300,000- $500,000 and to 8.97% for families with incomes over $500,000. This income tax increase was put in place for 3 years and will sunset in 2011. It should be made permanent.*	no fiscal impact till 2012
Collect Taxes that are due on Cigarettes	*The impact of price on cigarette consumption is well documented. The more expensive tobacco products are the more people will want to quit smoking. The good news is the Empire State now has one of the highest cigarette taxes in the nation at $2.75 per pack. But there's a problem. Hundreds of millions of dollars in cigarette taxes aren't being collected. New York has been unable or unwilling to collect taxes on tobacco products sold at Native American retail outlets. This torrent of tax free cigarettes is both a significant public health problem and economic burden to all New Yorkers. But a new law allows the state to collect all cigarette taxes before the products reach the reservation and put an end to this public health embarrassment. Native Americans would be provided coupons to purchase tax free cigarettes while sales to non-native Americans would be subject to the tax. We also support the increase on cigarette taxes the Governor has proposed.*	approximately $500 million
Soda Tax	*A 1 cent per ounce tax on sugary soft drinks could result in an additional $1 billion in revenue. The basic argument is that each New Yorker now drinks the equivalent of 11 cans of soda a week, up from five cans a week in 1970. Three of the six additional sodas per capita are sweetened with sugar. Three cans per week adds up to "13 more pounds of straight sugar" a year according to Doctor Richard Daines (NYS Department of Health Commissioner). That's about 21,000 calories worth of sugar. Daines also points out that 34% of NY children are overweight or obese. This year, Gov. Paterson proposed adding a syrup/sugar tax on sugar-sweetened drinks (raising $400+ million this year a billion next) as part of a package of spending cuts and tax hikes aimed at closing the state's yawning budget gap. Polls at that time found New Yorkers opposed to the new tax by a margin of 60% to 37% but that should not deter the legislature from supporting this tax this year.*	$1 billion

Plastic Bag Tax	*In an effort to reduce the use of plastic bags in our state we could institute a per bag tax. The average person in NYS uses approximately 333 plastic bags per year. While a small percentage of these bags get recycled most are simply thrown away. This tax is an excellent way to help the environment and generate dollars for the state. Other countries/states/cities already have this type of tax (most notably San Francisco – and Ireland charges .33 cents for each bag) and Mayor Bloomberg tried to get a .05 cent tax per bag enacted in NYC. The Mayors efforts were in vain as the state would not approve such a tax at the time. It is estimated that a tax of between .05 cents and .25 cents would generate between $340 million and $3 billion. New Yorkers currently use approximately 6.3 billion plastic bags per year.*	$340 million with a 5 cent tax
Severance/Extraction Tax on Marcellus Shale Natural Gas	*Most states with significant mineral resources levy a tax on the extraction of those resources. State severance taxes compensate state residents for the extraction of valuable mineral resources. "If" drilling is allowed in the Southern Tier of NYS, a severance tax would have substantial benefits and few drawbacks. As NYS is one of the few states in the nation with possible significant mineral wealth that does not have a severance tax it will not make us uncompetitive. The creation of a severance tax could compensate state and local governments for costs associated with natural gas production, provide funds to mitigate potential environmental hazards, and serve as a valuable source of revenue. The tax would be paid by oil and gas developers, many of whom may be from out-of-state. The Governor has proposed a 3 percent tax that would be imposed on natural-gas producers in the Marcellus and Utica Shale formation in the Southern Tier and central New York using a horizontal well. The state doesn't expect any revenue in the 2010-11 fiscal year, but estimates $1 million in the following fiscal year. These estimates are far too low and should be subject to a much higher tax rate. We should work with the state of Pennsylvania to ensure that our taxes are similar to theirs.*	$100 million conservatively
Stock Transfer Tax	*The stock transfer tax is basically a sales tax on Wall Street. Any stock transaction involving the New York Stock Exchange, American Stock Exchange or NASDAQ is subject to the tax. The tax is technically already in effect but unfortunately the money is currently tallied, assessed, collected - then handed right back to the brokers who paid it. "Usually, the investors get it back the same day," explains Frank Mauro, executive director of the Fiscal Policy Institute. "The broker fills out a return and the state wires the money right back." Mauro says that the state must momentarily take possession of the tax to fulfill the arcane requirements of its bond agreement with the Municipal Assistance Corporation. In order to discourage speculation, supporters of the Stock Transfer Tax should also consider tying the tax to trading volume: the lower the trading volume, the lower the tax. A side benefit of the plan would be to lessen the frenzied volatility that caused many of the recent problems on Wall Street. NYS currently rebates 100% of the $16 billion in Stock Transfer taxes back to Brokers right after it is paid. We suggest that 80% be rebated and the State retains the other 20% which would result in $3.2 billion annually in state revenue.*	$3.2 billion

Increasing filing fees for large LLCs and other partnership entities	*In 2003, the maximum Limited Liability Company (LLC) filing fee was increased from $10,000 to $25,000. Initially authorized for two years and then extended for two more, the higher maximum was in effect for tax years 2003-06. The fee structure was still on the member basis at this point. Filing fee collections, which are paid as part of New York State's Personal Income Tax, increased from $26.5 million in 2002 to an average of about $72 million for 2003-06. In 2008, however, the member basis was replaced with a fixed fee structure and the maximum lowered to $4,500, even for entities with New York source gross income of $25 million or more. (The same fee structure applies to the fixed dollar minimum tax for S and C corporations.) In 2009, filing fees were established for non-LLC general partnerships on the same fee structure as for LLCs. The revenue projection for this change was estimated by the State Tax and Finance Department at $50 million. The State should consider restoring the $25,000 maximum filing fee and have it apply to both LLCs and general partnerships over some very high business receipts or income threshold. An alternative would be to add one or more additional brackets at the top end of the graduated fee structure. Given the number and size of such entities in New York, such a change might generate $50 million to $100 million in additional revenue.*	$50-$100 million
Taxing Nonresident Hedge Fund Management Fees	*In his 2010 Executive Budget proposal, the Governor proposed to "expand the nonresident personal income tax to include income received from hedge fund management fees." The revenue impact was estimated at $60 million. This was not included in the enacted budget but should be considered. As the Governor's proposal explained, "Currently, only a small portion of such income is taxed as compensation, with the remainder deemed tax-free capital gains. This proposal would result in equal treatment of this income for residents and nonresidents.*	$60 million
Eliminating the Carried Interest Exemption under New York City's Unincorporated Business Tax	*While not a state revenue item, it would be important in helping New York City to close its Fiscal Year 2010 budget for the State Legislature to eliminate the carried interest exemption loophole in the City's Unincorporated Business Tax. This would put the taxation of private equity and hedge funds on the same footing as that of thousands of smaller businesses. The City taxes the fees received by managing partners in private equity and hedge funds but exempts "carried interest" from taxation. Carried interest refers to the profit share received by managing partners, usually 20 percent of the profits generated by the pooled investment of the limited partners. In his Executive Budget for FY 2010, the Mayor has proposed generating over $900 million by increasing the city sales tax rate by half a percent and by eliminating the sales tax exemption for clothing and footwear. This proposal is extremely regressive, and would impose an effective tax burden on low- and moderate-income households that is twice that for high-income households. Eliminating the carried interest exemption is needed on tax equity grounds but it would also help the City avoid or at least lessen its reliance on extremely regressive taxes. While any estimate of the possible yield of such a change is very rough, eliminating the carried interest exemption could generate upwards of $50 million annually.*	$50 million
Extend sales tax to services not currently covered	*Consider extending the sales tax to some of the services that are currently exempt from sales taxation*	will depend in items covered

Adopt a Throwback Rule	*Pending resolution nationally of the creation of "nowhere income" by the workings of PL 86-272, New York State should adopt a throwback rule. NYS should not continue the flawed idea of Single Sales Factor; and/or Single Sales factor should be suspended until PL 86-272 is repealed (or revised enough to ensure that SSF does not result in a huge increase in "nowhere income"); and/or the Tax Department should be required to do detailed annual reporting on the revenue and distributional impacts of SSF; and/or a temporary commission to evaluate the impact of SSF should be established.*	
Broader Tax credit reform	*There is currently a huge and growing bank of unused tax credits. This is a very dangerous phenomenon. Tax Credit reforms should take into consideration: (1) the limit on the carry over of unused credits should be changed back to the 5-year limit contained in New York State's 1987 corporate tax reform legislation; (2) an employment ratchet must be added to the ITC; (3) a moratorium should be placed on the creation of any new credits until a thorough review and reform is completed in regard to the existing credits.*	
Adopt Corporate Tax Disclosure	*Corporate tax disclosure should be adopted for publicly traded firms subject to taxation under 9-A and 32 and any successor taxes.*	
Qualified Production Activities Income (QPAI) Decoupling	*This action would conform New York to the practices of 18 other states that have decoupled from the federal deduction related to qualified production activities and require taxpayers to add back this deduction for New York tax purposes. The deduction was originally intended to provide a tax incentive to manufacturers by preserving and promoting domestic manufacturing jobs and domestic production. However, the deduction is now allowed on a vast array of activities which go beyond the familiar concept of manufacturing. It is possible that a multi-state firm could use the deduction to reduce its New York taxes without having a single production employee in the State.*	$25 million
Bad Debt Deduction	*This deduction would conform New York to federal rules and the practices of other states that allow certain banks to deduct only bad debts that have been actually written-off rather than amounts placed in reserve. The amount placed in reserve to cover such debt is based upon the historical bad debt experience of the taxpayer. Currently, a bank is allowed to take deductions based on an estimate of debts that are expected to become worthless in the future - providing a deduction for debts before they actually become "bad" or uncollectible. This approach generally inflates the amount of the deduction and thereby reduces taxable income.*	$25 million

Bank Subsidiary Capital	*This action would require the add back of expenses related to subsidiary capital under the bank tax, and eliminate the 20 percent reduction in the wage factor portion of the apportionment formula to ensure the bank tax appropriately reflects a bank's presence in New York. Eliminating this discounting of the wage factor would ensure a bank's tax liability appropriately reflects that bank's level of activity and presence in New York. Under current law, bank taxpayers are allowed to deduct 17 percent of interest income from subsidiary capital, 60 percent of dividend income and net gains from subsidiary capital, and 22.5 percent of income from government obligations from income subject to tax. However, unlike corporate taxpayers that are allowed similar deductions, bank taxpayers are not required to add back to income the expenses related to these deductions. In addition, banks use a three-factor formula of wages, deposits and receipts to apportion income to New York. However, under current law, the wage factor is discounted such that only 80 percent (rather than 100 percent) of the bank's total New York wages are included in the apportionment formula.*	$35 million
Cooperative Insurance Companies	*This proposal would limit the exemption under the insurance tax for cooperative insurance companies. This proposal would ensure that insurance companies that provide the same types of services are treated equally under the Tax Law. It would also deny the insurance tax exemption to companies that have expanded their activities beyond those intended for eligibility for the tax exemption and remove the unfair advantage afforded to these companies under current law.*	$23 million
Tax Full Cost of Remote Booking of Hotel Occupancy	*The Budget would require travel companies that rent hotel rooms online or by telephone to collect the sales tax on the markups and service fees charged to customers. When the travel company books the room, it pays the hotel for all applicable taxes based on this discounted price and the hotel remits the sales tax to the State. The travel company then places additional service fees and markups on top of this discounted price and bills its customers. No State or local tax is collected on these fees or markups.*	$15 million

New York State
Budget Hearing
10 February 2010
Presented by:

William W. Crossett IV
Meggesto, Crossett & Valerino, LLP.
Syracuse, New York

I represent injured workers, before the New York Workers' Compensation Board. The first hearing I conducted was in August of 1982. I am a partner in the law firm of Meggesto, Crossett and Valerino, LLP. We maintain an office in Syracuse, New York.

Since 1982, I have been active in issues concerning Injured Workers. I am a past officer of the Central New York Workers' Compensation Bar, a founding member and now Second Vice President of the Injured Workers' Bar Association of New York, and past Chair of the Workers' Compensation section of the New York State Bar Association's Committee on Torts, Insurance and Workers' Compensation. Currently, I am a member of the State Bar's Special Committee on Workers' Compensation Issues. I have attended many meetings with the Chair and his staff, discussing the recent proposals and efforts designed to decide cases off-calendar.

At each meeting, I strive to emphasize the importance of a hearing to the Injured Worker. The Injured Worker looks to the Board to administer justice. The Injured Worker wants and needs an opportunity to express their concerns, to know that their case matters and that they are not just a number in a vast system. The Injured Worker wants the court to know that the injury has dramatically changed their life, in a way they did not ask for, nor anticipate. Lastly, the Injured Worker expects a resolution that is just and has been reached after due consideration of all the facts and circumstances. Often, the Workers' Compensation Board is the only contact an Injured Worker has with our judicial system. Regardless of the decision, the experience should reinforce the conclusion that our judicial system works.

For many years I have watched as the Board has minimized the Injured Worker's right to be heard. I've watched as the adjudication of the Injured Worker's case has moved from a set of decisions of a Judge, to a system concerned more with efficiency than justice. I've watched as accountants and administrators, whom have never handled a case or appeared before a Judge, decide not only how the system should be structured, but also how the case should be decided!

I am here today to urge you to exercise your strong oversight of the Department of Labor and the Workers' Compensation Board budgets, to ensure that justice returns to the Injured Worker and the Employers of the Empire State.

What is Workers' Compensation?

Simply stated, the Workers' Compensation statute represents a substitution of the Injured Worker's common law right to seek medical care and lost wages from the employer. Indeed, in exchange for the Workers' Compensation Law, the Injured Worker gave up their Common Law rights for a prompt delivery of medical care and lost wages. Since its inception, at the turn of the last century, the legislation has charged the Workers' Compensation Board (the Board) with ensuring that the law is promptly and fairly administered. The statute anticipates that benefits, medical care and lost wages, will be paid, without judicial intervention, in all cases that are not disputed within 18 days of notice of an injury. In disputed cases, commonly know as controverted cases, the statute requires that a hearing be held to adjudicate the dispute.

Once a case is either accepted, voluntary payment of benefits begun, or established after adjudication in a controverted case, disputes often arise with regard to the proper amount of lost wages to be paid, medical treatment to be afforded or the ultimate outcome of a case. Over the years, the Board has recognized that certain issues lend themselves to relatively easy adjudication, if certain information is made available. The best example is the calculation of the Average Weekly Wage (AWW).

The statute provides that the amount of lost wages to be paid, in cases of total disability, is equal to two-thirds of the AWW, up to maximum amounts, depending on the date of the injury.

Expecting that every Injured Worker would have been paid wages, the Board adopted a form (C-240) that requires the employer to set forth the number of days worked in a week and the amount paid in the fifty-two weeks preceding the injury. With this information, the AWW can be calculated. Sounds simple, and in most cases all parties can agree. But often, because the Injured Worker may not have worked fifty-two weeks before the injury, worked more of less than five days a week, or had other covered employment, such as a part-time job, the calculation becomes more difficult and subject to dispute. Even though the difference may only amount to a few dollars a week, those dollars are important to both the Injured Worker and the Employer, over the life of a case.

Other more complex and difficult issues also arise in almost every case. The issue most often disputed and litigated is "Degree of Disability". New York Workers' Compensation Law, while premised on replacing the Injured Worker's earning capacity, provides for four kinds of disability; Temporary Total (TT), Temporary Partial (TP), Permanent Total (PT) or Permanent Partial Disability (PPD). In addition, a subset of the permanent disability is the Schedule Loss of Use (SLU), which is commonly awarded in cases of an injury to extremities. For all cases occurring after March 10, 2007, the Board must decide the Percentage of Loss of Wage Earning Capacity, to compute the duration of the lost wage payment to an Injured Worker with a PPD.

The Board has endeavored to promulgate forms and guidelines, primarily for the use of medical providers, which purport to contain the information necessary to make the determinations the statute requires. The most useful, was the Doctors Report of Injury/Treatment, labeled and commonly know as the C-4. The C-4 was a one-page form, often accompanied by a narrative from the medical provider, which

all parties used in determining an Injured Worker's degree of disability. In 2009, the Board replaced the (C-4) with a new family of forms consisting of 6 separate multiple-page documents, which have proven to be ineffective and costly, resulting in many medical providers, especially primary care doctors, to decline to treat Injured Workers. Recently, the Chair has suspended the use of the forms in the Rochester area and has been asked to consider similar action in the Syracuse District.

Lastly, the 2007 amendments to the statute provided for a number of task forces to assist the Board in its mission. Of note, was the task force charged with creating Return to Work programs. Another, is the task force charged with creating guidelines for both the treatment of Injured Workers and determination of Loss of Wage Earning Capacity. The guidelines and programs were to be submitted in December of 2007. As of the writing, neither has been submitted and the process is less than transparent.

So, How Does it All Work?

Adjudication by Hearing

Before 1999, the Board would schedule a hearing, within a reasonable time of the injury, when evidence/medical reports, indicated that the Injured Worker remained out of work. At the initial hearing, the Judge would formally establish the case for the conditions accepted, and entertain arguments that the case should include other body parts or injuries. Additionally, the Board would establish the AWW and made awards (weekly payments of lost wages) consistent with the evidence, after hearing the arguments of the Injured Worker and the Employer. Sometimes, further hearings were required, to obtain necessary evidence, or to hear the testimony of medical witness, or simply to find out how the Injured Worker was doing in the quest to return to work. Both the Injured Worker and the Employer were bound by the decision and could not, absent an appeal, change the Judge's direction, until further order of the Judge, or the Injured Worker returned to work.

At each hearing, the parties had an opportunity to orally set forth their relative positions, address errors in medical reports, or otherwise set forth facts that were specific to their case. The Judge, after entertaining the arguments, would in most cases, make a decision from the bench, thereby affording the parties an immediate decision to the issue at hand.

Changes to Adjudication by Hearing

Some time in 1998, the Board decided that the hearing process was unnecessary and not efficient. These conclusions were reached, after the Board hired accountants to analyze the system and suggest better ways to administer the number of cases and the perceived delays in concluding a case. At the time, vigorous debate ensued over the question of efficiency at the cost of justice. Some of the arguments made were: that the system was clogged with too many cases; that often, the hearing did nothing more than affirm what the parties worked out; that the Board did not have enough judges; that the cost of the system was too high and was chasing employers from the State of New York. Many voices participated in the debate, including the New York State Bar, who issued a special report in 2001, voicing concerns, but pledging to work with the Board toward achieving efficiency with justice.

The Current Process

As a result of the changes made in late 1998, the hearing process has changed in two fundamental manners. The first, is that the Board DOES NOT hold a hearing in every accepted case. Indeed, the Board now issues either an Administrative Decision (AD) or a Proposed Decision (PD), without notice to the parties. Both the AD and PD are subject to objection within thirty days, which is supposedly to result in a timely hearing. It often results in an Amended AD or PD and the thirty days process begins again.

In a controverted case, the Board has an all-together different process. The Board, being acutely sensitive to the criticism that controverted cases took too long to resolve, implemented a streamlined adjudication process. Commonly referred to as "The Rocket Docket", the process is set up to resolve cases within 90 days of indexing. While a laudable goal, the percentage of cases controverted hardly warranted the wholesale changes to the initial process of making a claim, or redesign and implementation of many new forms. Further, the perceived problem with controverted cases is not justification to resolve substantive issues off-calendar.

The Rocket Docket

As a result of the Rocket Docket, the Board has amended each form required in a new case. It required that the parties complete forms, with each and every defense that can be remotely justified, so as not to preclude them. It requires significantly more investigation, before an attorney can accept the case of an Injured Worker or the Employer. Additionally, to meet the criteria, the Board has had to change the numbering system of cases, as well as change the process for assigning a case the numbers necessary to obtain medical care. All of which has led to significant changes in the action that starts the clock running, the indexing of a case.

In effect, the Board has created two classes of Injured Workers, who have different rights, depending on how the Employer decides to handle the case. In some instances, the Injured Worker with a controverted case, will have a greater protection to ongoing awards than an Injured Worker whose case was accepted. If successful, the Injured Worker with the controverted case will have a decision directing ongoing payments, until there is a return to work, or further court order, whereas the Injured Worker, with an accepted case, does not have such a decision,

thereby allowing the Employer/Carrier to change or suspend payments, unilaterally and without notice, if they have evidence contrary to the treating doctor.

Conciliation

A component of the Board's procedure to decide issues without a hearing, is the process of conciliation. Conciliation was created before both the 1996 and 2007 statutory changes, in an effort to provide a vehicle to decide cases that involved less than 8 weeks of lost time. After the 1996 changes, conciliation was allowed to apply in every instance where less than 52 weeks of lost time was at stake, virtually every case at some point. The idea sounded great, but in practice, did not work, nor satisfy the goal of speeding the adjudication of cases.

The idea was that if you could get all the parties in one place, the parties could work out the issue or issues. The conciliator, a senior attorney employed by the Board, would issue a PD and all parties would have 30 more days to object. The same period parties had to appeal a Judicial Decision, but with much different consequences. No official record was made and the conciliator, unlike a Judge, could not make a decision. This Process allows a party who wanted to drag a matter out, to do so with out consequences. The deficiencies of Conciliation were the subject of discussion and debate. Improvements and amendments to the process were suggested and tried. Finally, in January of 2009, the then Chair of the Board informed the Workers' Compensation Committee of the New York State Bar Association that conciliation meetings would end, as they did not add to the timely adjudication of cases.

Request for Further Action

To quell the outcry of the Board's decision to discontinue scheduling hearings in every case, the Board created the process of a "Request for Further Action" (RFA). The RFA procedure provides that if the Injured Worker wishes further action,

which may or may not mean a hearing, then the Injured Worker, or more likely the attorney, files a form titled Request for Further Action (RFA-1). The Employer, or more likely the insurance carrier, may file an RFA-2. The only real difference in the forms is that the carrier, unlike the Injured Worker, is statutorily entitled to a hearing in certain issues, within a certain period of days. The RFA procedure is supposed to cause an AD, PD or a hearing, addressing the issues raised.

Over the last few years, the parties have embraced the RFA process. The process makes sense, when implemented as promised. The process is consistent with request for relief in other judicial systems, as it gives notice of the issues in contest, and provides for an orderly resolution.

Medical Testimony

The second fundamental change, is that most medical testimony is taken outside of the hearing, by deposition that is, if a resolution cannot be reached and the record needs to be developed with medical testimony. The Board directs that the doctors be deposed, the testimony reduced to writing and in most cases, that the parties submit a Memorandum of Law, from which the Judge will issue a written Reserved Decision. Oftentimes, much of the testimony is taken by phone, as the employer's medical witnesses are not local, but rather, located out of the hearing area, or even out of state. Not only does this process deprive the judge of an opportunity to observe the doctor's demeanor and other non-verbal communication while testifying, it also removes the Judge's ability to pose queries to the doctors, prevents the Injured Worker and the Employer from hearing and witnessing the testimony. All resulting in additional judicial time to read the medical testimony and write a Reserved Decision, instead of listening, hearing arguments and ruling from the Bench, a far faster process.

Where We Are Today

Setting aside the problems with medical testimony and the entire issue of access to medical treatment, the RFA procedure is a generally acceptable compromise. Indeed, such a procedure is not unlike other courts, where an action is commenced and the court does not become involved, unless and until one of the parties request judicial intervention. The Injured Worker or Employer must be afforded the same relief. In the language of Workers' Compensation that is a hearing

Today, the parties, typically the Injured Worker's attorney and either the Employers Insurance carrier and/or their attorneys, work out whatever issues they can. The Board has the procedures in place that allow the parties to schedule a Walk In Stipulation Calendar (WISC). The parties merely advise the Board that they have worked out a resolution and wish to present it to the Judge for approval, so that a legally enforceable decision may issue. In addition, the Board's current procedures allow the parties to request an AD or PD, in the appropriate circumstances. When the efforts of the parties fail, for whatever reason, a hearing must be granted on a filing of a properly documented RFA form.

What The Board Wants to do Now

The Board may call it Business Process Improvement (BPI) or Managed Adjudication Path (MAP), but essentially it is a modification of the conciliation process, a process that has already been proven not to work. The Board is now spinning the failed conciliation process, asserting that the Board personnel will work in conjunction with the senior attorneys and Judges, to decide issues off-calendar, without notice, deciding alone what, if any, cases warrant an opportunity for the parties to be heard. As a deterrent to the shortcomings of conciliation, the Board proposes that the Judge will consider assessing costs, if an objection to a PD is deemed unreasonable. Will a Hearing be held to determine what are reasonable grounds to object?

Again, the Board rolls out the same old tired arguments, as to why they need to implement BPI/MAP: that the system is clogged with too many cases, that the hearing did nothing more than affirm what the parties worked out, that the Board does not have enough judges, that the cost of the system was too high and is chasing employers from the State of New York. The same arguments, despite the fact that the Board's own numbers show that they are conducting about half as many hearings as prior to 1999, with at least 20 more Judges.

The Board takes the position that the statute does not guarantee a right to a hearing, a position unsupported by legislative history, almost one hundred years of practice, and numerous statutory and regulatory provisions. Most importantly, it is a position foreign to New York's concept of Due Process.

I urge this committee to carefully and completely scrutinize the Budget of the Workers Compensation Board, to ask them how the BPI/MAP program saves money, while protecting the Injured Worker's and Employer's right to be heard in a Workers' Compensation case. Ask them how this new process is different from the failed Conciliation Process. Ask them how deciding cases, without hearing from the Injured Worker and their Employer, serve Justice. Ask them how this process makes our State more attractive to business. Ask them if this process is the right thing for the State of New York.

I urge this committee to reject the self-serving and disingenuous statistical examples offered by the Board; to reject the empty and tired arguments that have been used to justify the minimization of the Injured Worker and their Employer's right to be heard; and to reject the notion that a Judicial System should be run by accountants and business principals, instead of laws and Judicial Adjudication.

Lastly, I urge this committee to protect the Injured Worker and their Employer's right to a Hearing.

Respectfully submitted,

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Legislative Joint Budget Hearings on the State Workforce

February 10, 2010

Testimony submitted by OMCE President Barbara Zaron

Thank you for the opportunity to appear before you, on behalf of OMCE and the management/confidential employees (M/C) we represent, to discuss our concerns with Governor Paterson's Executive Budget proposals related to the state workforce and state government reorganization.

While there are several areas of the budget that concern us, I am going to focus today on the one issue that is the highest priority for Management/Confidential employees; that is the payment of the salary increases, performance advances (steps), longevity and merit payments that were taken from them in 2009-10 and the payment of these increases to be paid this April.

Agency mergers, consolidations, restructurings, transfer of functions--none of these have generated the level of concern or the outrage that M/Cs express about being treated unfairly and their demand that they be paid in accordance with the statutory "contract" made with the M/Cs as well as union-represented employees.

OMCE, the Organization of NYS Management/Confidential Employees, Inc. is the labor organization that represents the state's management and confidential (M/C) employees, who are prohibited by the Taylor Law from collective bargaining. OMCE represents the collective point of view of M/C employees and offers specific support and assistance to meet the employment-related needs of individual member M/C employees. The majority of M/C employees are career civil servants who obtained their position through competitive examination, not the "governor's people."

The latest polls indicate the Governor's approval ratings have dropped again. A poll of M/C employees would show an even lower approval rating - - a definite vote of **NO CONFIDENCE**. Legislators' approval ratings by M/Cs will not be much better if you don't stand up for them and help us reverse the unfair treatment of M/Cs by the administration.

Approximately 94% of the state workforce is unionized. There are approximately 12,000 M/C employees (6% of the workforce) who are not represented by a union. Many years ago, Governor Rockefeller promised M/C employees they would be treated "no less well" than other state workers, but since his administration this has not been the case. M/C employees, under every governor have borne the brunt of budget reductions, salary and benefit withholdings. M/Cs are told they need to share the sacrifice and they are willing to share. M/Cs are not willing to bear the full cost of the "required workforce savings." Many times a day, M/Cs tell us they would understand withholding their increases if increases were withheld from all other employees. They do not understand why they have to bear the entire sacrifice.

In his 2010 State of the State address, Governor Paterson made the following statements;

"The moneyed interests, many of them here today as guests, have got to understand that their days of influence in this Capitol are numbered."

"They have routinely demanded special treatment without regard to others. Well no one person or group is above any others or more deserving of any more hardship and pain."

"The reality is that there is no moral high ground on trampling on others to get there and there is nothing lower than engaging in the currency of influence to the detriment of other New Yorkers that don't have the same representation."

So why have M/Cs been singled out?

The Governor has also said, "Judge me by what I say, not what I do." We are forced to judge him by both - - and as far as his treatment of M/C employees, it's not a pretty picture. M/C s have been singled out last year and this year to lose the same salary increases that union represented employees were paid. This is certainly inconsistent with the Governor's statements.

And yes we acknowledge that legislators and judges have not had salary increases in 12 years, these inequities are also wrong. We should work together to fix the system.

<u>For the FY 2009-2010 budget, the Governor proposed the following actions that would affect the workforce:</u>

Layoff of approximately 8500 employees; 5 day salary deferral; passage and implementation of Tier V; employee and retiree payment of Medicare Part B premiums; sliding scale increased payments by retirees of health insurance; facility closures; and, withholding salary increases from the entire workforce.

All employee organizations objected to these proposals. The Governor proceeded to do undue harm to the M/C employees by: 1) withholding payment of previously approved Vacation Exchange payments 2 weeks prior to payment, and 2) withholding payment of previously approved 2009 3% salary increases, performance advances, longevity and merit payments one week after his Budget Division announced payment would be made, concurrent with agreement on the 2009-10 budget.

<u>Only M/C employees were not paid, all union represented employees with contracts in place were paid their increases.</u> The restoration of these withheld funds is still an open issue under discussion with the Paterson administration.

Now the Governor, for FY 2010-2011, again rescinds the salary increases of state M/C employees while asking the unions to negotiate workforce savings of $250 million general fund, $483 million all funds. Also proposed are salary deferral (lag payroll), delay or reduction of the April 1, 2010 4 % general salary increase, requiring employees and retirees to pay 10 % of the Medicare Part B premium for individual coverage and 25% for dependent coverage. The Governor also proposes facility and ward closures, merger of select state entities, offices and agencies.

With regard to the proposed salary deferral and reduction or delay of the 4% salary increase, the unions have said NO - - we won't give up what we've negotiated - - and nothing happens. M/Cs say no -- we CAN"T AFFORD to give up our increases but we're willing to work with you to identify savings and the Governor says NO, you, who make up 6% of the workforce, will sacrifice for all. This is wrong! Why is this allowed?

We agree with the unions that the state needs to reduce contracting out and use of temporary service agencies. We also know that this will not happen overnight. However, it is not fair to take two years of salary increases from M/Cs and none from the rest of the workforce. The obvious answer is to restore the M/C withholdings---that's what we hear every day from outraged M/Cs who are losing $6000 to $10,000, and from M/C secretaries who are losing $1500 to $2000 as compared to their union colleagues.

What happened to the merit in the civil service merit system? Career ladders have been destroyed. Transitional employment opportunities dashed. The classification and compensation system is a travesty.

As representatives of the M/C employees we understand full well the financial challenges facing the state and the importance of appropriately and effectively meeting those challenges. The Governor's actions against M/C employees is not the way to solve the problem! Six percent of the workforce cannot absorb all the savings that the Governor wants from the whole workforce. And we have engaged in serious negotiation with the administration to identify savings to fund these increases (savings proposals we submitted over the past 15 months are attached, figures have not been updated) - - so far without resolution. M/C s should not have to fund their statutorily provided raises when the rest of the workforce is not required to do so! M/Cs have consistently expressed their willingness to share in fixing the State's financial problems but insist every employee be treated equally. One comment recently received, "This is not a corporate state where you can treat people differently according to the ruler's whim."

We have written to and discussed these issues with legislators. We need your support to right this wrong - - and to ensure that the state's programs and agencies are run by competent, career management and their confidential staff. These are taxpayers and your constituents. They deserve your full support.

Impact of Not Paying M/C Increases

Employees: Loss of $6,000-$10,000 in salary; reduction in final average salary used for pension calculation; reduction in purchasing power which means loss of tax revenue to the state; difficulty/inability to fulfill financial commitments - - possible need for state services.

Program and Agency Operations: Effective operation of agencies is hampered by agencies losing experienced M/Cs to retirement, M/Cs requesting demotion/assignment to PEF and/or CSEA represented positions to earn higher salaries; PEF and CSEA represented employees refusing promotion/assignment to M/C positions (confirmed in confidential conversations with agency heads); critical M/C vacancies are not approved for filling; agencies such as OMRDD and OMH and Health facilities and hospitals face possible loss of accreditation - - which translates into reduced funding. In addition, the state's classification and compensation system has been so skewed that it has become a sham and will take a major comprehensive overhaul to make it viable.

M/C employees should not be treated as political pawns to be used as cannon fodder by any administration seeking to reduce its financial commitment to any other employees. M/Cs are sick of it! They are outraged! They are tired of the games being played with their lives and livelihood!

What We Propose

We have been talking to the Paterson administration and have proposed savings; over $1.5 billion last year and more this year:

Eliminate 300 exempt class political appointee positions - - to save $30 million, which could fund the 2010 M/C 4% salary increase.

Approval of OMCE's proposal to restore lost M/C compensation through a "one paycheck rolling pay date" deferred (lag) payroll. The funds included in the 2010-2011 budget for M/C performance advances, longevity and merit payments must remain in the budget and be paid as part of this proposal (attached). Essentially M/Cs would be funding their own increases (which is another source of outrage).

Ensure that M/Cs are treated fairly and equitably—this would require changing the pay bill statutory language that allows the Budget Director to withhold salary increases.

Withholding has only been applied to M/Cs although withholding authority also exists in union pay bills.

- The Budget Director's authority to negate increases authorized in statute must be tied to some form of defined fiscal reality. When actual revenue benchmarks are not met (for example, actual revenues are less than 90% of projected revenues), then and only then should such actions by a budget director be permitted - - and only if it is applied across the board to the entire workforce. Salary increases would be paid when revenues increase beyond the threshold.

We have three additional legislative proposals drafted to address this problem:

- Amending Civil Service Law to allow an individual M/C employee to seek financial redress through an expedited review and determination (180 days) for an Occupational Pay Differential (OPD) whenever the difference, in actual base salary, between the M/C supervisor and those supervised is less than 10%.

- Amending the Retirement and Social Security Law to provide 2 years of retirement service credit for M/C employees who were not paid their salary increases, performance advances, longevity and merit payments.

- Modifying the 2010-11 state budget to include sufficient funds to pay the M/C 2009-10 and 2010-11 salary increases, performance advances, longevity and merit payments and requiring through statutory language that they be paid.

Benefits Reduction Proposals

The Governor again this year proposed that employees and retirees be required to pay a portion of the Medicare Part B premium - - 10% for individual and 25% for dependent coverage. We cannot embrace this proposal. M/C s cannot afford any more.

The Governor also proposes that the State should have the option to self-insure all or parts of the New York State Health Insurance Plan (NYSHIP). While we believe it is prudent and worthwhile to explore the feasibility of self-insuring, it is imperative that any plan to do so contain all the protections currently required by the State Insurance Department, that all state insurance rules and regulations must apply and that full compliance with ERISA rules and regulations is assured. Saving the state money is important; it does not outweigh the need to protect our employees and retirees.

OMCE is committed to obtaining real and positive resolution of this issue. We need your action and support to make it so. Thank you.

NYS OMCE

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OMCE Savings Proposals for 2009-2010 Budget Reductions

Prior Proposals Submitted	*Savings Projected*
Implement two week "rolling paydate lag." (One week "rolling paydate lag").	$692 million ($360 million)
Offer expanded opportunities for VRWS.	$7 million
Seek volunteers and offer leave without pay for up to six months with health insurance coverage maintained at current shares of premiums.	$20 million (500 participants)
Offer and manage OMCE Succession Planning Incentive.	$120 million (2000 plans)
Pilot project linking VRWS and telecommuting for employees with no face to face public contact.	$2 million
Eliminate phone lines that are still "active" in the phone closet but not connected to a phone jack.	$2 million
Eliminate all S.212 waiver employees and create full-time equivalent positions for current employed eligibles.	$3 million
Eliminate duplicative agency operations such as "Communications Office" in agencies that have a Division of Public Affairs and a Press Office.	$3 million
Sunset unused "member items" after 2 years.	$500,000+
Charge motorists from other states for DMV statements that all tickets/fines/penalties owed to NYS are paid.	$1 million ($5 fee)
Charge attorneys for duplicate copies of tickets......ticket issued to client.	$1 million ($5 fee)
Review and eliminate duplicative or superfluous LEXIS accounts.	$500,000
Reduce number and value of consultant contracts.	$100 million
Count savings on attrited positions off payroll in 2008-09.	$110 million
Count savings for funded unfilled positions given up by agencies.	$50 million
Manage equipment, furniture, auto and temporary staff leasing.	$50 million
Reduce political appointee hiring and control salaries.	$25 million
Additional managerial savings and efficiencies.	$50 million
Review and consolidate or eliminate toll free hotlines.	
Outside the Executive Branch: scrutinize consultant contracts let by OSC(VendRep, PORTAL), and revamping of Common Retirement System computer systems.	$60 million
Appoint a new Pension Task Force comprised of equal number/representation of workers, retirees and employers to review all pension related issues.	
TOTAL	**$1.3 billion**

OMCE Savings Proposals for 2009-2010 Budget Reductions

New Savings Proposals	*Savings Projected*
Reduce number of public authorities and sub-authorities.	$20 million
Reduce number of commissions and boards.	$5 million
Continue reduction of contracting out.	$10 million
Consider preference for NYS based companies in RFP/contract process where contracts are deemed necessary.	
Eliminate Office of National and Community Service (non-profit; voluntary sector does this.	$1 million
Collect cigarette and fuel taxes on Native American reservations from jobbers/wholesalers doing business with Native Americans.	$65 million
Reduce member item funding and equalize allocations.	$100 million
Reduce NYSHIP reserve fund to an actuarial reasonable amount ($500 million). $250 million savings to be distributed to state and local participating employers; State portion to be used for M/C raises.	$250 million
Consolidate drug purchases for various programs and purchase from overseas/request waiver for such purposes.	$100 million
Pass single payer state legislation and begin to implement.	
Freeze any funding for Albany Convention Center.	$10 million
Support moratorium on purchase of recreational lands.	$78 million
Increase background checks/vetting of all companies proposed to get state dollars – for tax liability, pay to play, criminal records.	
GRAND TOTAL	**1.939 Billion**

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OMCE Proposal to Restore Lost M/C Compensation 2009-2011

Proposal: Make M/C designated employees whole for all compensation lost during the 2009-10 fiscal year and the 2010-11 fiscal year proposed loss. This will be accomplished through the delay of general salary increases, staggering the payment of performance advances and the use of a deferred pay (lag) initiative.

Assumptions:

- The 2010-11 Executive Budget estimates that $28 Million (all funds)was saved by eliminating the 4% general salary increase for those deemed management/confidential.
- The 2010-11 Executive Budget does appropriate funding sufficient to accommodate payment of performance advances (steps), longevity and merit payments at the 2008-09 salary schedule (Sec. 130 CSL) rate.
- A one paycheck "rolling" pay date deferred (lag) payroll would generate approximately $33 -35 Million in savings. (pay date advances one day for ten consecutive pay periods)

Actions:

- Effective **April 1, 2010** performance advance (steps), longevity and merit pay will be paid utilizing the 2008-09 salary (CSL section 130/Chapter 10 Laws of 2008) schedule for management confidential employees. Thos eligible for such performance advances (steps) shall move one step towards the job rate on that schedule. **(Funding provided)**
- Effective **July 1, 2010** a 2% general salary increase shall be applied to the 2008-09 M/C salary schedule referenced above. **(Cost = 9 months of $14M = $10.5 Million)**
- Those now eligible for a performance advance that did not qualify in April for one shall be granted that performance advance. Those receiving a performance advance in April shall not receive an additional advance in July, 2010 **(Cost Estimate - $.25 Million)**
- All M/Cs at the job rate effective July 1, 2010 shall receive a ***"Job Rate Advance'*** equal to 2% of the job rate for their position using the salary schedule effective July 1, 2010.
(5000 employees x $1500 est. avg. advance/J.R. avg. $75000) **(Cost Estimate - $7.5 Million)**
- In **January 1, 2011** a 2% general salary increase shall be applied to the salary schedule effective July 1, 2010. **(Cost Estimate =25% of $28 M/1 Qtr. = $7 Million)**
- All M/Cs not at the job rate shall receive a performance advance (step) increase. The receipt of this performance advance shall not allow individuals to exceed the job rate.

- <u>**All**</u> those now at the job rate and those who were eligible and received a ***"Job Rate Advance"*** effective July 1, 2010 shall now receive an additional ***"Job Rate Advance"***. This ***"Job Rate Advance"*** effective January 1, 2011 will be in addition to the July 2010 schedule ***"Job Rate Advance"*** paid to those eligible employees. This ***"Job Rate Advance"*** effective January 1, 2011 shall be equal to 1% of the job rate for their position using the salary schedule effective January 1, 2011 and will become part of the employee's annual compensation.
(6000 employees x $788 avg. advance (Avg. J.R. of $78800) **(Cost Estimate = $4.7 Million)**

Funding:

- The 2010 Executive Budget allocates funding for anticipated performance advances (steps), longevity and merit payments for M/C employees.
- A one pay period (10 days), rolling pay date-deferred (lag) payroll is proposed for implementation during the last 10 pay periods of the 2010-11 Fiscal Year. Using DOB provided estimates this should yield **$33-35 Million** in savings.
- The **$28 Million** in estimated savings from the planned rescission of the M/C 4% general salary increase.
- **$61-65 Million** available to fund this initiative with an estimated cost of **$30 Million.**

Result:

Taxpayers save *$ 31-35 Million* and M/C employees are returned to 95-100% of what Chapter 10 of the Laws of 2008 provides.

Grade		HR	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	JR	PA	Job Rate Advance
2008-09 M/C											
15		42,729	44,502	46,275	48,048	49,821	51,594	53,367	53,366	1,773	
18		47,952	49,877	51,802	53,727	55,652	57,577	59,502	59,504	1,925	
23		61,993	64,570	67,147	69,724	72,301	74,878	77,455	77,454	2,577	
M1		66,914	69,859	72,804	75,749	78,694	81,639	84,584	84,581	2,945	
M3		82,363	85,983	89,603	92,223	96,843	100,463	104,083	104,080	3,620	
2009-10 M/C											
15		44,011	45,837	47,663	49,489	51,315	53,141	54,967	54,967	1,826	
18		49,391	51,374	53,357	55,340	57,323	59,306	61,289	61,289	1,983	
23		63,853	66,507	69,161	71,815	74,469	77,123	79,777	79,778	2,654	
M1		68,921	71,954	74,987	78,020	81,053	84,086	87,119	87,118	3,033	
M3		84,834	88,562	92,290	96,018	99,746	103,474	107,202	107,202	3,728	
2010-11 M/C											
15		45,771	47,670	49,569	51,468	53,367	55,266	57,165	57,166	1,899	
18		51,367	53,429	55,491	57,553	59,615	61,677	63,739	63,741	2,062	
23		66,407	69,167	71,927	74,687	77,447	80,207	82,967	82,969	2,760	
M1		71,678	74,832	**77,986**	81,140	84,294	87,448	90,602	90,603	3,154	
M3		88,227	92,104	95,981	99,858	103,735	107,612	111,489	111,490	3,877	
2008-09 M1		66,914	69,859	72,804	75,749	78,694	81,639	84,584	84,581	2,945	
	April	66,914	69,859	72,804	75,749	78,694	81,639	84,584	84,581	2,945	
	July	68,252	**71,255**	74,258	77,261	80,264	83,267	86,270	86,270	3003	1725.4
	Jan-11	69,617	72,680	**75,743**	78,806	81,869	84,932	87,995	87,995	3063	880
			[redacted]	Proposed Statute OMCE Starting	Ex Budget Step Proposal Salary	/OMCE Movement					

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Retired Public Employees Association, Inc.

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Stanley Winter, President

Michael B. Fitzgerald, Executive Director

Testimony of Stanley Winter, President

Retired Public Employees Association, Inc.

Joint Public Hearing of the Senate Finance and Assembly Ways and Means Committees

2010-2011 Executive Budget Proposal

February 10, 2010

RPEA RETIRED PUBLIC EMPLOYEES ASSOCIATION, INC.

Retired Public Employees Association, Inc.

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Stanley Winter, President Michael B. Fitzgerald, Executive Director

Chairmen Kruger and Farrell, Members of the Senate Finance and Assembly Ways and Means Committees, fellow Public Servants and fellow taxpayers.

My name is Stanley Winter and as President of the over 40,000 members of the Retired Public Employees Association (RPEA), I am testifying today in strong opposition to the Executive Budget proposal that would make Medicare eligible retirees pay ***extra*** health insurance premiums.

In addition, I wish to comment on the proposal to establish an Employee Retirement System Board of Trustees.

RPEA is a not-for-profit membership corporation organized 40 years ago to promote and protect the interests of retired State and municipal employees. RPEA's members include retired State employees; retired employees of local governments; and retirees of New York State public authorities and their spouses. They are the retired nurses, office workers, labor and health inspectors, bus drivers, correction officers, engineers, janitors, snow plow operators and civil servants of countless job descriptions who make government work in this State. These public employees give a lifetime of public service and are promised secure retirement benefits in exchange for that public service.

A majority of RPEA's members (both retirees and spouses) participate in the New York State Health Insurance Plan (NYSHIP). These members must be enrolled in Medicare Parts A and B when eligible because Civil Service Law, §167-a permits the State to exclude from NYSHIP benefits, those Medicare benefits to which Medicare eligible retirees are entitled.

By excluding these Medicare benefits to retired public employees and their spouses, NYSHIP saves a substantial portion of health insurance coverage that it does not otherwise have to provide. NYSHIP saves millions of dollars by taking advantage of this overlapping federal coverage. Such retirees enrolled in Medicare Parts A and B retain NYSHIP limited benefits as secondary coverage only. Nevertheless, Medicare eligible retirees pay the ***same*** NYSHIP premiums as non-Medicare eligible participants and active employees. Yes, that's correct, they pay the ***same*** premium to NYSHIP, but they must accept most of their health care under the Medicare system!

Contrary to what one might read in media reports, these retirees are not getting a free ride.

Part B Medicare coverage requires the recipient to pay an additional separate monthly premium to the federal government. This monthly premium ranges from $96.40 for a lower income individual, that's $96.40 each for a retiree and spouse to $353.60 for a higher income married couple. These Medicare enrollees, who are only secondarily covered with limited benefits by NYSHIP, are entitled to have the additional Medicare Part B premiums they pay reimbursed by their former employers under the provisions of Civil Service Law, §167-a. Since Medicare eligible retirees pay the ***same*** premiums for their NYSHIP health insurance coverage, paying premiums for overlapping Medicare coverage is clearly an ***additional cost*** for the privilege of receiving limited benefits.

No matter how the Executive Budget Proposal proposes to take the cost of these Medicare Part B premiums and "blend," "fold-in," "require contribution" or "chargeback" that cost to the entire cost of providing health benefits to retirees or to the entire pool of NYSHIP participants, the result will be to increase the NYSHIP premium cost to retirees. The bottom line is that retirees over the age of 65 would be paying an ***additional cost*** or "Tax" out of their fixed retirement income. Retirees of the Employees

Retirement System that average less than $18,000 annually according to the latest Comprehensive Financial Annual Report for the Retirement System issued by the Comptroller---

These are NOT the very small percentage of retirees with $100K plus pensions !!!

The actual language of the Article VII proposal is even more troubling. This amendment would allow almost any adjustment "as necessary" to retiree NYSHIP premium contributions to offset the Medicare Part B premium costs. As written, it would allow unfettered discretion by the administration to charge Part B premiums back to all retirees, Medicare eligible retirees or Medicare eligible active employees or all participants in the NYSHIP program! According to the memorandum in support of the bill language, it appears that the cost of the additional premiums would be shared by all. However, nothing in the proposed amendment would limit what could be adjusted "as necessary." In other words, the 10 or 25 % increases mentioned in some media reports could forseeably become 100% AS NECESSARY. The Governor's Budget Message, describing this proposal, makes no reference to charging the cost to anyone other than Medicare eligibles.

The Governor's Budget Message also makes the statement that certain actions, including this Medicare premium tax, "...do not require union negotiation to reduce fringe benefit costs...." It appears that the administration is ready to implement this measure as soon as the language in Civil Service, §167-a is amended in this Budget cycle. It is a well established principle that retirees have no collective bargaining rights, and we must rely on you, the Legislature, to protect those already retired, especially our health insurance benefits. For at least eight continuous years, the Legislature has adopted legislation to protect the health care benefits of retirees from being diminished to a level below the benefits of active employees. We thank you and your colleagues for taking such actions. But, for every one of those eight straight years, Governors of both political parties have vetoed your legislation.

In the last veto message, Governor Paterson promised and did convene a Task Force on Public Retiree Health Care Insurance to develop ways to improve the access to and affordability of health care insurance to all public employee retirees. It should be noted at this point, only after being pushed into it by a Task Force proposed by your honorable bodies which he later vetoed. The proposed budget does not give that process a chance to work. I am a member of that Task Force as the only representative of retired public employees. Hopefully, the Task Force will recommend ways that the protection legislation can be written to make it a reality. At the very least, all retired public employees should receive the same health insurance protection as was permanently granted to retired employees of school districts as accomplished in the Tier V legislation signed into law in December.

Pending the work of the Governor's Task Force, RPEA's members are disappointed to learn that the Governor has now proposed this "Medicare Tax" on retired public servants over the age of 65 years. We are not surprised, however, because this is the third time that this proposal has been attempted.

It was first attempted in 2006 by administrative fiat. A decision of the Appellate Division firmly told the State that Civil Service Law, §167-a could not be overruled by administrative regulation as the Legislature clearly intended that Medicare premiums be fully reimbursed. Then, this proposal was placed in last year's Public Protection and Government Article VII bill and thankfully, was removed in final budget passage. On behalf of not just the membership of RPEA, but all Medicare enrollees who have earned their health insurance benefits in public service, please do not create the precedent that their health care costs are in ***double jeopardy!***

RPEA also wishes to express its deep concern over the proposed Employee Retirement System Board of Trustees that the Governor included in his Ethics Reform Bill as part of the Executive Budget presentation. It creates a five member Board, appointed by an "independent ethics commission," to assume the fiduciary responsibility for the Common Retirement Funds, currently held by the State Comptroller. Although it not part of the State Budget submission, Attorney General Andrew Cuomo also has proposed the creation of a similar board to oversee the Retirement Fund. This idea is a recipe for disaster.

We agree with State Comptroller DiNapoli that an appointed board would create the risk that money could be diverted away from the needs of retirees. One might ask how a Board would create such a risk? We only have to look at the boards that run other retirement systems across the country with a similar make up of appointed members. An alarming number of these systems are seriously under funded and facing bankruptcy. A Wisconsin legislative study of 87 public retiree systems found that the New York State and Local Government System was fully funded and one of the most secure.

As an old adage says, "If it ain't broke, don't fix it."

Even in New York City, a Board run system, benefits have been put in jeopardy by underfunding. Why is this happening compared to the New York State retirement funds? Sure, bad investment decisions by these other systems may be a reason, as are a number of other local issues, but in many cases the answer is simple. Appointed boards have used these funds for their own agendas or to resolve large budget deficits and other fiscal issues.

One only needs to look to a pension system crisis in New Jersey where funds were diverted to other areas and to CALPERS, the California pension system and the largest in the country, where two Board members are under investigation for illegal activities related to pension fund investments.

State Comptroller DiNapoli has instituted strict measures to guard against pension system abuses that have been recently discovered. He has banned the use of "placement agents" and adopted increased reporting and transparency with respect to Retirement Fund investments. These reforms have been embodied in regulation. As sole fiduciary, RPEA members know that the State Comptroller, and not an amorphous board, is accountable to them for the security of their retirement benefits.

Thank you for allowing me the opportunity to present the views of RPEA's members in this testimony. We thank the members of the Legislature for safeguarding our pension and health benefits in the past and hope that you will continue to do so in this difficult budget year.

You are not only our last line of defense....you are our ***only*** line of defense.

Stanley Winter
February 10, 2010

State of New York
Joint Legislative Committee
Workforce Development

Testimony
of
F. Michael Tucker
President and CEO
Center for Economic Growth

Hello, I am Mike Tucker, President and CEO of the Center for Economic Growth (CEG). Since 1987, the Center for Economic Growth (CEG) has been committed to fostering visionary economic growth throughout the 11-county Capital Region, as well as a significant portion of the Tech Valley corridor. The counties are: Warren, Washington, Saratoga, Schenectady, Albany, Rensselaer, Fulton, Montgomery, Columbia, Greene, and Schoharie.

As a private, not-for-profit organization we work with a diverse group of members and partners to advance the ability of the region and it's assets to succeed in the global marketplace. With a focused and strategic approach we work to:

GROW local companies by offering tactical business development strategies and services;

ATTRACT opportunities for technology investment and expansion throughout Tech Valley and

PREPARE communities to achieve their desired economic growth while enhancing the region's excellent quality of life.

In addition to support from its dedicated members, CEG receives funding and resources from the NYS Foundation for Science, Technology and Innovation (NYSTAR), New York's high-technology economic development agency, the National Institute of Standards and Technology (NIST) / Manufacturing Extension Partnership (MEP) and National Grid.

The Capital Region's technology sector received quite an endorsement recently. At an address at Hudson Valley Community College, President Barack Obama not only recognized the success of the area's tech-driven economic development initiatives – he called them a "model" for the nation.

Clearly, we can and should feel proud and encouraged that New York's Tech Valley is worthy of the Presidential seal of approval.

In addition to his praise for the significant regional investments and successes of such global industries as GE, IBM, and GlobalFoundries, the President focused much of his address on the role Tech Valley's many colleges and universities serve as settings where innovation often begins. More specifically, he stressed that it is the community college sector that must be a critical, driving force behind the nation's economic recovery and future sustainability.

Forging a much stronger education - business connection is not only logical, it is vital if Upstate New York is going to realize its full potential in the rapidly expanding knowledge economy. The fact is, this region has a unique and rare opportunity to leverage its intellectual and capital resources to support major initiatives with existing global industry leaders, and just as importantly, those to come.

Yet, as with any significant opportunity, the exciting promise of Tech Valley poses significant challenges. First and foremost, there's the issue of workforce. Certainly, as President Obama acknowledged and residents of Tech Valley have long understood, our region is rich with a diverse array of higher education institutions at virtually every level of the continuum.

From community colleges to undergraduate schools to research universities, there's no doubt we have the ability to produce locally a well-educated and highly skilled workforce. However, the critical question of capacity remains. Can we produce the volume of skilled workers needed - in time - to meet the global high-tech market demand?

Frankly, we simply cannot afford to guess, hope or assume we'll get the workforce question correct. To a large extent, the success of the exciting initiatives underway in the region, and those to follow, requires that we fulfill the promises we make to global companies, including shovel-ready sites, competitive financial incentive packages, a supportive, results-driven approach by government, and, unarguably, a skilled, diverse and available workforce.

While there are a number of innovative workforce development programs underway in the region, much more needs to be done – quickly – to ensure we have the human capital to serve existing companies throughout the region and to secure the significant growth opportunities before us.

For example, it is imperative we identify and expand regional and national best practices in workforce development. Additionally, we must ensure all of our community colleges four-year liberal arts colleges, and universities throughout the region are actively engaged in the workforce initiative. With such a great need for workers in technology, service, manufacturing and the professions, clearly, no single institution can provide the volume and diversity of workers needed now and in the future. To be sure, the K-12 educational system, BOCES, Workforce Development Boards, chambers of commerce and other key regional partners have a vital role in the effort.

There's no need – and no time – to completely re-invent the workforce development wheel. However, as this region has done for more than two centuries, we must again marshal our collective intelligence, resources and determination to develop new solutions-based, innovative approaches to address the challenge.

Clearly, GlobalFoundries has high confidence in the region's ability to create a global model for developing a "home-grown" workforce. At the former Chairman's message on October 5 remarks at the National Press Club in Washington, D.C. it was made abundantly clear that the world's innovation market moves at a pace unlike anything we've experienced, and it's imperative that the Capital Region stay ahead of the workforce development curve if it is to compete – and win – in the global marketplace.

I share this optimism and commitment and have no doubt that by forging even stronger collaborations among the business, education, government and non-profit communities, the Capital Region is ready for the challenge.

9

TESTIMONY

WORKFORCE ISSUES

FEBRUARY 10, 2010

ON BEHALF OF

NEW YORK STATE DISPLACED HOMEMAKER PROGRAM

Eleanor Moran
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NEW YORK STATE DISPLACED HOMEMAKER PROGRAM
February 10, 2010
Workforce Issues Hearing
9:30 AM

Good afternoon. My name is Eleanor Moran. I am Executive Director of the Women's Employment & Resource Center in Utica. However, today I am here to represent the 22 centers that deliver the New York State Displaced Homemaker Program. As you all know, the Displaced Homemaker Program has successfully provided workforce development and training assistance to your constituents for 33 years....thanks to your ongoing support. It has been your voices that have enabled the voices of your neighbors, families and friends to resound with pride as they acquired employment that provided financial independence for them. It has been your voices that spoke on their behalf so they could overcome or avoid reliance on an already over-burdened welfare system. It has been your voices that helped the Displaced Homemaker Program bring employers and job-seekers together to build not only a stronger economy, but stronger families.

In his 2010-2011 proposed budget Governor Paterson has NOT funded this program. For **2009-2010 the centers were funded for $7.8 million dollars, again, thanks to your advocacy and appreciation of the dollar-for-dollar value of the program as it relates to employment and to the greater economic picture.** As always, we thank you for your appreciation of the value of this program and for your belief that we can make a difference to each family we assist and ultimately have an impact on the state-at-large.

This year we have two requests. **First, we are asking you to restore the current level of funding at $7.8 million for the 22 centers.** This level of funding reflects additional services to recipients of Temporary Assistance to Needy Families. In collaboration with our local Departments of Social Services, **we have collectively moved 4217 families closer to financial independence or out of poverty**. Second, we ask that you re-appropriate the Governor's proposed 25% reduction ($550,000) in this year's funding (2009-2010) so we can continue to serve those women who do not meet the TANF criteria of having small children. These state monies are the only way in which we can serve this group. Based on last year's performance we show a **Cost Per Individual Served of $1,217 and a Cost Per Entered Employment of $3,928, with a 60% retention rate of over 90 days. At a minimum wage this translates into a**

return to the State of New York through earned taxable income of $19,709,560.....and most of our women earn above minimum wage. Consequently, we have the potential of looking at a return of over $30,000,000. A darn good return on your investment!

To quote Governor Paterson's State-of-the State Address, **"We have a commitment to help New Yorkers raise themselves up"**. And, we couldn't agree more. These centers that offer displaced homemaker services succeed in doing just that....but in a far more significant sense. Our goal is to not only help these women reach financial independence, but to see their families become stronger; to watch their children as they follow a parent who is more focused, committed and confident; and to see the impact their financial independence has in each community. Our greater goal is to develop a job seeker who knows how to acquire the highest level of employment possible for them; to teach them how to demonstrate her value for advancement; and to show them the value of becoming a role model that will motivate their families so that they too will become viable and contributing members of their communities. So while we are clearly cost-effective from a financial perspective, we also have the ability to shape the direction the families in our communities....in YOUR communities....can have an opportunity to take.

We hear a lot of talk about **"rebuilding trust in State government"**. To me and to the other center directors that implies a far greater concept than just a financial incentive. Money is but one force that drives us....and those we serve. What greater opportunity does this state have than to maintain a proven program such as the Displaced Homemaker Program which strives to build a stronger labor market by providing knowledge, training, motivation, connections to the labor market and ongoing support throughout the transition to **paid work**. Which State program has had a greater long-term impact than the Displaced Homemaker Program? We believe in this program as do the women who have been served and placed; as do the employers who have hired them; as YOU have each year by ensuring our funding is available. Our communities acknowledge and respect the services we provide because they are able to see, hear and feel the results.

Investing in a proven program that benefits individuals, communities and the State is one great investment.....and it is one opportunity that cannot be missed.

I have had the honor of addressing many of you over the past several years, but none have been as important as today. We cannot pick up a newspaper, watch the television, surf the internet, nor become involved in conversations without hearing the fear and frustration in the voices of our neighbors, our friends and our families. The severe impact of lost jobs, cuts in wages or benefits, plant closures, loss of homes, and so on are clearly overwhelming. Accompanying all of this is the likelihood that **child support payments may end; bills may go unpaid; houses may be lost; and yes, often spouses vanish under the pressure. But do you realize that displaced homemakers are the most vulnerable? Divorced or separated they are at risk of falling onto the roles of welfare.....at a great expense to the state.** They have few skills, little insight into current employer issues and expectations, and limited (if any) opportunities to acquire even the most basic technological skills needed to become employable. They are finding themselves more and more in a position where they will have the responsibility to financially keep their families going....somehow.....someway. We need you to put them into a position of priority....them and their children.....by helping us help them. Our centers are unique....we do not duplicate services....rather we complement those services that are not obtainable elsewhere in the system of state services. We are working partners in each of our respective communities. We are the "go to" agency when businesses seek prospective employees who have been given a solid understanding of today's workforce so they may move rapidly into employment. **We have been YOUR partner for many years and are ready to again join forces with you to address the needs of our families and our State.**

We **all** need to ask if **what we are doing is right for the people of New York.** We feel, as I am sure each of you feels as well, that our moral and ethical responsibility to work with families who are struggling to escape poverty should guide our decisions and all political decisions. We also feel that when we actively respond to the reality of the challenges we face today that there is hope for families to get to a better place. We want to continue to be part of that journey for women and their families. We want to continue to provide the support, direction and insight they need to bring their families to a better place. **But we need you to help us accomplish that.**

WE would again like the opportunity to be a part of the solution....as we have done successfully for 33 years. But for us to do so, we need YOUR support, your trust, and your advocacy for the continuation of our funding. As you negotiate the 2010-2011 New York State Budget, we need you to again be our voice – the voice of the hundreds of thousands of displaced homemakers in New York State

It is with the greatest respect that I, on behalf of all of the displaced homemakers you represent, ask you to insure that this program continues to play a pivotal role in rebuilding New York State's economy by:

- **supporting our presence in the 2010-2011 New York State budget at the current level of $7.8 million.**
- **and by re-appropriating the proposed 25% reduction of this year's funding (25% of $2,200,000 or $550,000) to continue this year's work that we have already begun.**

Why? Because when the Displaced Homemaker Program puts women to work:

- **Tax revenues go up**
- **Consumer spending goes up**
- **Welfare roles drop**
- **Families become stronger and more independent**

It's a win-win all the way around. Thank you again for this opportunity. As always I appreciate your interest in the Displaced Homemaker Program, and your willingness to include us in this dialogue.

Make it a great day! I will be happy to field any questions you may have.

Respectfully submitted,

Eleanor A. Moran
(315) 793-9700
Funding Committee
NYS Displaced Homemaker Association

The Workforce Joint Budget Hearing on 2010-2011 Executive Budget Proposal

Workforce

Testimony presented by

John Twomey

NYATEP

175 Central Avenue

Albany, NY 12206

Good morning Chairman Kruger, Vice Chair Krueger, Chairman Farrell, and distinguished members of the Finance and Ways and Means committees.

My name is John Twomey, and I am the Executive Director of *NYATEP*, New York State's workforce association. I thank you for this opportunity to testify on one particular issue affecting New York's youth workforce. This testimony is offered on behalf of restoration of $35 Million in TANF funding for a statewide Summer Youth Employment Program; a program that Governor Paterson has proposed to zero out.

NYATEP recognizes that this is an incredibly challenging budget year, and that many very worthwhile programs will be reluctantly curtailed or eliminated. We concede that this is not the best year to ask you to restore funding to any particular program.

And yet, we do ask you to restore the $35 million Summer Youth Employment Program funded with state level TANF dollars since 2000, for the reasons we discuss below.

Historical Background- For fifty years, government funding has been able to provide Summer youth employment to economically disadvantaged young people across New York State. From the early 1960's until 2000, the financial support for this program was largely provided by the Federal government. Sadly, in the year 2000 Congress ended a 40 year investment that provided Summer jobs for underprivileged young people nationally. New York to the credit of the

Legislature and Governors Pataki, Spitzer, and Paterson stepped in and provided support through state level TANF dollars every year since 2000. This year the Governor proposed no funding to provide Summer jobs for economically disadvantaged young people across New York State.

Last Summer, in the depths of the recession, as part of the American Recovery and Reconstruction Act, Congress appropriated $1.2 billion nationally for Workforce Investment Act (WIA) Youth activities, with the lions' share allotted to a Summer Youth Employment Program (SYEP). These Federal stimulus funds enabled New York to provide 29,395 economically disadvantaged 14 to 24 year olds with a Summer job. Additionally, the $35 Million in State TANF funds devoted to an SYEP program for 14 to 20 year olds allowed 26,439 other young people to obtain a Summer job. Despite the combined Federal and State support for Summer Youth Employment in 2009, more than 93,000 income-eligible youth who applied for SYEP Summer jobs across New York were not able to obtain employment because of insufficient resources to fund additional jobs.

It must be noted that <u>last Summer the labor force participation rate for teenagers in the United States was only 28.9%;</u> more than 7 out of 10 teenagers were not working last Summer. This is <u>*the lowest teen labor force participation rate since 1948.*</u> NYATEP's strong belief is that without the ARRA stimulus and the State TANF funds, it is highly unlikely that most of these young people would have been able to secure unsubsidized employment.

Summer Youth employment outlook for the Summer of 2010-

This year's outlook is still as bleak as any the State has witnessed since the 1930s. In an environment where NYSDOL issued 611,000 unemployment payments a few weeks ago versus only 140,000 during the same week two years earlier the State's young people face an uphill battle to secure Summer employment.

Not only have small businesses nationally, the group most likely to hire a young person, shed jobs for 24 consecutive months; but New York's young people are now competing with experienced and better skilled workers who have lost their own jobs. It is in that context that we join with other groups to ask the Legislature to work with the Governor to find other cuts offsetting this $35 million, which represents only zero point four percent (0.4%) of the State's deficit, and restore the TANF SYEP program.

Economic Impacts-

- Last year 26,439 young people were able to obtain Summer jobs because of New York State's TANF SYEP investment.
- The wages that this TANF SYEP program directly pumped into local communities across the State amounted to $28,318,437. (see Attachment A which provides a chart showing where these TANF SYEP participants worked in counties across the state, as well as the wages paid these young people for each area.)

- Using a generally accepted economic development formula to calculate the multiplier effect of these wages, NYATEP believes that these TANF SYEP wages translates to $28,318,437 X 1.47 = **$41,628,102** in economic activity across the state.

$$\frac{1}{1 - (.80)\ (1.0)\ (.40)} = \text{Economic boost to the State provided by TANF SYEP}$$

Assumptions:

SYEP participants generally spend 100% of additions to their income/wages (1.0).

He/ she spends about 80 percent of that 100 percent in the State.

The businesses where these individuals buy goods retain, in state, about 40 percent of what the SYEP participants spend in stores across New York State.

(Note: NYATEP believes that this is a very conservative estimate, and in reality both the estimate of 80% spent in New York State as well as the 40% estimate retained by local businesses are low.)

Finally, this TANF SYEP program also provided desperately needed jobs for college students who relied on their earnings as SYEP crew chiefs and worksite supervisors to return to their own pursuit of a higher education degree. They also used this program to describe their experiences at college to younger teenagers who often do not realize they can afford to go to college and succeed there.

Non-Economic Impacts- Dr. Andrew Sum, Director of the Center for Labor Market Studies at Northeastern University in Boston is "the" national expert on Summer Youth jobs. In a presentation (based on his research) that he gave to the National Association of Workforce Boards last year, Dr. Sum stated:

- For every year that teens work, their income in their twenties rises by 14% to 16%;
- Girls who have jobs are much less likely to become pregnant;
- Boys are less likely to get involved in property crime and drug use; and
- High school graduation rates also go up for young people with work experience.

Direct Reduction of Needed Services in Communities-

Abolishing the TANF SYEP program has a ripple effect in communities across the State, as desperately needed services provided in Summers past by

SYEP participants are also eliminated. Examples of community services activities curtailed or eliminated without TANF SYEP are: Summer camp counselors for other economically disadvantaged youth, playground supervision, trail maintenance and park cleanup, nursing home aides, literacy tutors, school maintenance, library and museum work, lifeguards at pools, serving senior citizens meals, Summer lunch programs, and energy outreach. (See Attachment B for a non-duplicated list of job titles held by TANF SYEP youth in 2009.)

Is it likely that the Federal *Jobs for Main Street Act* that Congress is considering will painlessly allow New York to eliminate the TANF SYEP program?

Division of the Budget staff, in a conference call with the Campaign for Summer Jobs in New York City, indicated that the Federal *Jobs for Main Street Bill* will fund an SYEP program which would allow for the elimination of the State TANF SYEP program. NYATEP believes that this logic is seriously flawed because last year's Federal ARRA Stimulus Bill provided $1.2 Billion for youth funds nationally, the majority of which supported an SYEP program including more than 29,000 participants in New York last Summer. This year, however, the House enacted Jobs Bill contained only $500 Million for SYEP, and to date the Senate has not proposed any SYEP program in their jobs bill.

Even were the Senate to subsequently appropriate a similar $500 million, this would mean New York would not be able to approach last year's federal SYEP jobs level.

NYATEP estimates the effect of reduced federal funding and no State TANF SYEP funds would mean an overall reduction of more than 74% of Summer Youth Employment jobs from last year. **IF the Congress appropriates half the funds for SYEP they did last year, then the number of SYEP jobs that New York could offer economically disadvantaged youth would fall from 2009's combined ARRA + TANF SYEP total of 55,834 to 14,698.**

In closing, while we acknowledge the precarious fiscal situation confronting the State, we ask you to find other ways to replace the 0.4% of the projected deficit TANF SYEP represents and to restore this vitally needed Summer employment program.

Thank you again for the opportunity to testify today. I can be reached at 518 – 433- 1200 ext 2 or by email at jtwomey@nyatep.org to answer any questions you or your staff may have.

ATTACHMENT A

County/Municipality	# TANF Youth Employed	Wages Per Area
Albany	521	$ 376,047
Allegany	61	$ 69,128
Broome Tioga	205	$ 319,000
Cattaraugus	280	$ 243,000
Cayuga	67	$ 84,482
Chautauqua	178	$ 221,749
Chemung Schuyler Steuben	103	$ 124,031
Chenango	65	$ 54,694
Clinton Essex Franlin Hamilton	241	$ 542,304
Columbia	55	$ 42,090
Cortland	98	$ 107,587
Delaware	90	$ 67,285
Dutchess	116	$ 130,000
Erie	893	$ 1,080,155
Fulton Montgomery Schoharie	198	$ 173,726
Genesee	44	$ 36,883
Greene	49	$ 60,380
Hempstead Long Beach	146	$ 151,368
Herkimer	69	$ 50,860
Jefferson Lewis	180	$ 273,627
Livingston	90	$ 99,657
Madison	54	$ 56,442
Monroe	860	$ 660,000
New York City	16,911	$ 18,156,950
Niagara	192	$ 412,949
Oneida	338	$ 330,828
Onondaga	430	$ 550,000
Ontario	93	$ 116,747
Orange	225	$ 247,347
Orleans	51	$ 44,926
Oswego	177	$ 214,750
Otsego	102	$ 95,076
Oyster Bay - North Hempstead	123	$ 159,290
Putnam	12	$ 19,731
Rensselaer	145	$ 150,000
Rockland	175	$ 163,474
Saratoga	72	$ 97,000
Schenectady	152	$ 146,875
Seneca	39	$ 42,000
St. Lawrence	252	$ 223,884
Suffolk	795	$ 915,500
Sullivan	52	$ 42,804
Tompkins	205	$ 175,301
Ulster	132	$ 190,118
Warren	48	$ 49,863
Washington	33	$ 43,000
Wayne	90	$ 85,528
Westchester	647	$ 415,265
Wyoming	61	$ 50,737
Yates	39	$ 20,000
Yonkers	185	$ 134,000
Statewide Total	**26,439**	**$ 28,318,437**

ATTACHMENT B

Types of Summer Jobs that will directly impact the community
(if TANF SYEP funds are not available)

Adminstrative Support to non-profits
Adult Daycare Progams
Aides - Regional Healthcare Center
Animal Care Assistants
Art and Green Jobs
Bldg Maint- various rural schools
Building & Grounds Assistant
Camp Owatta
Child Classroom Assistant
City /County Parks and Cemetaries(Landscaping and General Maintenance)
Cleaning Aide
Clerical Aide
Community Agencies
Community Ambassadors
Community Center Intern
Community Gardens
Community/Neighborhood Renewal/Beautification Projects
County Highway Department
DEC Trails Maintainence
Energy Management Solutions, Office Assistants
Energy Outreach Assistant
Evening Hours/Playground
Food and Hospitality
Food Cupboard/Pantry Assistance
Food Service Aide
FREEDOM Academy, Peer Support Workers
Green Energy Learning
Horticulture Apprentice
Hospital
Janitor Assistants in Schools
Jr. Camp Counselor
Laborer
Library and Museum Work
Library Summer Youth Counselor
Lime Hollow Nature Center
Literacy Peer Tutors
Municipal Recreation Programs
Nature Trail Construction
Nursing Home Aides
Parks & Riverbank clean-up
Playground Supervision
Pools/LifeGuards and Concession
Recreation Aide
Retail Associate Candidate
School Maintenance
Senior Activities Aide
Social Work Assistant
Summer Lunch Program
Summer Youth Arts and Craft Programs
Supervised Educational/Recreational Summer Youth Programs
Swim Program Aid
Tourist Sites
VESID Summer Youth Program
Youth Program - Boys & Girls Club
Zoo Clean-up and Construction

Brooklyn Chamber of Commerce

Wednesday February 10, 2010

Joint NYS Legislative Public Hearings

2010-2011 Executive Budget Proposal on Workforce Development

Good Morning members of the New York State Legislature, distinguished guests and colleagues. I am here today representing the Brooklyn Chamber of Commerce, a business led membership association located in Downtown Brooklyn. I come representing a constituency of 1300 members, mostly small businesses, as well as thousands of other businesses the Chamber touches through its public programs. Small businesses in Brooklyn are not unlike those in the rest of the state: your neighborhood organic market, small chain clothing retailers, architecture firms, and local rental car companies. And not unlike the rest of New York State, these businesses are the backbone of communities, providing basic services and threading together neighborhoods and residents across the borough.

I am here today to discuss the proposed budget cuts to workforce development programming, health and human services programs, and their potential impact on businesses, in both the short term and long term.

Brooklyn is home to approximately 44,000 businesses, 90% of which have less than 20 employees. There are 2.6 million residents and growing in the borough, and nearly 450,000 jobs. Brooklyn remains one of the most attractive locations in New York to live as well as start a business and the borough is poised to continue growing over the next decade.
Brooklyn businesses, some new, and some old, have a few things in common: Most are usually owned and managed by local residents, and most small businesses in Brooklyn hire locally. They look to their community residents as their current and future workforce. They work with local community based organizations to recruit, hire and train employees, and they rely on those programs to provide them with the guidance and support in making their workforce decisions. The Brooklyn Chamber of Commerce recognizes how difficult it is for a small business owner to hire employees, as often times they are not savvy enough to be able to identify the right candidates for their business.

Since 1998 the Brooklyn Chamber of Commerce has operated Good Help, a workforce intermediary program specifically designed to connect the public workforce system to small businesses and jobs in Brooklyn neighborhoods, and to coach small businesses into hiring local, often disadvantaged jobseekers that could help their businesses grow.

Each year, the Brooklyn Chamber of Commerce commissions a report that focuses on employment and sectoral trends within the local economy and labor market in the borough, as Brooklyn's economy is very unique from that of the rest of the city. The last Brooklyn Labor Market Review, released this past fall, focused on Brooklyn's current job market, personal income levels, and changes to Brooklyn's economy during the first full year of the recession. The Chamber examined employment in the borough in reference to that in New York City as a whole. The good news: from 2007 to 2008, the number of jobs in Brooklyn actually increased modestly compared to a decline citywide. The bad news: While we expect the complete 2009 employment numbers for Brooklyn to show a slight decline, jobs are not

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being added, and those left up to attrition are not being replaced. In a recent survey of members of the Brooklyn Chamber of Commerce, nearly 88% of employers said they did not anticipate laying off any employees in the coming year. As one might expect, many Brooklynites commute to jobs in Manhattan, so while the overall jobs in Brooklyn have only declined slightly, Brooklynites are making less money and bringing home considerably less personal income. Unemployment Insurance, Food Stamp payments, Medicade and Medicare all add to personal income, and it's important to note that without these payments the decline in personal income would be that much more severe.

So what does this mean to business? Less personal income in the borough leads to less spending. And of course, consumers have to increase spending for businesses to have the need to add jobs. While spending has seen some modest increases since the holidays, businesses are generally still waiting and stretching the time until they make their next hire. It is a cycle of wait and see among small firms within the borough.

The Chamber understands that Brooklyn businesses need the support available to them by the public workforce system; more specifically they require programs that provide them support with hiring and training employees. While most do not acknowledge this fact, without WIA and TANF programs, small businesses would have more struggles around hiring than they do now.
Within the Governor's proposed budget cuts, **programs such as TANF Wage Subsidy and Summer Youth Employment are zeroed out** – and it is generally small businesses that benefit from these programs in the end. We therefore urge the governor to reconsider these cuts to critical employment programs that have a direct impact on business. In addition, we urge the Governor to look at other ways to subsidize these programs, such as use of the TANF Contingency funding under the ARRA as alternative measures. Also, while the Brooklyn Chamber of Commerce supports the Governor's proposed Excelsior Jobs Program, we do not believe that the program is robust enough to attract and engage enough businesses to have an immediate and lasting impact on job creation. As well, the Excelsior Jobs Program is set to be capped at a proposed $250 million per year, which represents a 60% cut from prior Empire Zone funding. And, in a survey of our membership, nearly 63% of members strongly opposed excluding sectors from this proposed economic development initiative.

I will briefly outline the Brooklyn Chamber's partnerships with two community based employment and training agencies, Center for Employment Opportunities, which connects formerly incarcerated jobseekers to employment and the Council of Jewish Organizations of Flatbush, which supports low income and dislocated workers in finding jobs. In the last quarter of 2009, the Chamber's Good Help program has worked with these two employment and training agencies to ensure that wage subsidy programs, such as the TANF funded program proposed to be zeroed out in the Governor's budget, reached small businesses and connected disadvantaged jobseekers to the local economy. In just three months, the Chamber was able to facilitate the provision of over $30,000 in wage subsidies to three businesses, businesses that needed the incentive to hire. While the Brooklyn Chamber's involvement in the program is small, the two community partners I've mentioned above are dealing with subsidies that are hundreds of thousands of dollars, and affecting hundreds of businesses and jobseekers.

Over the past few years, the Brooklyn Chamber of Commerce, as well as up the Chambers of Commerce, were chosen to facilitate the Chamber of Commerce On-the-Job Training Program, administered by the New York State Department of Labor. In three years managing this contract, the

Brooklyn Chamber
of Commerce

Brooklyn Chamber connected over 120 local residents to jobs and training opportunities within local businesses, and helped over 30 businesses access more than $160,000 in On-the-Job Training funds. This landmark program was phased out in early 2009, just as businesses and jobseekers need it the most.

As a Chamber of Commerce, we are seeing the toll that the economy is taking on business; fundamentally sales are down across the board, and businesses are having a very difficult time accessing capital. These two factors play a tremendous role in business confidence and directly impact the rate they will add jobs. In a recent tour of a local Business Improvement district, I had the luxury of meeting half a dozen business owners: a hair accessory shop owned by a Korean American women, a 3rd generation shoe store specializing in large and wide width women's shoes, and a brand new specialty candy store. While all of these business owners said sales are down, they have one thing in common: optimism. Each business owner was certain that things would be better by the Spring. Certain that business would be better and they would see sales go up and the economy begin to stabilize. Certain that they would have the need to add jobs later on this year. It is the confidence of those small businesses owners that will pull this state, this country, out of this recession.

We applaud efforts for this no-nonsense approach to closing the budget gap. It will take, at every level of government, and aggressive amount of spending restraint in order to get this State's financial house in order. We hope the legislature will continue to recognize the business case for supporting workforce development programs that lead directly to the addition of jobs and directly support businesses in job creation.

Brooklyn Chamber of Commerce

BROOKLYN LABOR MARKET REVIEW

A Message from the President

The Brooklyn Chamber of Commerce is proud to present the 2009 edition of the Brooklyn Labor Market Review, our annual review of the borough's economy. These are indeed very tough economic times and it has never been more critical for our Brooklyn business community, and other stakeholders to have reliable and timely information on how the recession is affecting the borough and our economic outlook. Last year's edition of the *Review* looked at how Brooklyn fared during prior recessions and provided a forecast of the borough's employment picture.

Overall, Brooklyn's employment outlook still remains stronger than New York City as a whole, but in consonance with the rest of the City, Brooklyn's personal income levels are set to decline for the first time in at least 40 years, demonstrating the severity and depth of the current recession. However, as Brooklyn's population continues to increase, opportunities for the business community and entrepreneurs will continue to present themselves.

This issue of the *Review* updates the employment forecast for Brooklyn and New York City for 2009. And, for the first time anywhere, the *Review* details a total personal income forecast at the borough level. We examine how the income of Brooklyn residents is likely to be affected by job losses and increased transfer payments to individuals, such as unemployment insurance. We also examine the how the historic American Recovery and Reinvestment Act (ARRA) allocations affect Brooklyn.

We hope the *Review* adds to your understanding of Brooklyn's economy in this unusual period of economic re-positioning.

Carl Hum, President

Brooklyn's economic snapshot for 2009

New York City has been losing jobs since August 2008, and is on track to lose a projected 115,000 jobs in 2009 compared to 2008. As discussed on page 4, Brooklyn's rate of payroll job decline is expected to be about half that of the city overall. Because many Brooklyn residents work in Manhattan where the city's job losses are heavily concentrated during downturns, resident employment (jobs held by Brooklynites) will decline by 25,000, significantly more than the 8,500 decrease in Brooklyn payroll jobs. Total personal income received by Brooklyn residents will decline by about $2.4 billion this year, – a 2.9 percent decline, slightly better than the 3.2 percent citywide income drop.

Brooklyn's unemployment rate has increased significantly, in part because the labor force continues to expand, which reflects the borough's attractiveness to newcomers. Nonetheless, unemployment will hover in the 10 percent range for the second half of 2009, raising this year's annual average rate to 9.7 percent.

Figure 1.
Brooklyn's Economic Snapshot for 2009

	2008	2009	Change, 2008-2009	
PRIVATE PAYROLL JOBS				
New York City	3,129,460	3,014,460	-115,000	-3.7%
Brooklyn	444,050	435,550	-8,500	-1.9%
PERSONAL INCOME (in billions of dollars)				
New York City	$429.9	$416.2	-$13.7	-3.2%
Brooklyn	$83.4	$81.0	-$2.4	-2.9%
BROOKLYN				
Resident labor force	1,112,000	1,130,000	18,000	1.6%
Resident employment	1,046,000	1,021,000	-25,000	-2.4%
Resident unemployment	66,000	109,000	43,000	65.2%
Unemployment rate	5.9%	9.7%	3.8% point increase	

Source: *Projections by the Fiscal Policy Institute, August 2009.*

Inside

Recent trends in Brooklyn's employment landscape

The recent pace of economic decline has eased compared to the last quarter of 2008 and the first quarter of 2009, and national Gross Domestic Product could increase in the July-September quarter. Still, most forecasts call for the continuation of very high unemployment for several more months and well into 2010.

As noted in last year's *Review*, Brooklyn has a higher concentration than the city overall of jobs in health, education and social services—typically more recession-resistant sectors—and a lower concentration in financial, professional and information services, which usually decline sharply during a downturn. These elements help moderate Brooklyn's job loss during a downturn.

Although the national recession officially began in December 2007, New York City's payroll employment continued to expand through August 2008. From August last year through July 2009, the city lost about 100,000 private jobs, measured on a seasonally adjusted basis. Brooklyn's private payroll job count was 4,800 greater in the fourth quarter of 2008 than in the fourth quarter of 2007, and the citywide jobs number declined by 10,900.[1] This disparity is explained by the fact that the city lost 12,800 financial sector jobs, almost all in Manhattan, while Brooklyn's finance jobs increased slightly. Moreover, wholesale trade employment was flat in Brooklyn but it declined by 4,200 citywide. Finally, Brooklyn had a slight overall percentage gain in health, education and social services jobs.

FIGURE 2.
Brooklyn and NYC payroll employment change, 4th quarter 2007 to 4th quarter 2008

Industry	Employment change, 4Q 2007- 4Q 2008			
	Brooklyn		NYC	
All private sector employment	4,797	1.1%	-10,949	-0.3%
Utilities	23	4.8%	571	3.7%
Construction	-354	-1.3%	-263	-0.2%
Manufacturing	-1,784	-7.3%	-6,785	-6.8%
Wholesale trade	54	0.2%	-4,231	-3.0%
Retail trade	38	0.5%	-543	-0.2%
Transportation and warehousing	313	1.7%	-464	-0.4%
Information	163	2.4%	-395	-0.3%
Financial services	34	2.0%	-12,848	-3.7%
Real estate	-37	-0.3%	-124	-0.1%
Professional sci. and tech. services	591	4.4%	1,515	0.5%
Management of companies	151	66.9%	3,274	5.6%
Admin. & sup.srvcs. and waste mgmt.	-713	-4.0%	-8,175	-4.2%
Educational services	153	4.7%	5,430	4.0%
Health care and social assistance	3,625	2.6%	9,156	1.7%
Arts entertainment & recreation	88	2.2%	3,375	5.2%
Accomodation & food services	1,499	6.9%	4,868	2.1%
Other private services	337	1.5%	1,903	1.3%

Source: *New York State Department of Labor, quarterly census of employment and wages. Industry totals do not verify because of "unclassified" employment.*

The citywide private job change from the first quarter of 2008 to the first quarter of 2009 was slightly less than the forecast presented in last year's *Review*, an actual decline of 73,000 jobs compared our forecast of an 80,000 decline. Although the forecasted net job change was reasonably close, there were several differences at an industry level.

Blue collar jobs citywide in construction and manufacturing declined much more than the Review forecasted, as did jobs in wholesale and retail trade. On the other hand, while there were significant declines in finance and professional services, neither of these declined as much as had been anticipated. And while we had expected a slight decline of 2,000 in educational service employment, it actually grew by 7,300.

What does this mean for Brooklyn? The borough undoubtedly lost jobs in the first quarter of 2009; it has a higher concentration than the city overall in the blue collar and wholesale/retail trade areas. Yet, the Brooklyn decline should still trail the citywide falloff, given the borough's smaller presence in the sharply declining financial and professional services areas, and its larger presence in heath, education and social services.

[1] Since there is a half-year lag in the availability of detailed industry jobs data for Brooklyn, the fourth quarter of 2008 is the most recent borough-level data

Employment projections for the recession's first full year in New York City and Brooklyn

For the *Review*, the Fiscal Policy Institute projects that New York City will lose 115,000 private jobs (a 3.7 percent decline) during 2009, the first full year of the recession in New York City. (The recession began here in mid-2008, a half-year later than for the nation.) This projection is measured by the change in the annual average employment levels for 2008 and 2009. By comparison, the Mayor's Office and Management and Budget projects a 2009 private job loss of 164,000, a 5.1 percent decrease. Adjusting for a very slight expected decline in government employment, the City Comptroller projects a 3.2 percent private job decline in 2009, and the Independent Budget Office projects a 4.1 percent employment loss.[2]

Figure 3 shows our 2009 employment projections for Brooklyn and the city overall. Except for health, education and social services, most industries are projected to show a net job loss for 2009 with the biggest concentrations citywide in construction, manufacturing, wholesale trade, and financial services—all expected to see jobs declines at a pace at least double the 3.7 percent decline projected for citywide private sector jobs overall.

The recent expansion in the retail sector will allow Brooklyn to experience a smaller degree of job retrenchment compared to the city overall: While Brooklyn now has about one in every five retail jobs in New York City, the recession this year will claim 1,000 jobs in Brooklyn compared to 10,000 citywide. The opening of new hotels in Brooklyn in recent years, together with the increase in new housing and the restaurant industry that have transformed several neighborhoods, are expected to combine to keep employment flat in the accommodation and food services sector in 2009, a sector that otherwise contracts in a downturn.

FIGURE 3.
Projected 2008-2009 annual job change, Brooklyn vs. NYC

	Brooklyn	Projected employment change, 2008-2009			
Industry	share	Brooklyn		NYC	
All private sector employment	14.2%	-8,500	-1.9%	-115,000	-3.7%
Utilities	27.6%	0	0.0%	0	0.0%
Construction	20.8%	-3,000	-11.2%	-13,000	-10.1%
Manufacturing	24.5%	-3,000	-12.8%	-14,000	-14.7%
Wholesale trade	17.8%	-1,000	-4.0%	-11,000	-7.9%
Retail trade	19.7%	-1,000	-1.7%	-10,000	-3.4%
Transportation & warehousing	17.2%	-750	-4.1%	-7,000	-6.5%
Information	4.3%	-250	-3.7%	-7,000	-4.5%
Financial services	5.3%	-1,000	-5.6%	-30,000	-8.9%
Real estate	12.1%	-750	-5.2%	-4,000	-3.3%
Professional sci. & tech. services	4.1%	-500	-3.6%	-18,000	-5.4%
Management of companies	3.9%	500	21.4%	-2,000	-3.3%
Admin. & sup.srvcs. and waste mgmt.	9.3%	-750	-4.3%	-8,000	-4.3%
Educational services	16.0%	500	2.3%	3,000	2.2%
Health care & social assistance	25.4%	2,500	1.8%	8,000	1.4%
Arts & entertainment	6.7%	-250	-5.5%	-2,000	-3.0%
Accomodation & food services	9.5%	0	0.0%	-1,000	-0.4%
Other private services	15.5%	250	1.1%	1,000	0.7%

Note: Brooklyn share is of total NYC employment.
Source: *Projections by the Fiscal Policy Institute, August 2009.*

Brooklyn's total personal income declines in 2009

One indicator of the severity of the current recession is that total personal income received by Brooklyn residents is projected for the *Review* by the Fiscal Policy Institute to decline for the first time in the 40-year history of the U.S. Commerce Department annual local income series. We project that Brooklyn personal income will decline from $83.4 billion in 2008 to $81.0 billion in 2009, a 2.9 percent decline.

This net decline of $2.4 billion results from a $4.2 billion decline in net earnings (comprised of wages and proprietors' income), partly offset by a $2.3 billion increase in transfer receipts (Social Security, unemployment insurance, food stamps and the value of Medicare and Medicaid payments made in Brooklyn). The category dividends, interest and rent is also expected to decline by $500 million. Net earnings by place of residence, which is projected to decline by 7.9 percent, is by far the largest component of personal income, accounting for about 64 percent of the total.

[2] New York City, and Brooklyn to a lesser extent, is expected to continue losing jobs during the first half of 2010. The above projections are only for job losses in 2009 compared to 2008.

FIGURE 4.
Projected 2009 Total Personal Income

(in billions of dollars)	Brooklyn		New York City	
	Projected	Percent	Projected	Percent
Total Personal Income	$81.0	-2.9%	$416.2	-3.2%
Components that sum to total personal income				
Net earnings by place of residence	$48.9	-7.9%	$267.4	-6.1%
Dividends, interest and rent	$7.0	-6.0%	$63.9	-6.0%
Personal current transfer receipts	$25.1	10.0%	$84.9	10.0%
Selected components that factor into net earnings				
Earnings by place of work	$28.6	-0.4%	$394.5	-7.8%
Wage and salary disbursements	$20.5	-0.4%	$280.8	-10.1%
Proprietors' income	$3.7	-1.0%	$57.1	-1.0%
Adjustment for residence	$23.7	-14.8%	-$86.6	-14.8%

Source: *Projections by the Fiscal Policy Institute, August 2009.*

The wages and salaries that Brooklynites earn in Manhattan, or in other places they commute to for work, are a large component of net earnings by place of residence for Brooklyn. Net commuter earnings, in fact, account for about half of the net earnings by place of residence, with the other half comprised wage and salary and proprietors' income earned from jobs and businesses located in Brooklyn.

Commuter earnings, as a share of the total, rises during growth periods and subsides during recessions. For 2009, commuter earnings are expected to fall by 14.8 percent, reflecting the fact that many Brooklynites are expected to lose high-paying jobs in Manhattan's financial and professional service businesses. On the other hand, net earnings for Brooklyn-based economic activity are expected to decline by only 0.4 percent.

Transfer receipts by Brooklyn residents are projected to increase by 10 percent in 2009, largely as a result of a 7.7 percent increase in Medicare and Medicaid payments, which account for roughly two-thirds of all transfer receipts. Unemployment insurance receipts are expected to more than double in 2009 over 2008. ARRA-related increases in Social Security and food stamps will also boost transfer receipts in 2009.

Brooklyn's projected 2.9 percent personal income decline in 2009 is less than the 3.2 percent decline projected for New York City overall. The city's slightly greater decline in income is largely due to the more than proportionate fall-off in earnings by Manhattan residents working in the financial and professional services sectors. On the positive side, after rising by 3.9 percent in 2008, the Consumer Price Index for the New York metropolitan area rose by only 0.7 percent through the first half of 2009. Most of this decline stems from lower energy prices.

American Recovery and Reinvestment Act's impact in Brooklyn

The economic freefall in the wake of last September's Wall Street meltdown and credit crunch triggered massive layoffs around the country. In the six months following the meltdown, over 600,000 jobs were lost each month, nearly four times the job loss rate during the recession's first nine months. Consumer and business confidence evaporated, causing Gross Domestic Product—the broadest measure of the level of economic activity—to shrink at a 6 percent annual rate during the fourth quarter of 2008 and the first quarter of 2009.

Late last fall, most economists agreed that a massive stimulus in the form of federal government spending was urgently needed to brake the freefall. Within a month of taking office, President Barack Obama pushed through and signed the American Recovery and Reinvestment Act (ARRA). ARRA consisted of a broad range of spending initiatives totaling nearly $500 billion; and included $288 billion in individual and business tax cuts.

Broadly, the chief aims of the spending components of the stimulus bill are to:

- Provide fiscal relief to states to avert severe state budget cuts that would otherwise result from shrunken tax revenues and would exacerbate the downturn;

FIGURE 5.
Major components: American Recovery and Reinvestment Act (ARRA)

(in billions of dollars)	
Spending programs	
State/Local Fiscal Relief	$140
Health, Education and Training	$87
Aid to Unemployed and Individuals	$102
Infrastructure	$90
Energy Efficiency and Development	$61
Scientific Research, Public Safety and Other	$19
Subtotal, spending programs	**$499**
Tax Cuts	$288
TOTAL: spending and tax cuts	**$787**

Source: *Compiled by the Fiscal Policy Institute using data from http://www.recovery.gov/, http://www.recovery.ny.gov/, and http://www.nyc.gov/html/ops/nycstim/.*

• Promote job creation and long-term growth by funding ready-to-go transportation, waste water systems, and other infrastructure needs such as renovating public housing;
• Promote job creation and energy conservation by funding weatherization programs and other "green" jobs;
• Invest in education and skills training to increase long-term growth potential; and
• Fund increased temporary payments to individuals in need including those on unemployment, food stamp and public assistance recipients, and social security and veteran's benefit recipients in order to boost consumer spending.

In the first four areas, much of the spending is allocated on the basis of existing program formula and flows through state governments. Some spending goes directly to localities or is disbursed on a competitive grant basis to governments or non-profits.

Figure 6 lists the major Brooklyn transportation and other infrastructure projects made possible by ARRA funding. Altogether, at least $122.5 million will go to transportation-related construction projects in Brooklyn. Public housing projects in Brooklyn will benefit from $186.1 million in reconstruction and renovation work to replace roofs, or to rehabilitate elevators or apartments in project scattered around the borough. Thus, Brooklyn is getting 4.65 percent of the national total of $4 billion in public housing funding under ARRA.

In addition, various citywide infrastructure refurbishment projects in the transportation and public housing areas will fund work that is done in Brooklyn. Also, some of the $1.1 billion in ARRA funding for Metropolitan Transportation Authority mass transit projects will benefit Brooklyn.

The *Review* and the Fiscal Policy Institute estimate that Brooklyn residents will receive $722 million under the four major ARRA spending streams providing temporary payments to the unemployment and other individuals. For example, food stamp recipients will receive a 13 percent increase in their monthly food stamp allowances, ARRA will provide an additional $25 weekly to those receiving unemployment insurance benefits, and a one-time $250 payment was sent in May to all Social Security recipients and those on Supplemental Security Income. (See Figure 7.) This $722 million in payments to Brooklynites represents 0.97 percent of the national total for such payments to individuals, compared to Brooklyn's 0.84 percent share of the nation's population.

Figure 6.
ARRA Brooklyn Infrastructure Projects

(in millions of dollars)	
Transportation projects	
Rehabilitation of the Brooklyn Bridge	$47.20
Rehabilitation of the Greenpoint Avenue Bridge over Newtown Creek (Greenpoint/Blissville)	$6.00
Improvements to Bedford Stuyvesant Gateway Business District	$7.10
Improvements to Brooklyn Navy Yard	$4.80
Coney Island Boardwalk Reconstruction	$15.00
Reconstruction of Eastern Parkway (Prospect Heights)	$6.00
Flatbush Avenue Streetscape Improvements	$3.50
Kingston Avenue Reconstruction	$6.00
Reconstruction of Nassau Avenue and Monitor Street (Greenpoint)	$12.90
Shore (Belt) Parkway East 8th Street Access Ramp Reconstruction	$14.10
Transportation subtotal	**$122.50**
Public housing renovation projects	
Armstrong Houses I and II Brickwork Repair and Roofing Replacement	$20.80
Beach 41st Street Houses Heating Upgrade	$0.30
Beach 41st Street Houses Roof Replacement	$8.70
Bedford Stuyvesant Houses Rehab Elevators Rehabilitation	$0.40
Boston Secor Houses Fuel Oil Tank Replacement	$0.40
Kingsborough Houses Heating Upgrade	$2.90
Marcus Garvey Houses Roof Replacement	$4.80
Saratoga Village Houses Brickwork Repair and Roof Replacement	$3.50
Sheepshead Bay Houses Heating Upgrade	$0.80
Ocean Hill - Brownsville Houses Brickwork Repair and Roof Replacement	$5.50
Sumner Houses Elevator Rehabilitation	$8.60
Tapscott Houses Rehabs Roof Replacement	$7.20
Taylor Wythe Houses Elevator Rehabilitations	$2.70
Unity Plaza Houses Roof Replacement	$9.50
Van Dyke Houses II Roof Replacement and Masonry Rehabilitation	$1.80
Whitman-Ingersoll Houses Apartment Renovations	$87.00
Whitman-Ingersoll Houses Elevators Rehabilitation	$21.30
Public housing subtotal	**$186.10**
TOTAL: Brooklyn infrastructure projects	**$308.60**

Note: This table excludes city-wide transportation and public housing projects, some of which will occur in Brooklyn.
Source: *Compiled by the Fiscal Policy Institute using data from http://www.recovery.gov/, http://www.recovery.ny.gov/, and http://www.nyc.gov/html/ops/nycstim/.*

Figure 7.
ARRA Payments to individuals, estimates for Brooklyn residents

(in millions of dollars)	
Unemployment Insurance	$318
Food Stamps	$307
Social Security	$71
Supplemental Security Income	$26
Total, four categories of payments to individuals	**$722**

Source: *Fiscal Policy Institute estimates, August 2009.*

Brooklyn's economy will benefit in many other ways from ARRA stimulus-related funds that are flowing through New York City or New York State. For example, residents will benefit from $60.8 million in grants funding training programs around the city, $48.2 million in Community Development Block Grants overseen by the City that will fund such initiatives as emergency housing repairs and homeless services, and $29.1 million in various criminal justice assistance grants that the City will disburse. Projects such as weatherization, while significant, are difficult to project.

Three Brooklyn Community Development Financial Institutions—Brooklyn Cooperative Federal Credit Union, CAMBA, and BOC Capital Corporation—will receive a combined $2.35 million to support neighborhood development lending. These CDFIs have proven invaluable to small businesses, as traditional lending has tightened in the past 12 months.

In summary, the federal stimulus funds are providing a substantial counter-weight to the unprecedented job losses and consumer spending cutbacks characterizing the current recession. While it is too early to quantify the job creation impact of ARRA spending, it is reasonable to conclude that the impact on Brooklyn in 2009 and 2010 will be measured in the billions of dollars. A rough estimate suggests that Brooklyn will benefit directly or indirectly over time by $4 billion or more from the $500 billion in ARRA's spending programs, and, as noted above, about $2 billion from the individual tax cuts.

Brooklyn growth industries in 2008

Before the recession set in, several industries in Brooklyn recorded impressive job growth. In fact, there was a Brooklyn boomlet in professional services, with double digit growth in the number of architecture, design and management consulting businesses in 2008. The job count grew by about 20 percent in both design and management consulting. Architecture jobs gained by 8 percent and accounting jobs grew 6 percent.

While Brooklyn-based film and TV production businesses are not (yet) a big employer, the number of jobs increased by more than 50 percent to 350 in 2008. Within retail trade, there was strong growth in electronic and appliance stores, food stores, drug stores, and among general merchandisers. School bus transportation companies added 800 jobs in Brooklyn last year. Specific industries showing sizable job growth within the health, education and social services sector include: educational support services, doctors' offices, home health, residential mental health facilities, and child day care centers.

Update at press time: As this issue of BLMR goes to press, just-released data show that Brooklyn lost 1,750 private jobs from the first quarter of 2008 to the first quarter of 2009. This was a 0.4 percent decline, much less than the citywide 2.4 percent decline. Brooklyn employment in accommodation and food services rose 5.4 percent (the city lost 0.7 percent), but that was offset by declines in construction, manufacturing, finance, and retail that matched citywide declines.

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