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States battle deficits with payroll cuts

In Rhode Island, they're delaying pay raises. In Nevada, state college teachers took a 4.6 percent pay cut. New Jersey state workers are taking 10 furlough days this year – although they'll get back seven days of paid leave later.

Across the country, state government leaders are cutting employee compensation and eliminating jobs to spackle over parts of their respective budget holes.

Now, with the 2010 elections revving up, political candidates and lawmakers in the Golden State and elsewhere are talking more and more about thinning the number of state workers or cutting their pay and pensions. A big reason: It's easier to talk about axing a subset of faceless workers than to talk in detail about service cuts.

“Look, government workers are a logical target because the government is so big, it's hard to wrap your mind around it,” said political pollster Steve Kinney, a partner with Redondo Beach-based Public Opinion Strategies. “And in the eyes of people in the private sector – both union and nonunion, Republicans and conservative Democrats – government isn't valuable.”

The need for cost-cutting is real.

Despite some signs that the economy is recovering, states still face a total \$110 billion in budget shortfalls through 2012. On average, payroll accounts for about 20 percent of state budgets.

California's share of the red ink is about \$20 billion, and that's just through June 2011.

Although the public thinks government never shrinks, states' overall spending has fallen in back-to-back years for the first time ever. It's down 4.8 percent last fiscal year and another 4 percent this year, the National Association of State Budget Officers reports.

No one thinks state governments can simply tax their way out of the problem.

“I travel around the country, and it's the same thing everywhere,” said Gary Dietrich, a nonpartisan political analyst and president of Citizen Voice, a Sacramento-based voter education organization. “It doesn't matter what political brand is on the statehouse. Everyone has cut the easy stuff. The tough choices are all that remain.”

Union leaders complain and political consultants agree that it's often easier for candidates to talk about cutting back on pay and perks for government “bureaucrats” or downsizing the work force than naming programs to cut. They also tend to avoid confronting the consequences of deep personnel cuts, such as slower DMV lines or longer waits for receiving unemployment checks.

The seven candidates for governor in next month's Illinois Republican primary, for example, have all proposed cutting pension benefits for future state employees.

Andy McKenna, a former state GOP chairman and a Chicago businessman, said he also would cut state agency budgets to where they were four years ago.

When the Chicago Tribune's editorial board asked if his plan might spark a public employee strike, McKenna told them, “I have a belief you can get there without (a work stoppage), but if that's what's required ...”

All five candidates in South Dakota's governor's race – two Democrats and three Republicans – have said the state's government needs to shrink to deal with a multimillion-dollar budget gap.

New York GOP gubernatorial candidate Rick Lazio said he'll downsize government with a strict hiring freeze, tax caps and other belt-tightening policies.

“When I do what I need to do, we’re going to see name-calling and picketing and commercials, and stuff that’s really tough to see,” he told the New York Times earlier this month. “And I get that, and I accept it, and I approach this job knowing that this is part of the deal.”

In California, where unemployment stands at a post-Depression record 12 percent and the electorate is in no mood for tax hikes, gubernatorial candidates and ballot initiative backers are pitching cuts in state work force pay and benefits.

GOP hopeful and former eBay chief Meg Whitman frequently talks about “skinnying down” the number of state workers by 30,000 employees through attrition – she initially proposed layoffs – over three years. Her Republican rival, Insurance Commissioner Steve Poizner, said the state should aim for cutting 9,300 state workers through attrition in one year.

“Even (Attorney General) Jerry Brown has said it’s going to be tough to raise taxes,” said political analyst Dietrich. “That’s how bad things are for the state.”

Brown, a Democrat, helped unionize California’s state work force as governor 30 years ago. He’s now his party’s front-runner to retake the office in November, even though he hasn’t declared his candidacy yet. The budget alternative to tax hikes, cutting programs, is politically difficult, too, said political pollster Kinney. That’s why politicians more easily talk about cutting state workers but have a harder time identifying which ones.

“When you start talking specifics, the public’s attitude changes,” he said. “Prison guards, teachers, firefighters, police Polls show that people start saying, ‘It’s not those, it’s the others I want cut.’ ” Vague political promises on the campaign trail give way to making tough choices when a candidate gets elected and has to govern, particularly in this economy.

As of last month, 28 states had cut employee costs through unpaid days off, layoffs, hiring freezes, delayed raises and outright pay cuts, according to the National Conference of State Legislatures. Another eight states were planning similar moves.

The cutbacks have touched about 1 million state workers around the country, roughly one in five, according to figures tracked by Stateline.org.

Gov. Arnold Schwarzenegger, who unlike political candidates is charged with submitting a balanced budget plan, has warned that major programs are at risk this year, including the CalWORKS welfare-to-work program, In-Home Supportive Services, and Healthy Families, which provides health insurance to poor children.

But his \$83 billion budget plan for next year, which includes \$13 billion in salary costs for the 192,000 state workers under his control, also proposes payroll cuts.

Once furloughs expire in June, Schwarzenegger wants state workers to take a 5 percent pay cut and pay more into their retirement plans. He’s warning that an additional 5 percent state employee salary cut will be necessary unless more federal funding comes through.

Schwarzenegger’s budget also aims to eliminate 10,000 state jobs next year, half of which would come from the state Corrections and Rehabilitation Department.

Unions have bashed Schwarzenegger’s furloughs and proposed cuts. The administration characterizes them as reflecting his belief that state workers shouldn’t be “shielded” from the recession.

“Just like every family and business in California, state government is cutting back,” said Schwarzenegger press secretary Aaron McLearn. “State worker compensation will absolutely be part of those savings.”

Yvonne Walker, president of Local 1000 of the Service Employees International Union, said that’s a word best interpreted for print as “baloney.” Schwarzenegger hasn’t negotiated any of it with the unions, and she said the notion that state workers are protected from economic reality is flat wrong.

“Show me a state worker who’s been shielded from the economy,” she said.

Furloughs have forced some state employees into bankruptcy and out of their homes, Walker said, and many have cut back on spending.

Still, relatively few state workers have been affected by mass layoffs so far – less than 1,000 by the administration’s count – and Walker said she knows that government needs to make cuts.

It’s why Local 1000 negotiated a contract with a mix of gains and concessions last year that included one furlough day per month, she said.

But as the state economy worsened last year and tax revenue tumbled, Republican lawmakers twice killed the deal. Schwarzenegger eventually backed away from the tentative labor agreement in favor of deeper cuts passed by the Legislature or imposed by his own executive order.

Walker said that the union would look to put its considerable money and muscle behind candidates “who appreciate state workers and the services they provide” during this election season.

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