



Division of  
the Budget

## STATE WORKFORCE



New York State has **improved** and **expanded services** while keeping a stable workforce for

**6 YEARS**



### SAVING THROUGH PENSION REFORM

Tier VI pension reform will have **lowered taxpayer pension costs** through 2019 by more than

 **\$1 billion** 

**(\$386 million** for State and **\$631 million** for local governments – not including NYC).



## Budget Highlights

**State Workforce Levels.** For the sixth year in a row, the State workforce is expected to remain relatively stable.

**State Retiree Health Insurance Reforms.** Over the past three fiscal years, employee and retiree health care costs have increased by approximately 12 percent, from \$3,061 million in FY 2015 to \$3,430 million in FY 2017. The Budget proposes reforms targeted towards moderating the cost increases associated with higher income members.

**Interest Reform.** The Budget proposes to provide a market rate of interest on court judgments paid by public and private entities. A prevailing market interest rate – rather than the current fixed 9 percent rate that was established when interest rates were at 12 percent annually – is fairer to all parties and will facilitate timely court decisions.

The New York State workforce delivers vital public services and manages a range of critical facilities and provider networks. The FY 2019 Executive Budget assumes stable staffing levels in the fiscal year, and includes proposals to help restrain the growth in State retiree health care costs.

## Overview

There are about 182,000 full-time equivalent State employees within 59 Executive agencies, the State University of New York (SUNY), the City University of New York (CUNY), and in the Offices of the Attorney General and State Comptroller. Approximately 94 percent of the State workforce is unionized with the remaining portion serving in Management/Confidential (M/C) assignments. The Executive has direct control over roughly 65 percent of the State workforce, with the balance of the workforce in the University Systems and agencies run by independently elected officials.

The total workforce level for agencies subject to direct Executive control is recommended to remain stable, consistent with results for the past six years.

**Table 15: Summary of Workforce Levels**

	Current Actual (FY 2018 / PP18)	Current Year-End Estimate (3/31/18)	Budget Year-End Estimate (3/31/19)	Current Actual (FY 2018 / PP18) to Budget Year-End Estimate (3/31/19) (Decr)/Incr	Current Year-End Estimate (3/31/18) to Budget Year-End Estimate (3/31/19) (Decr)/Incr
Subject to Direct Exec. Control	116,676	118,512	118,705	2,029	193
University Systems	59,743	59,350	59,358	(385)	8
Independently Elected Agencies	4,468	4,502	4,502	34	0
Grand Total	180,887	182,364	182,565	1,678	201

While most agency workforces remain stable, reductions via attrition are expected for the Office of Mental Health (-275); the Department of Corrections and Community Supervision (-71); the Office of Children and Family Services (-58); and the Office for People with Developmental Disabilities (-32).

The Budget also recommends workforce increases in select State agencies to support emerging programmatic priorities, including: DOH (+381) to support the continued take-over of Medicaid Administration from counties as part of the Governor's effort to provide mandate relief and help localities stay under the 2 percent property tax cap, for survey and surveillance activities within hospitals and adult care facilities, and operational support within

several public health programs; DMV (+89) to continue implementation of the Federal Real ID Act; DOT (+70) related to snow and ice services; State Police (+30) for the Sexual Offense Evidence Kit program and the MS-13 Anti-Gang Initiative; DHSES (+35) for emergency management operations and counter terrorism activities; OPRHP (+14) for administration of additional Federal grants received this year; Office of Indigent Legal Services (+4) for staff related to the implementation of the Hurrell-Harring settlement; Department of Economic Development (+5) to facilitate Minority and Women-Owned Business Enterprises applications; and Department of State (+1) for increased utility advocacy.

## Promoting Workforce Fairness and Affordability through Collective Bargaining

The State has multi-year labor agreements in place with several unions, while negotiations are underway with other unions. CSEA and DC-37 Rent Regulation employees have five-year labor contracts that provides annual salary increases of 2 percent for FYs 2017 through 2021 and additional compensation changes offset by benefit design changes within the New York State Health Insurance Program (NYSHIP) and in overtime.

Employees represented by PEF and the Graduate Student Employees Union (GSEU), as well as Management Confidential employees, have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019.

Members of the Police Benevolent Association of the New York State Troopers (NYSPBA) and the New York State Police Investigators Association (NYSPIA) have a multi-year collective bargaining agreement that provides a 2 percent general salary increase for each of FY 2015 and FY 2016, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018. Negotiations on the next contract with these bargaining groups are expected to commence later in the year.

The State is in negotiations with all other employee unions whose contracts concluded in FY 2016, including United University Professions (UUP), Council 82 and the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) following the March 2017 membership rejection of a tentative agreement on a five-year labor contract through FY 2021. Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

## Performance Profile

**Improving Government Efficiency.** The State workforce under Executive control has declined via attrition by roughly 8,700 positions (-7 percent), since Governor Cuomo took office as agencies streamline operations and enhance efficiencies.

**Reaching Collective Bargaining Agreements.** The State has multi-year labor agreements in place with CSEA, PEF, GSEU, NYSPBA, NYSPIA, and DC-37 Rent Regulation. The agreements provide for 2 percent annual increases in salary, consistent with overall spending constraints.

**Saving through Pension Reform.** Tier VI pension reform (effective April 1, 2012) has lowered taxpayer pension costs through FY 2019 by \$1 billion (\$386 million State and \$631 million for local governments excluding NYC).

## Employee Fringe Benefits and Fixed Costs

The State provides a variety of fringe benefits to its current and former employees, including health insurance, pensions, payment of the Social Security payroll tax and workers' compensation coverage for injured workers.

All Governmental Funds spending on fringe benefits is projected to increase by \$359 million (4.1 percent). This growth is primarily attributable to the health insurance and workers' compensation programs, offset by relatively flat spending for pensions and social security, and reductions in other fringe benefits and fixed costs.

Growth in the health insurance program of \$315 million (7.9 percent) is reflective of medical inflation and current enrollment levels. Workers' compensation costs are increasing by \$45 million (8.4 percent) due to growth in the average weekly wage for benefit calculations and medical costs. Overall pension costs are projected to remain relatively stable due to improved investment returns and ongoing savings from the 2012 pension reforms. Social Security spending is also relatively stable due to steady workforce levels.

**Table 16: Summary of Fringe Benefits Spending (All Funds)**

Category	FY 2018 (millions)	FY 2019 (millions)	Change	
			Dollars (millions)	Percent
Health Insurance	3,968	4,283	315	7.9
Pensions	2,461	2,469	8	0.3
Social Security	1,028	1,030	2	0.2
Gross Workers' Compensation	531	576	45	8.5
All Other	688	677	(11)	-1.6
<b>Total</b>	<b>8,676</b>	<b>9,035</b>	<b>359</b>	<b>4.1</b>

## Proposed FY 2019 Budget Actions

### State Retiree Health Insurance Reforms

Over the past three fiscal years, NYSHIP costs have increased by approximately 12 percent, from \$3.06 billion in FY 2015 to \$3.43 billion in FY 2017 (retirees and dependent survivors comprise about half of this cost). This growth is significant comparative to the benchmark growth rate of two percent per year. The Executive Budget includes two proposals to help restrain this growth.

- **Eliminate Taxpayer Subsidy for the Medicare Part B Income Related Monthly Adjustment Amounts (IRMAA) for High Income State Retirees.** The Federal government imposed this supplemental IRMAA premium in 2007 to require high income retirees to pay a greater share of Medicare costs. New York taxpayers currently subsidize the entire IRMAA premium of New York State's high income retirees, and a Federal change to the Calendar Year 2018 income bands will now require State taxpayers to pay even more. This subsidy is worth \$642 annually for retirees with an Adjusted Gross Income (AGI) between \$85,000 and \$107,000, growing to a taxpayer subsidy of \$3,535 annually for retirees with AGI above \$160,000 (previously \$214,000). The Budget eliminates this extra taxpayer reimbursement to higher income retirees effective January 1, 2018. Connecticut and Hawaii (partial reimbursement) are the only other states that provide reimbursement for IRMAA. Eliminating this subsidy will save taxpayers \$11 million annually (\$2.7 million in FY 2019 due to the lag in reimbursement).
- **Establish a Floor for State Reimbursement of the Medicare Part B Standard Premium for New York State Retirees.** In Calendar Year 2017, New York taxpayers reimbursed the standard premium for new and existing retirees at amounts ranging from \$109 to \$134 monthly. The cost of this reimbursement is increasing from \$194 million in Calendar Year (CY) 2017 to \$242 million in CY 2018, an increase of \$48 million. This proposal establishes State reimbursement at an amount of up to \$134 per month, consistent with CY 2018 Federal program costs. Any future increases in reimbursement above this level would be subject to the annual budget process. This proposal is cost neutral in FY 2019, but saves \$11 million on a full annual basis. Only five other states reimburse the Standard Part B premium at all (California, Connecticut, Hawaii, Nevada and New Jersey), and Ohio recently phased out reimbursement.

### **Provide a Market-Rate of Interest on Court Judgments**

The Executive Budget proposes a variable market-based interest rate on court judgments paid by public and private entities, which will provide mandate relief for local governments and lower State taxpayer costs by \$6 million. The market-based interest would be the weekly average one-year constant maturity treasury yield, which is the same rate utilized by the Federal court system. Currently, the interest rate on judgments is established at a fixed rate of as much as 9 percent annually. This fixed rate was established at a time when interest rates were at 12 percent as a way to protect taxpayer costs. A prevailing market rate will help ensure that neither side in a lawsuit will be disadvantaged by an interest rate that is above or below what otherwise could be earned while cases are being adjudicated.

