

# ANALYSIS OF PROPOSED STATE EMPLOYEE UNION DEAL & BUDGET UPDATE

Connecticut Senate Republican Office

May 31, 2017



# Governor's Proposed Deal with State Employee Union

Saves \$1.5 billion over 2 years

# Governor's Proposed Deal with State Employee Union

## 2 Value Components of the Deal:

- 1) Those values directly associated with the changes to the SEBAC agreement requiring consent from both unions and the governor.
- 2) Those values directly associated with the statutory changes that can be solely controlled by the legislature.

# VALUES DIRECTLY ASSOCIATED WITH THE CHANGES TO THE SEBAC AGREEMENT

2017 SEBAC Agreement  
(Estimated Savings in Millions)

Items Contained in the 2017 SEBAC Agreement that Need SEBAC Approval	<u>FY 2018</u>	<u>FY 2019</u>
\$250 ER Co-Pay/\$15 Urgent Care/\$5 Live Health	\$ 16.0	\$ 16.0
Increased Co-Pays and Mail Order	12.5	12.5
Standard Formulary	27.0	30.7
Premium Cost Sharing (1%/1%/1% starting 7/1/2019; New Hires = 3% now)	-	-
Designed Reference Labs	7.5	7.5
Retiree Misc. Non-Medicare Advantage Changes	2.6	3.1
Medicare Part B Changes	-	-
Retiree Cost Sharing (+1.5% eff. 7/1/2017, +3.5% eff. 7/1/2022)	0.3	0.6
Three Furlough Days for Union Employees	23.6	-
Other	16.0	10.0
Total - Items that Need SEBAC Approval	\$ 105.5	\$ 80.4
Biennial Total		<b>\$ 185.9</b>

# Potential Changes the Legislature Alone Can Make

Reconciliation of the Senate Republican Budget Post Labor Agreement Announcement  
(Estimated Savings in Millions)

Items Contained in the 2017 SEBAC Agreement that can be Modified in Statute	<u>FY 2018</u>	<u>FY 2019</u>
Wage Concessions	\$ 319.0	\$ 460.0
UM PT/OT Medical Necessity Review	3.2	3.2
Primary Care Physician Tiering	(1.3)	(1.3)
Specialist Tiering	0.2	0.2
Smart Shopper	4.5	4.5
Retiree Medicare Advantage	77.1	141.1
Retiree Smart Shopper	1.6	1.9
Three Furlough Days for Non-Union Employees	5.0	-
Pension Modifications	<u>222.9</u>	<u>254.5</u>
<b>Total - Items Contained in the Governor Proposed Agreement that Need Statutory Approval</b>	<b>\$ 632.2</b>	<b>\$ 864.1</b>

**Total: \$1.5 billion**

Of the **\$1.5 billion** that the governor claims as the value of the negotiated union concession deal, **only \$186 million is directly related to the SEBAC agreement** and requires consent of all parties.

This analysis shows **\$1.3 billion** of these changes could be achieved by **legislative action alone.**

**We have two options...**

## OPTION A: A seat at the table

If we were at the negotiation table and able to add additional savings beyond what the governor negotiated we could achieve **AT LEAST \$657.1 million more in labor savings over two years** through collective bargaining. This is significantly **higher than the governor's \$186 million** achieved through collective bargaining.

- This option would include collective bargaining changes
- This option would include statutory changes
- This would produce a total of \$1.1 billion in labor savings in FY 2018 and \$1.3 billion in FY 2019. For a total of \$2.5 billion.
- If the \$2.5 billion in savings is achieved over 2 years this would require extending the labor contract to 2027 in order to negotiate this deal.



# OPTION A: A seat at the table

## (Additions to Governor's Negotiated Deal to be Achieved Through Collective Bargaining)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Needed Additions for 5 Additional Years on Contract					
Commence Compensatory Time Payment in Lieu of Overtime	\$ 180.0	\$ 180.0	\$ 180.0	\$ 180.0	\$ 180.0
Implement a Sliding Scale by Salary Band for State Employees' Healthcare	104.6	104.6	104.6	104.6	104.6
Require Current Employees to Increase Contributions to Pension by 4% & 6% beginning in FY 2018	54.6	54.6	54.6	54.6	54.6
5% of Salary Contribution to Retiree Health in FY 2018	54.4	54.4	54.4	54.4	54.4
Eliminate Longevity	22.0	22.0	22.0	22.0	22.0
Eliminate 2 State Holidays and Provide Floating Days that Expire	4.4	4.4	4.4	4.4	4.4
Total Additional Concessions	\$ 420.0	\$ 420.0	\$ 420.0	\$ 420.0	\$ 420.0

\* Employees would be required to contribute for their retiree health benefit for 15 years instead of the current 10 years. In addition, employees would be required to meet eligibility requirements of their respective State Employee Retirement System Tier in order to receive retiree healthcare benefits.

## OPTION B: Taking control of our future

If we are not at the bargaining table, we can still achieve labor savings to balance our budget by making statutory changes. However, additional budget adjustments would have to be made to balance our proposed budget.

- Accept changes negotiated by the governor beginning in 2022 (not as much savings because we cannot implement until current SEBAC contract expires in 2022)
- Implement other labor savings beyond what the governor has negotiated that are under legislative authority that can achieve savings
- Make additional changes to the Confident Connecticut Republican budget to fully balance our proposal

# OPTION B: Taking control of our future

## (Actions within the Control of the Legislature)

### Part 1

Reconciliation of the Senate Republican Budget Post Labor Agreement Announcement  
(Estimated Savings in Millions)

Items Contained in the 2017 SEBAC Agreement that can be Modified in Statute	<u>FY 2018</u>	<u>FY 2019</u>
Wage Concessions	\$ 319.0	\$ 460.0
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Primary Care Physician Tiering	(1.3)	(1.3)
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Smart Shopper	4.5	4.5
Retiree Medicare Advantage	77.1	141.1
Retiree Smart Shopper	1.6	1.9
Three Furlough Days for Non-Union Employees	5.0	-
Pension Modifications	<u>222.9</u>	<u>254.5</u>
Total - Items Contained in the Governor Proposed Agreement that Need Statutory Approval	\$ 632.2	\$ 864.1

# OPTION B: Taking control of our future

## (Actions within the Control of the Legislature)

### Part 2

Additional Statutory Actions Regarding the State Employee Workforce	2018	2019
Modify Overtime in State Statute to be Provided Solely in the Form of Compensatory Time	\$ 180.0	\$ 180.0
Eliminate 2 State Holidays, Provide 2 Floating Days to Be Used Before the End of the Calendar Year	4.4	4.4
Increase UCONN Professor Course Loads	10.4	10.4
Capture all Governor Recommended Personal Service Changes in 2nd Budget	18.3	21.6
Legislatively Prohibit any New Contract from Containing Certain Provisions (mandatory staffing, etc)	27.1	27.1
Legislatively Prohibit any New Contract from Detailed Annual Allocations (meal/clothing allowances)	3.2	3.2
Eliminate all Partisan Appointed Executive Assistant Positions	8.6	8.6
Eliminate all Deputy Commissioner and Executive Secretary Positions not Originally Recommended	4.6	4.6
Delay Accrued Payouts for 3 Years - Interest Free	<u>34.0</u>	<u>34.0</u>
Total - Additional Items Impacting State Employees	\$ 290.6	\$ 293.9
 Total - Labor Savings as Contained in the Senate Republican Budget	 \$ 922.8	 \$ 1,158.0

# OPTION B: Taking control of our future

## (Actions within the Control of the Legislature)

### Part 3

Additional Modifications to the Senate Republican Budget Proposal	2018	2019	
Enact a Graduated Schedule for the Earned Income Tax Credit - 5% single, 10% 1 kid, 15% 2 kids, 25% 3+ kids	\$ 50.0	\$ 51.8	
Undo Immediate Transfer of Sales Tax from Car Dealership Sales - Enact Governor Solvency Plan	17.5	36.7	
Enact Auditor's Report - Enhance Centralized Collection Efforts by DAS	4.5	4.5	
Increase Carryforward from FY 2018 and FY 2019	<u>(25.0)</u>	<u>25.0</u>	
Total - Additional Modifications to Reconcile the Senate Republican Budget to Reduced Labor Savings	\$ 47.0	\$ 118.0	
	Total Reconciliation	\$ 969.8	\$ 1,276.0
	Total Need for SRO Budget	958.1	1,273.2
	Surplus/(Deficit)	11.7	2.8

## With these changes our budget includes the following elements:

- Does not include new taxes
- Increases Education Cost Sharing funding by \$170 million in the first two years and implements a new funding formula
- Protects all towns and cities from cuts to statutory municipal grants in year one, either holding municipalities harmless or increasing funds
- Maintains tax exempt status for hospitals to protect them from a new local hospital tax
- Preserves core government services by restoring funding for social services and programs that benefit people most in need
- Prioritizes transportation needs and stabilizes funding without tolls
- Lowers taxes for retirees and helps seniors age in place
- Enhances funding for state parks and tourism
- Streamlines government
- Provides for structural changes