

James Reardon 2.  
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Context for Fairness:

Reasoning Behind Administration's Compromise FY 10 Proposal  
for a 5% Salary Decrease and Two Furlough Days

1. State government programs face General fund budget shortfalls of \$90.4 million in FY 11 and \$173.8 in FY 12. This compares to a General Fund Budget of about \$1.1 billion dollars.
2. Bargaining unit employees have been treated fairly, receiving step and across the board increases over the last two years totaling 7%, plus the increased costs of State benefits. Non-union state employees have absorbed 5% pay cuts and no increases.
3. Furlough days are not a solution to the crisis. In fact, they undermine state services while still costing taxpayers. Furloughs require substantial cutbacks in services delivered to Vermonters at a time when the State workforce has already been substantially reduced. If applied to all State employees (i.e., bargaining unit employees, classified and exempt employees in all three governmental branches) each furlough day involves the loss of approximately 65,000 hours in productivity.
4. Furlough days still cost taxpayers money. Furlough days require the State to pay substantial money for benefits for no work at a time when the State can ill afford it. Each furlough day costs the State \$334,000 in benefit expenditures.
5. Furlough days create a time bomb that will explode in the Legislature's lap. The VSEA is proposing that furlough days only apply in FY 10. With furlough's, the Legislature will be forced to make deeper program cuts in the 2011 and 2012 budgets in order to restore furloughed salaries.
6. It is equitable for State employees to absorb a salary reduction. The average State salary is now over \$50,000 per year. With benefits, the average total compensation is over \$71,000 per year. A 5% reduction in salary would still leave State employees with an average compensation package that is more than they enjoyed on July 1, 2008. Since July 1, 2008, the value of steps and across the board increases totaled 7%. State employees should be willing to accept a pay package to preserve jobs that holds compensation steady with the July 1, 2008, compensation levels.
7. The VSEA's assertion that furloughs are the primary method used by states to reduce employee costs is not supported by hard data. The National Association of State Budget Offices reports that in FY 2009, 16 states used layoffs, 7 states used salary reductions, and 7 states employed cuts to employee benefits to help balance their budget. Of the 17 states utilizing furloughs, 16 also employed layoffs, salary reductions and cuts to benefits. The data for FY2010 indicates that fewer states are using furloughs—15, while 17 are using layoffs, 10 are using salary reductions and 16 are using reductions to employee benefits. (See attached)

8. Additional layoffs allow senior employees to maintain their high levels of salaries and benefits during tough times at the expense of hundreds of more junior employees who lose everything. Asking State employees to hold at the level of compensation they enjoyed on July 1, 2008 is a modest contribution to solving this problem. It is far preferable to additional layoffs or service cutbacks required by furloughs. This injustice will only worsen in FY2011 and 2012 unless there are sustainable labor cost savings.

TABLE A-5b

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2010

Region/State	User Fees	Higher Education Related Fees	Court Related Fees	Transportation/ Motor Vehicle Related Fees	Business Related Fees	Layoffs	Furloughs	Retirement	Salary Reductions	Cuts to State Employee Benefits	Across-the-Board % Cuts	Targeted Cuts	Reduce Local Aid	Reorganize Agencies	Privatization	Rainy Day Fund	Lottery Expansion	Gaming/ Gambling Expansion	Other (Specify)	
<b>NEW ENGLAND</b>																				
Connecticut	X			X	X					X	X	X		X		X				X
Maine	X					X		X		X	X	X								
Massachusetts													X							
New Hampshire				X		X						X								
Rhode Island		X	X	X								X								
Vermont				X		X	X					X								X
<b>MID-ATLANTIC</b>																				
Delaware	X		X		X				X	X	X	X								X
Maryland						X			X	X	X	X								X
New Jersey						X		X	X	X	X	X								X
New York	X	X			X				X	X	X	X								X
Pennsylvania						X	X		X	X	X	X								X
<b>GREAT LAKES</b>																				
Indiana	X			X				X		X	X	X								X
Illinois										X	X	X								X
Michigan	X			X	X	X			X	X	X	X								X
Ohio	X			X	X	X	X		X	X	X	X								X
Wisconsin						X	X			X	X	X								X
Iowa						X	X			X	X	X								X
<b>PLAINS</b>																				
Kansas					X							X								X
Minnesota										X	X	X								X
Missouri											X	X								X
Nebraska							X					X								X
North Dakota												X								X
South Dakota					X							X								X
Alabama																				
<b>SOUTHEAST</b>																				
Arkansas																				
Florida	X	X	X	X								X								X
Georgia						X	X				X	X								X
Kentucky												X								X
Louisiana						X	X					X								X
Mississippi												X								X
North Carolina		X	X		X		X		X		X	X								X
South Carolina								X			X	X								X
Tennessee											X	X								X
Virginia											X	X								X
West Virginia	X		X			X	X		X		X	X								X
<b>SOUTHWEST</b>																				
Arizona																				
New Mexico									X	X	X	X								X
Oklahoma												X								X
Texas																				X
<b>ROCKY MOUNTAIN</b>																				
Colorado						X	X			X	X	X								X
Idaho						X	X			X	X	X								X
Montana										X	X	X								X
Utah	X	X	X	X	X			X		X	X	X								X
Wyoming										X	X	X								X
<b>FAR WEST</b>																				
Alaska																				X
California							X		X	X	X	X								X
Hawaii									X	X	X	X								X
Nevada									X	X	X	X								X
Oregon		X				X			X	X	X	X								X
Washington												X								X
<b>Total</b>	11	7	6	12	9	17	15	4	10	16	16	30	20	16	2	15	1	2		24

NOTE: \*See Notes to Table A-5b.

SOURCE: National Association of State Budget Officers.



TABLE A-5a  
Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2009

Region/State	User Fees	Higher Education Related Fees	Court Related Fees	Transportation/ Motor Vehicle Related Fees	Business Related Fees	Layoffs	Furloughs	Early Retirement	Salary Reductions	Cuts to State Employee Benefits	Across-the-Board % Cuts	Targeted Cuts	Reduce Local Aid	Reorganize Agencies	Privatization	Rainy Day Fund	Lottery Expansion	Gaming/ Gambling Expansion	Other (Specify)	
<b>NEW ENGLAND</b>																				
Connecticut							X				X	X				X				X
Maine											X	X	X			X				
Massachusetts	X								X	X	X	X	X			X				
New Hampshire						X	X				X	X	X			X				
Rhode Island											X	X	X			X				X
Vermont									X		X	X	X			X				X
<b>MID-ATLANTIC</b>																				
Delaware			X								X	X	X			X				X
Maryland						X	X				X	X	X			X				X
New Jersey				X					X	X	X	X	X			X				X
New York											X	X	X			X				X
Pennsylvania	X										X	X	X			X				X
<b>GREAT LAKES</b>																				
Illinois	X			X							X	X	X			X				X
Indiana											X	X	X			X				X
Michigan						X	X				X	X	X			X				X
Ohio						X		X			X	X	X			X				X
Wisconsin											X	X	X			X				X
<b>PLAINS</b>																				
Iowa											X	X	X			X				X
Kansas											X	X	X			X				X
Minnesota											X	X	X			X				X
Missouri											X	X	X			X				X
Nebraska											X	X	X			X				X
North Dakota											X	X	X			X				X
South Dakota											X	X	X			X				X
<b>SOUTHEAST</b>																				
Alabama											X	X	X			X				X
Arkansas											X	X	X			X				X
Florida			X								X	X	X			X				X
Georgia						X	X				X	X	X			X				X
Kentucky						X	X				X	X	X			X				X
Louisiana						X	X				X	X	X			X				X
Mississippi											X	X	X			X				X
North Carolina									X		X	X	X			X				X
South Carolina						X	X		X		X	X	X			X				X
Tennessee											X	X	X			X				X
Virginia	X										X	X	X			X				X
West Virginia											X	X	X			X				X
<b>SOUTHWEST</b>																				
Arizona	X	X		X		X	X	X		X	X	X	X			X				X
New Mexico										X	X	X	X			X				X
Oklahoma											X	X	X			X				X
Texas											X	X	X			X				X
<b>ROCKY MOUNTAIN</b>																				
Colorado											X	X	X			X				X
Idaho											X	X	X			X				X
Montana											X	X	X			X				X
Utah	X	X				X	X	X			X	X	X			X				X
Wyoming											X	X	X			X				X
<b>FAR WEST</b>																				
Alaska											X	X	X			X				X
California									X	X	X	X	X			X				X
Hawaii									X	X	X	X	X			X				X
Nevada		X							X	X	X	X	X			X				X
Oregon									X	X	X	X	X			X				X
Washington									X	X	X	X	X			X				X
<b>Total</b>	6	6	6	6	6	3	16	17	6	7	7	23	36	18	6	3	23	1	0	18

NOTE: \*See Notes to Table A-5a.  
SOURCE: National Association of State Budget Officers.

