

Office of State Planning and Budgeting FY 2012-13 Figure Setting Comeback Request

Department:	All Departments
Title:	Personal Services Base Reduction and HLD Funding

	Request	JBC Action	Comeback Request	Difference Between Action and Comeback Request
Total	\$0	(\$17,569,921)	\$0	\$17,569,921
FTE	0.0	0.0	0.0	0.0
GF	\$0	(\$4,380,341)	\$0	\$4,380,341
CF	\$0	(\$8,169,459)	\$0	\$8,169,459
RF	\$0	(\$2,569,060)	\$0	\$2,569,060
FF	\$0	(\$2,451,061)	\$0	\$2,451,061

Summary of Initial Request:

The November 1, 2011 Executive Branch budget request included no across-the-board reduction to Personal Services line items, and no increase over the FY 2011-12 employer contribution rate for State employees' health insurance premiums.

Committee Action:

The Joint Budget Committee approved a common policy to apply a 2.0 percent reduction to all personal services line items, resulting in total estimated reductions in appropriations of \$37,497,767 (\$20,262,454 General Fund). The Committee also approved an *increase* in the State's contribution to health insurance premiums totaling \$19,927,846 (\$15,882,113 General Fund).

In total, these two actions result in estimated *reductions of* \$17,569,921 (\$4,380,341 General Fund).

OSPB Comeback:

OSPB respectfully requests that the Committee reconsider these two decisions and instead adopt these common policies as requested in our November 1 budget submission. The action taken by the Committee represents a dramatic shift in appropriations and compensation policy that will negatively affect the levels of service provided to Colorado's citizens and will degrade employee safety in certain segments of State government operations.

The primary concern with the Committee's action relates to the reduction in personal services appropriations, and *not* to the Committee's efforts to assist State employees with the rising costs of health insurance. Indeed, most State employees have gone nearly four years without a raise in pay, and for two years have experienced a 2.5 percent reduction in take-home pay in the form of the PERA swap. During the same four-year period, employees have seen an average increase of over 40 percent in the cost of health insurance premiums.

OSPB's concerns with the Committee's action to impose a 2.0 percent across-the-board personal services reduction are as follows:

1. In the past several years, the Committee has consistently followed a policy to adopt across-the-board reductions in personal services appropriations to account for "vacancy savings." These savings occur when higher-priced employees separate from State employment, and are replaced with lower-paid employees. Between FY 2002-03 and FY 2010-11, the State enacted across-the-board personal services reductions to account for these savings, ranging between 0.2 percent and 2.5 percent.

Between FY 2002-03 and FY 2010-11, excluding upward adjustments for salary survey and performance-based pay, personal services appropriations to State agencies have declined by an average of 4.6 percent. (This average amount excludes specific decision item or base reduction changes to individual line items.)

During the same period, based on a survey of ten separate State departments, OSPB estimates that the per-capita cost of employing a State worker (excluding salary survey and performance-based pay increases) has declined by approximately 2.9 percent.

In other words, over the period between FY 2002-03 and FY 2010-11, the across-the-board personal services reductions have exceeded actual "vacancy savings" by approximately 1.7 percent. Coupled with the 1.5 percent reduction for FY 2011-12, OSPB believes the State has already reduced the employment-related buying power of State agencies by 3.2 percent.

2. To compensate for the fact that all "vacancy savings" have already been exhausted, State departments are already forced to hold vacant positions open for extended periods. An additional 2.0 percent budget reduction will exacerbate this situation, forcing the Executive Branch to effectively reduce the size of its workforce by an additional 2.0 percent.

Across all State agencies, the action of the Committee is likely to cause an overall reduction in the State's Executive Branch workforce (excluding Higher Education and Judicial) of between 450 and 500 FTE through forced vacancies. A sampling of such likely vacancies includes:

- A reduction of over 20 FTE in Colorado's Mental Health Institutes, and a reduction of more than 15 FTE providing direct services to the state's population of developmentally disabled persons;
- A reduction of at least 80 FTE supervising adults and children convicted of crimes and sentenced to incarceration in adult and youth correctional institutions;
- A reduction of 10 Colorado State Patrol Troopers; and
- A reduction of at least 10 FTE employed in Driver's License Offices around the State.

Meanwhile, smaller budget lines, particularly those with fewer than 20 FTE, will be disproportionately affected by this action. Oftentimes, these smaller programs within State

agencies do not experience the necessary turnover in a given year to absorb any vacancy savings reduction. Coupled with the cumulative effects of these across-the-board reductions in the past decade, this action compounds the threat to the ongoing efficacy of small programs and small departments.

Given the likely impact of this reduction to critical State services and subsequent risks to employees and clients alike, OSPB firmly believes that the costs outweigh the benefits to State employees. These reasons alone are sufficient to merit reconsideration of the current proposal.

3. In the last few years, the State has seen a much-needed change in budgeting philosophy with the SMART Act, and a renewed emphasis on agency performance and strategic planning. Contrary to the General Assembly's stated goals in the SMART Act, the Committee's action veers away from efforts to link appropriations to strategic goals and performance metrics.

This reduction appears disconnected from the renewed emphasis on operational planning, and it may diminish what we currently view as a shared commitment between the Executive and Legislative branches to planning and acting in a purposeful and strategic fashion.

4. Broadly for common policies, the OSPB believes it is fair to request that any common policy action be applied uniformly across all agencies and branches of government.

In conclusion, OSPB concurs with the Committee that it may be time to increase the State's contribution to health insurance premiums as a first step in addressing the recent stagnation in total compensation for State employees. It is essential, however, that we engage in a full discussion of the many compensation alternatives for State employees. More importantly, any increase in employee compensation must be financed in a way that maximizes taxpayer value and minimizes impacts to the health and safety of Colorado's employees and citizens.