Testimony of Kenneth Brynien, President of The New York State Public Employees Federation

To The Assembly Ways and Means and Senate Finance Committees

Workforce Hearing
March 2, 2011

Mr. Chairman, committee members, distinguished guests…. Thank you.
My name is Kenneth Brynien and I am president of the 56,000 member New York State Public Employees Federation, which represents professional, technical and scientific employees of state government. PEF is New York's second-largest state-employee union. I very much appreciate the opportunity to speak today.

We are living in tough times for employees in both the public and private sector, as the workers are the ones being asked to pay for the destruction of our economy. Our economy which was undone by some of the wealthiest individuals in our society.

Now, with this Executive Budget, workers are being asked to suffer more, and those who led us to this economic collapse are not being asked for anything. Not a dime.

Instead, nationwide public sector workers are under attack. Wisconsin and Ohio today are the main battlefronts. New York is in this fight, too.
But public servants didn't cause this deficit, and it begs the question why state workers, school employees, and health care workers should be asked to bear the brunt of the sacrifice to address this fiscal crisis.

Already – over a period of two decades not counting SUNY and CUNY -- we have seen a 24 percent drop in the number of people working for state agencies, from the peak of over 210,000 in the late 1980s to just over 160,000 now.

That's 50,000 workers, including more than 11,000 since 2008. Even when you account for SUNY and CUNY, who have to hire more employees as enrollment increases, the state workforce has lost more than 35,000 positions since 1990. During this time period our workload has significantly increased.

State employees have made sacrifices, and we continue to do so.

Now, this budget again targets state workers. Perhaps 9,800 jobs and the potential of thousands more on top of the 35,000 already lost. This is not a bloated workforce. The number of state employees per capita in NY is 31 percent below the national average. Less than all our neighboring states and less than most states in the South and West.

Layoffs of the magnitude threatened by the Executive Budget will make it more difficult for New York to emerge from the recession. Ten thousand state employee layoffs will result in the loss of more than $2 billion in economic activity and the loss of a total of 28,000 private sector jobs (two year impact). In order to avoid all of these layoffs the Executive Budget wants state employees to make more than $1 billion in concessions and cuts in SFY 2011-12!

$450 million in concessions – or 9,800 layoffs; These savings must reoccur over the next 4 years.

$100 million in OCFS, OMH, and DOCCS closures – could mean up to 1,750 layoffs.

$154 million in complete elimination of the State subsidy to SUNY hospitals which could result in up to 2,700 layoffs if not restored. Additional layoffs may be caused by the impact of Medicaid cuts on SUNY hospitals.

$300 million in a salary freeze that will not count towards the $450 million in union concession savings assumed in the budget.

Keep in mind, the workers did not cause this budget deficit. That's why I am here to ask you to please put some semblance of fairness back in this budget. There are obvious solutions that have been utterly ignored here. The two most obvious are revenue and efficiencies. First, this budget needs additional sources of revenue. Second, it needs savings through consolidations and efficiency.

We think that with these ingredients, the state could avoid many of the most damaging cuts.

First, let's look at the revenue side. Cuts can't do it all. But that is ALL that this budget requires. Call it the "Save the Fat, Cut the Lean" Executive Budget.

And it requires that the most vulnerable sustain those cuts in the lean muscle of our government services.

Meantime, corporate income taxes averaged only one half percent (0.5%) of New York's GDP over the past 10 years – a share that is more than a third smaller than in the 1990s. And business tax breaks are projected to cost $5.3 billion in 2010, a 33 percent increase from their cost in 2000.

So… before we ask public servants to sacrifice their jobs or reduce public services … we must first ask wealthy corporations and big real estate developers to give up their corporate welfare of tax breaks and loopholes.

In times like these, shouldn't corporate welfare be on the chopping block, too? Simply rolling corporate tax breaks back to their 2000 level would save $1.3 billion.

Additionally, the temporary increase in tax rates for high income earners is set to expire at the end of this year. This would give the state's wealthiest a tax cut when the state is starved for revenue. Allowing this tax cut would cut revenue by $1 billion this year and $5 billion next.

Reducing corporate tax breaks and stopping the tax cut for the wealthy would generate billions in revenue and go a long way toward reducing the deficit.

The wealthiest New Yorkers already pay a smaller percentage of their income in state and local taxes than the rest of us. That's right, the top 1 percent pay 8.4 percent of their income in NY State and local taxes while the rest of us pay between 10 percent and 11 percent.

The Executive Budget wants middle-class state employees to take between a $2,400 and $3,400 annual pay cut for the next 4 years for a loss of between $9,600 and $13,500 in income.

Then, the state is going to give this money to the wealthiest New Yorkers so they can get an annual tax cut of up to $21,000 on top of the average federal income tax cut of $124,000 a year they just received.

New York’s middle class workers should not be subsidizing tax cuts for New York’s wealthiest.

We believe it is irresponsible to provide massive tax cuts to the hyper-rich while laying off thousands of workers, cutting education, health care and other important public services, and slamming the local economies where these workers buy goods and services.

Where is the balance? Where is the fairness?

The state should adopt an agenda for tax fairness – closing loopholes, limiting tax expenditures for corporations and adapting a new tax system for an evolving finance sector.

Not only is this budget plan not fair… in many ways it is not even a PLAN. It takes the approach of cut first, ask questions later. Let’s look at possible savings through government consolidation and efficiencies:

The Public Employees Federation supports most of the consolidations proposed in the Executive Budget as long as employee’s civil service and contractual rights are protected.

We oppose the proposal to “merge” the Foundation for Science and Technology (NYSTAR) into the Empire State Development Corporation because it is not a merger. It is simply the layoff of 23 state employees and the transfer of their responsibilities from an accountable civil service agency to a less accountable and less transparent public authority.

We also want to make sure the Parole Board maintains its current independence and that parole officers maintain their current discretion.

When it comes to consolidations, this Budget ignores the biggest and fattest elephants in the room. Public authorities must be included in any discussion about making state government more efficient. It is clear, and it has been for years, that we can drastically improve efficiency by consolidating authorities into state agencies. But nothing has been done.

More than 1,000 public authorities operate off-budget or in the shadows. They are neither economical nor democratic and spend $44 billion annually. Public authorities are NOT democratic institutions. And they are not being held to the same level of accountability to either the public or their elected representatives.

Public authorities pay their staff up to 54 percent more than comparable state agencies; on average they pay their employees 25 percent more than comparable state agencies.

For example, the Environmental Facilities Corporation , which now does a lot of work that was once performed by the Department of Environmental Conservation (DEC), pays their employees on average 45 percent more than DEC employees are paid.

Public authorities also have a greater percentage of their workforce earning $100,000+ than comparable state agencies. On average 27 percent of the public authority workforce makes more than $100,000 annually versus only 4 percent of the workforce of comparable state agencies.

For example, more than 44 percent of the Housing Finance Agency workforce makes over $100,000 annually while only 6 percent of the Department of Housing and Community Renewal workforce makes that salary.

A 10 percent reduction in public authority expenditures, similar to what has been proposed for state agencies, would save $4.4 billion annually.

The Legislature should insist that any future agency consolidation plans reduce duplication and inefficiency by consolidating public authorities into state agencies.

As relates to the SAGE Commission, we urge you to reject Senate Bill 2813 and Assembly Bill 4013 – which only allows the Legislature to accept or reject, not change, the Executive 's additional agency consolidation proposals. Those bills are free of any detail. We need actual agency consolidation plans that can be considered by the legislature on their own merits.

Another cost-savings strategy we support is to replaced costly consultants hired by the state with state employees. According to data from the Office of the State Comptroller NY spends over $2.8 billion on consultants, over $662 million more than we spent in 2004.

Thanks to the combined efforts of the Legislature, the Division of Budget, and PEF these costs have begun to level off BUT MUCH MORE SAVINGS CAN BE ACHIEVED.

The Executive Budget itself says that "insourcing" information technology work saves $25,000 to $50,000 per job. This is similar to the findings of two state Comptrollers, KPMG, the Fiscal Policy Institute and PEF's own studies.

Our most recent examination of 2009-10 data from the State Comptroller found that the average Information Technology (IT) consultant makes 65 percent more than the average IT state employee and the average engineering consultant makes 94 percent more than the average state employee engineer.

At least another quarter of a billion dollars – about $280 million – could be saved each year if the state decided to reduce costly consultants and replace them with state employees, rather than laying off cost-effective public employees.

Closing corporate loopholes, keeping tax rates on the wealthy at their current level, consolidating public authorities and cutting costly contractors, could provide billions in additional revenue and cost savings to the state.

With increased savings in the order of billions from consolidations and other efficiencies, the state would not have to resort to drastic cuts that would be devastating to thousands of New Yorkers in need.

Take the case of SUNY hospitals.
The Executive budget wants to eliminate all of the state's support for SUNY's three medical centers in Brooklyn, Suffolk County and Syracuse.
The $154 million cut will be in addition to Medicaid cuts that will affect all hospitals in the state.
Health care services, medical education and research will be hurt.
Thousands of nurses and other health care workers may be laid off.
As research is cut, the hospitals' ability to bring in millions of dollars in economic activity in both the public sector and in private industry, will be hampered.

And laying off workers at the SUNY medical centers will harm local economies, leading to further jobs losses in private businesses in our communities.

But the governor goes even further by ripping the public out of public institutions.
We believe the Legislature should amend Senate Bill 2808 and Assembly Bill 4008 by deleting Part D, which will allow SUNY to enter public-private partnerships without prior review by the Comptroller, the Attorney General or the Legislature.

The bill could potentially allow parts of SUNY campuses to be leased out to private operators, or allow SUNY professional employees to be fired in favor of high-cost consultants.
We believe a public university should be PUBLIC and not be privatized solely for the benefit of the wealthy and well connected, to the detriment of those who need public services the most.

The public facilities that treat the physical ailments of the most vulnerable New Yorkers are not the ONLY health care facilities under siege in this budget.

The Executive Budget proposes closing or downsizing Office of Mental Health inpatient facilities without identifying facilities and without notice. It also asks that the Brooklyn Children's Psychiatric Centers be converted to a privately operated community-based program for children with serious emotional disturbances.

There is a serious problem with this approach.

Communities can't plan for their mental health care needs because the budget fails to identify which facilities will be cut until AFTER the budget is enacted, which leaves communities with no voice in the process.

It is another example of a plan that doesn't include planning.

Closures may result in mentally ill patients being sent hours away from their families and friends whom they rely on for support. The loss of psychiatric hospitals beds will result in the use of emergency rooms for mental health care… a costly alternative.

In particular, seriously emotionally disturbed children in Brooklyn will suffer. They won't have access to local care because the conversion plan closes the psychiatric center long before community-based services are put in place.

In one more move that would mean more suffering for working New Yorkers, the Governor wants to repeal laws that requires a 12-month notice before OMH, OCFS and Corrections facilities are closed.

We all want savings. We are all taxpayers, but closures need to be planned and should have legislative review. The Legislature should ask the Governor to resubmit his appropriation bills that would allow state agencies to ignore closure laws and should reject legislation that would repeal 12 months notice before the closure of an OCFS, DOCS, or OMH facility.

We don't think that fairness and balance are too much to ask.

New York public servants are – just like workers throughout the economy – doing more with less. Today, 160,000 workers are doing the job that 210,000 did two decades ago.

This Executive Budget anticipates that our numbers will continue to substantially contract in the coming year.
Public employees will do what is required to respond to this recession. But we cannot – and for the sake of fairness, should not-- be asked to do this alone. Yet, this is what the budget in front of you asks for.

We ask that fairness be put in this budget in the form of asking the wealthy to pay some share of the cost of weathering this downturn.

We ask that openness be added to this budget through the elimination of secretive public authorities who spend our tax dollars behind closed doors and their merger with accountable and open state agencies.

We ask that the public interest be put back in this budget by insuring that our public hospitals NOT be privatized through "public-private" partnerships, which would remove oversight and accountability.

Finally, we ask that efficiency be put in this budget by requiring that cost-effective state workers take back the jobs that high-cost, profit-driven consultants have been given in recent decades.

Doing some of these things would make this a fairer, a more open and democratic, as well as a more efficient budget. In short, it would make it a better budget for all New Yorkers.

Again… I appreciate your time and the opportunity to address you today.

Thank you.