



Memo

TO: State Senators and Assembly Members

DATE: January 24, 2012

RE: *SFY 2012-13 Budget Priorities of the Public Employees Federation*

PEF ASKS THE LEGISLATURE TO MODIFY THE GOVERNOR'S BUDGET IN THESE AREAS:

OPPOSE TIER 6

The Governor would create a new pension tier – Tier 6 – for state workers and other public employees with dramatically reduced benefits and increased employee costs. Cloaked in the guise of reform, this proposal is about politics and placating big business special interests, not sound public policy. This bill ignores the landmark Tier 5 pension reform enacted by the legislature less than two years ago which is estimated to save the state and local governments \$35 billion over 30 years. We don't need a new tier to cut costs, just let Tier 5 work as intended!

The Governor's plan would result in much smaller pensions and a loss of security for workers. It is a first step toward ending secure pensions entirely by introducing a 401K plan that is presented as "optional", but also cutting pension benefits to the point where a traditional pension is no longer a good option. For most state workers this bill would double the amount that they are required to have taken out of their paychecks. And this tax on workers paychecks could go even higher due to a variable rate formula in the bill. If this formula was in effect today, many state workers would be required to contribute more than 10% of their salary to the pension fund.

Despite press reports to the contrary, public employee pensions are not overly generous. The average benefit for a member of the state and local employee retirement system is \$19,151. Pensions are not a gift or a special privilege. They are earned by many years of hard work. The pension system is a long term commitment that must not be abandoned for political gain.

Reject Tier 6, Amend S6255/A9055 by deleting Part H. Cost: None in current fiscal year, significant cost savings won't be realized for at least a decade.

OPPOSE CHANGES THAT UNDERMINE CIVIL SERVICE

The Executive proposes a menu of changes in civil service law that would allow politically appointed managers select favored individuals for jobs, while evading the normal competitive examination process. The proposals would allow state agencies to hire candidates with significantly lower scores than other candidates if they are on a different eligible list. They would also allow candidates who have not taken a competitive examination into a competitive class position with no objective measure of their merit and fitness to fill the position. The effect will be to increase patronage and reduce efficiency. It also disrespects the qualified long term state

workers who play by the rules, do their jobs and serve the public. Those qualified workers will be cut out of the opportunity for promotions in favor of cronies with dubious qualifications. Amend S6255/A9055 by deleting Part M. Cost: None

STOP THE CLOSING OF KINGSBORO PSYCHIATRIC CENTER AND THE DOWNSIZING OF STATE MENTAL HEALTH SERVICES

The budget proposes language to allow the Office of Mental Health to close the Kingsboro Psychiatric Center. Kingsboro is the only state operated adult psychiatric hospital in Brooklyn, New York's largest borough. It provides essential services to patients and families. Closing it will deny access to care for patients and families and will cost the community hundreds of jobs. The budget also gives OMH the authority to consolidate children's psychiatric centers in Brooklyn, the Bronx and Queens, and it further gives OMH the authority to close or downsize any other mental health facility without giving the required 12 months notice. The legislature should reject OMH's plan to abandon the state's responsibilities to provide mental health services. Amend S6256/A9056 by deleting Part O. Cost: the Executive Budget does not specify savings associated with these proposals but they do cite a \$10 million savings due to administrative efficiencies which include the savings associated with the Kingsboro closure and other downsizing activities.

STOP THE PRIVATIZATION OF JUVENILE JUSTICE

The Executive Budget proposes a major withdrawal by the state from its responsibilities for the custody and rehabilitation of juvenile offenders. Under the label of juvenile justice reform, this bill enacts a plan for the state to turn over to a New York City agency the responsibility for the care of young offenders from New York City who are adjudicated to non-secure or limited secure OCFS facilities. The City plans to contract this responsibility out to private contractors. The bill goes even further and interferes with judicial discretion by prohibiting Family Court Judges from placing young offenders from NY City in OCFS facilities or other programs the court finds to be appropriate. As a result of these changes, many OCFS youth facilities will be closed, although the specific closures are not identified. These actions amount to the state abandoning its responsibility for the custody and rehabilitation of young offenders. Families and public safety are at risk if this plan is adopted. Amend S6257/A9057 by deleting Part G. Cost: None, as the proposal actually costs the State \$3 million in this fiscal year. However there is \$4.5 cost savings next year.

STOP THE PRIVATIZATION OF SERVICES FOR PEOPLE WITH DISABILITIES

The Office for People with Developmental Disabilities is moving ahead with a plan to privatize most of the direct services historically provided by the state to people with disabilities. The qualified professional state employees are being removed from direct work with consumers and their families, and the work is being assigned to private contractors. Many of these private agencies have staff who are sincere and dedicated but who lack the level of education and experience that OPWDD state employees bring to the job. The private providers often have a problem of high employee turnover, which can be disruptive to their ability to achieve positive results for their clients.

Although OPWDD management presents this change as a more community based service, it is actually an attempt by the state to step away from its responsibility to provide high quality care. Once these duties are outsourced, that state can more easily evade accountability and reduce resources. There is also a proposal to change the appointing authority structure of OPWDD which will affect workers rights and jeopardize job security. Send a message that privatization is not the right approach by amending S6256/A9056 to delete Part I and Part J. Cost: None

FUNDING FOR THE ROSWELL PARK CANCER INSTITUTE

The Roswell Park Cancer Institute is a nationally recognized medical research center and an important part of Buffalo's growing bio-medical academic and research industry. State investments in RPCI not only advance cancer research, they help build the critical mass that creates jobs in related industries and services. Yet the budget contains language that would require a cutoff of state funds in about two years. This could place at risk RPCI's status as a leading research hospital, followed by the loss of jobs and health care services. Not a good choice if the state wants to boost the Western New York economy. Amend S6256/A9056 by deleting Part B. Cost: None this fiscal year, the State provides RPCI with up to \$108 million in annual funding.

DEPARTMENT OF CIVIL SERVICE/GOER MERGER

The budget proposes to merge the Department of Civil Service and the Governor's Office of Employee Relations into a new combined agency. While both deal with employee issues, they have very different roles. GOER is the labor relations and negotiating arm of the Governor's administration, and as such they are advocates for the Governor's agenda. Civil Service is responsible for insuring the integrity and fairness of the merit based civil service system. It is supposed to exercise independent oversight to make sure that all agencies play by the rules. One of the main reasons we have a civil service system is to curb the tendency of politically appointed officials to fill jobs based on patronage or cronyism. Merging these two agencies may tend to undermine that vital role. Amend S6260/A9060 by deleting Part B. Cost: None

BELLEAYRE MOUNTAIN SKI CENTER

The Belleayre Ski Center has long been run by the Department of Environmental Conservation. The budget proposes to transfer it to the Olympic Regional Development Authority, a public authority who base of operations is more than two hundred miles away. This won't improve efficiency or create any jobs, but it may disrupt the careers of long term workers. We oppose it. Amend S6260/A9060 by deleting Part C. Cost: None.

REJECT A REDUCTION IN PASSENGER BUS INSPECTIONS

The budget proposes to eliminate a legal requirement that passenger buses be inspected at least once every six months. The substitute is a vague "risk-based" policy. In light of the recent experience with serious tour bus accidents, this seems like an unwise decision. Safety should be a primary concern and should not be diminished for minor budget savings. Amend S6258/A9058 by deleting Part C. Cost: \$665,000 in 2012-13 and at least \$782,000 on an annualized basis.

STOP THE CLOSURE OF DOT REGIONAL OFFICES

The Executive Budget proposes consolidating eleven DOT regional offices down to six; no specifics are provided as to how the new regions would be structured. In addition no budget language is provided to accomplish this consolidation except broad interchange language in the State Operations appropriation bill that allows the Division of Budget unlimited authority to move funding within agencies and among agencies and authorities. Consolidating DOT regional offices will reduce access for local communities, hinder the monitoring of contractors and projects, and disrupt state employee families. Reject this consolidation by negotiating a deletion of the broad interchange language and amending S6258/A9058 to include DOT's current regional structure in Transportation law. Cost: Executive Budget documents outline no specific savings for this proposal.

CONTINUE REPORTING AND OVERSIGHT OF EFC FUNDING

The budget contains language that would eliminate appropriations from state operating funds of certain funding in the Environmental Facilities Corporation. This would tend to diminish public accountability since EFC is a public authority. Amend S6258/A9058 by deleting Part K. Cost: None

REJECT PRIVATIZATION OF RACING AND WAGERING OVERSIGHT

The budget proposes to privatize functions currently performed by the State Racing and Wagering Board by allowing racetrack operators to employ the starters and judges. The jobs of the current state-employed officials would be abolished. The role of the Racing and Wagering Board is to insure the integrity of the racing industry. It is hard to see how privatizing these jobs is consistent with that responsibility. Amend S6258/A9058 by deleting Part Y. Cost: \$829,000 on an annual basis based on salary, fringe benefit and indirect costs at seven harness tracks.

HEALTH BENEFIT EXCHANGE- NO MORE PUBLIC AUTHORITIES

The Governor proposes to establish a new public authority to operate a health benefit exchange as required by the Federal health care reform law. PEF supports the creation of a health exchange because it will increase access to health insurance and reduce costs. But we oppose the creation of any more unaccountable public authorities. The health exchange could be run more efficiently by an existing state agency such as the Department of Health or Department of Financial Services. Amend S6256/A9056 by modifying Part E. Cost: None

STOP THE TRANSFER OF OMH EDUCATIONAL SERVICES TO LOCAL SCHOOL DISTRICTS

The budget proposes a pilot program for the Office of Mental Health to turn over to local school districts and BOCES the responsibility for education of youth in OMH hospitals. OMH teachers currently coordinate with each child's local school to provide an appropriate educational program. Since each youth comes from a different school there would not be uniformity of programming under any circumstances. The budget indicates that this proposal would be revenue neutral, with fiscal implications yet to be determined. In fact, this proposal may cost the state more or it may become another costly mandate to local schools. Amend S6256/A9056 by deleting Part M.

Cost: Executive Budget documents claim this proposal is revenue neutral however we believe it will be more expensive to contract out the education of mentally ill children to BOCES as the average OMH teacher makes \$56,366 annually while the average salary for a public school teacher in the areas where these facilities exist ranges from \$65,946 to \$86,613.

FURTHER PRIVATIZATION OF MENTAL HYGIENE SERVICES

The budget proposes a first step toward combining the functions of OMH, OMRDD, OASAS and DOH, although it does not merge these agencies. This move should be subject to extensive study before being initiated. These agencies serve very different needs for different groups of people. Amend S6256/A9056 by deleting Part L. Cost: None

Language in the bill proposes several changes in the Sex Offender Management and Treatment Act. If approved, it would allow OMH to contract out to private agencies the treatment and custody of very dangerous sex offenders who are confined under this law. This is an inherently governmental function. Turning it over to private contractors puts public safety at risk. Amend S6256/A9056 by deleting Section 1 of Part P. Cost: Executive Budget documents state that all reforms in Part P will save the State \$4.7 million in SFY 2012-13; there should be little if any cost by deleting the section that allows contracting out.

REJECT PRIVATIZATION OF MEDICAID

The Article 7 bill also proposes a long term plan for the state to take over from counties the administration of the Medicaid program. This may be a reasonable idea. But the bill contains a major flaw in that it authorizes DOH to contract out the administration of this program in whole or part to private contractors. This would be a huge mistake. The state would lose the ability to control costs and quality, and confidential personal and medical information would be placed in the hands of the employees of private contractors. Amend S6256/A9056 by modifying Part F. Cost: None.

SUPPORT CLOSURE OF CORPORATE TAX LOOPHOLES

Currently many corporations headquartered in New York including Travelers Insurance, Verizon, Goldman Sachs, American Express, and News Corporation pay an effective State income tax rate of 4% or less; lower than what the average family of four's state income tax rate. The Legislature should close corporate loopholes so that corporations pay their fair share of taxes by:

- Reforming of NY's Corporate Alternate Minimum Tax and restoring the rate to 3.5%,
- Taxing nonresident hedge fund management fees,
- Auditing real estate partnership trusts (REPT) and requiring them to pay the back and current taxes they owe; and requiring public disclosure of corporate tax payments for publicly-traded companies.

These and other proposals could raise up to \$1 billion annually and the audits of the REPTs could generate up to \$1 billion for prior year taxes.

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