

<b>2008-09 Spending Plan</b>	<b>The Governor's Office of Employee Relations</b>
	<b>Gary Johnson, Director</b>

## **A. Overview of Proposed Plan**

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

The Governor's Office of Employee Relations (GOER) has developed a financial reduction plan that will allow the agency to continue to provide core functions at significantly reduced cost and maximum efficiency. GOER will implement strict agency-wide savings guidelines for personal service and non-personal service discretionary expenses to achieve the 3.35 percent across-the-board spending reductions for GOER. No savings were proposed for either the Internal Service Fund (ISF) or two Special Revenue – Other accounts.

While a small agency, GOER will achieve the \$70,000 personal service reduction by transferring one position to the Labor-Management Committees (LMCs), limiting the use of overtime to exception-only basis, reducing the hours of hourly employees, and encouraging increased employee use of the Voluntary Reduction In Work Schedule (VRWS) program. When vacancies occur, we will hire and backfill only for critical positions. Although we will use attrition to ensure savings, we will need to be diligent to ensure that the State's ability to continue to effectively negotiate the remaining collective bargaining agreements and to meet our obligations for contract administration are not jeopardized.

To meet the savings target, GOER is taking action to redirect scarce resources. We recently renegotiated the contract for our legal subscription services and changed our records management storage facilities to achieve part of the \$30,000 savings. Going forward, we will limit discretionary purchasing to mission-critical-only purposes, continue our stringent formal expenditure approval policies, place additional restrictions on travel, and eliminate non-mandated publication purchases to achieve the balance of the savings.

While the ISF was not assigned an across-the-board spending reduction, we have reorganized this group by transferring 12 positions to the LMCs. This move was agreed to in collective bargaining with PEF and CSEA and more appropriately places these positions in the LMCs.

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

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

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

Austerity measures described above will be in place to achieve recurring savings for personal and non-personal service.

The \$70,000 personal service reduction will be achieved by attrition, transferring one position to be more appropriately funded by the LMCs, reducing the use of hourly employees, and limiting overtime. The \$30,000 non-personal service reduction will be achieved by savings from renegotiated vendor contracts, and restrictions on travel and discretionary purchasing.

### *A.3 Protecting Key Priorities*

GOER negotiates collective bargaining agreements for 14 different units represented by nine public employee unions. At this point GOER is in a unique situation. We have new agreements with four unions - CSEA, PEF, UUP, and DC-37- covering six units or 82 percent of the workforce<sup>1</sup>. Negotiations continue with five other units, and we are awaiting either the start or continuation of negotiations with the final two units. If negotiations become protracted, we are likely to engage in interest arbitration for six bargaining units in the Division of State Police and the Department of Correctional Services and other agencies that employ security personnel. This is a labor-intensive process with a potentially significant fiscal impact on the State. Meanwhile, the progress made in collective bargaining means that we are now required to meet our contractual obligations for program administration. In addition, through our efforts in collective bargaining we have made great strides in saving millions of dollars, principally by containing expenditure growth in the State's health insurance program.

Our key priorities in GOER are to conclude negotiations with the remaining units, and fulfill our obligations under the collective bargaining agreements, in cooperation with State agencies. The plan we have outlined will enable us to achieve these goals.

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<sup>1</sup> Based on full-time annual employees, inclusive of Management/Confidential employees.

#### A.4 Treatment of New Initiatives

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

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

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

<b>GENERAL FUND -- SAVINGS SUMMARY</b>			
	Required Reduction	2008-09 Savings	2009-10 Savings
GOER			
Personal Service	N/A	70	70
Non-personal Service	N/A	30	30
<b>Total State Operations</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: All amounts in thousands.

*Note: GOER personal service savings are achieved by transferring one position to the LMCs, limiting overtime and the hours of hourly employees, and encouraging the use of the Voluntary Reduction In Work Schedule program. GOER non-personal service savings are achieved through renegotiation of our legal subscription contract, changing our records management storage vendor, restrictions on discretionary purchasing, enhanced travel restrictions, and elimination of non-mandatory publications.*

<b>GENERAL FUND -- YEAR-TO-YEAR CHANGE, AFTER SAVINGS</b>			
	2007-08 Actual	Revised Projection	Percent Change
GOER			
Personal Service	3,340	3,853	+15.4
Non-personal Service	267	359	+34.5
<b>Total State Operations</b>	<b>3,607</b>	<b>4,212</b>	<b>+16.8</b>

*Note: GOER personal service increases are due to refilling positions in 2008-09 from severe staff shortages in 2007-08 and the cost of two 3.35 percent retroactive collectively bargained cost-of-living increases.*

### C. Identification of Proposed General Fund Actions

Note: All amounts in thousands.

	2008-09 Cash	2009-10 Cash	2010-11 Cash
<b>GENERAL FUND</b>			
<b>State Operations</b>			
1. Reduce one position, attrition, and mission-critical refills only	50	50	50
2. Reduce use of hourly staff	20	20	20
3. Implement more restrictive travel policy	8	8	8
4. Reduce publications/printing by offering on Internet and consultant usage	<u>22</u>	<u>22</u>	<u>22</u>
Total General Fund Actions	100	100	100

### D. Summary of Impact on Other Funds

N/A

### E. Identification of Proposed Other Fund Actions

Note: All amounts in thousands.

	2008-09 Cash	2009-10 Cash	2010-11 Cash
<b>OTHER FUNDS</b>			
<b>State Operations</b>			
1. ISF: recommend transfer 12 FTEs and NPS to LMC	1,130	1,130	1,130

### F. Plan to Manage the Workforce

#### F.1 Overall Approach

- 1) Hire only for critical positions.
- 2) Remove project job position from GOER payroll, move to LMC payroll.
- 3) Reduce use of hourly employees.
- 4) Permit overtime on an exception-only basis.
- 5) Encourage employees' use of VRWS.
- 6) Use attrition to ensure savings.

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

GOER and ISF: Three vacancies, which have been designated mission-critical, are in the process of being filled by approval of the Appointment's Office. No other vacancies are anticipated at this time.

<b>Workforce Impact -- All Funds</b>	
<b>GOER</b>	
<b>a. Initial Target: 70 [for reference]</b>	-----
b. Current Fills PP# 3	67
c. Recurring impact of proposed actions (see Parts C & E)	-13
d. Recurring impact of vacancy-refilling plan (see F.2)	3
e. Total FTEs March 31, 2009 (line b, plus line c, plus line d)	57
f. Change from Initial 2008-09 Target (line e minus line a)	-13

*Note: Recurring savings by transferring 12 Internal Service Fund positions and one GOER position directly to LMCs where they are more appropriately funded.*

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

**See Attachment A**

**H. Assumptions Underlying the Proposed Plan**

This plan assumes:

- The contractual obligations in the collective bargaining agreements will be met within the reduced ceiling level.
- Transfer 13 filled FTEs and 19 vacant positions formerly in GOER to the LMCs.

**I. Management of Risks Inherent in the Plan**

Many of GOER's top managers are retirement-eligible. Should they retire and GOER not have the ability to refill the positions, mission critical functions would be in jeopardy.

**J. Additional Savings Opportunities for 2008-09**

N/A

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

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

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

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

*K.2. Performance Measures:*

GOER is in the infancy stages of developing performance measures to meet both agency and Executive Chamber needs