2017-2018 (FY 2018) PROPOSED NEW YORK STATE EXECUTIVE BUDGET

On Wednesday, January 17, 2017, Governor Andrew Cuomo released his proposed budget for State Fiscal Year (SFY) 2017-18. The following is a preliminary review of the Governor's proposed budget with a focus on the above-referenced topics. Additional analysis and memoranda will be forthcoming as briefings take place and additional information becomes available.

Key proposals in the SFY 2017-18 Executive Budget involving the public-sector workforce include:

STATE WORKFORCE

There are an estimated 181,744 full-time equivalent State employees within 59 Executive agencies, the SUNY and CUNY systems and in the Offices of the Attorney General and State Comptroller. The Executive has direct control over 65% of the State workforce (118,809 full time employees)

Employment Category	**FY 2017**		**Change**	
	3/31/17 Est.	**3/31/18 Est.**	**Number**	**Percent**
Executive Control	118,311	118,673	(136)	(.11)
University Systems	58,433	58,433	0	0.00
NYS Comptroller	2,663	2,663	0	0.00
Department of Law	1,839	1,839	0	0.00
Total	**180,744**	**181,608**	**(136)**	**(.11)**

Approximately 94% of the State workforce is unionized with the remaining unrepresented employees are serving in Management/Confidential (M/C) assignments. The average state employee receives roughly $70,740 (salary and other pay) in compensation.

According to the Governor, nearly all agencies have stable workforce levels, with modest attrition reductions expected for the Office of Mental Health (-353) and the Office for People with Developmental Disabilities (-253) as streamlining of institutional capacity continues. The Budget also includes workforce increases in select State agencies to support emerging programmatic priorities. These include:

- **Department of Health.** 163 net additional personnel 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% property tax cap.

- **The Department of Corrections and Community Supervision.** A net increase of 126 staff primarily to reflect revised projections of facility staffing requirements.

- **The Department of Motor Vehicles.** 107 net additional staff primarily to implement the Federal Real ID Act, also including 5 staff to support the ridesharing initiative.

- **The Division of Homeland Security and Emergency Services.** 98 additional staff to train airport employees on increasing security awareness, to train firefighters and emergency management staff in swift water rescues, and for the new Cyber Incident Response Team Initiative.

- **The Department of Transportation.** 86 net additional staff for engineering personnel to provide design and construction inspection services needed to deliver the State's $27 billion capital plan for roads and bridges.

- **The Office of Temporary and Disability Assistance.** 73 additional staff to support increased emergency shelter oversight responsibilities in the new Division of Shelter Oversight and Compliance to ensure safe and secure temporary accommodations for homeless individuals and families.

- **Other Agencies.** Other agencies with a net increase in the workforce include the Division of State Police for the processing of sexual offense evidence kits (+26); the Office of Children and Family Services for the Human Services Call Center program expansion (+11); the Office of Indigent Legal Services to assist with reimbursement-based contract grants (+3); and the Office of Parks, Recreation and Historic Preservation for the new Cave of the Winds Attraction in Niagara Falls (+2). Other agencies with a net decrease via attrition include: the Office of Information Technology Services (-179); Office of the Medicaid Inspector General (-27); Department of State (- 14); and the Department of Economic Development (-5).

Promoting Workforce Fairness and Affordability through Collective Bargaining

The State has reached responsible labor agreements with several employee unions, and is in the midst of negotiations with the remaining groups. Labor agreements are in place with unions representing State Troopers, Officers and Investigators through FY 2018. In addition, three-year agreements have been reached with the Public Employees Federation and with the Graduate Student Employees Union (pending member ratification). Both agreements provide for annual 2 percent general salary increases in FY 2017, FY 2018 and FY 2019, respectively. **The budget also includes extension of the provisions of these agreements to M/C employees.** (Emphasis added)

*(OMCE has generated **salary charts** showing the amended salary schedules. Implementation of these tentative schedules will depend on a timely passage of corollary "pay bills" and then the issuance of both DOB and OSC Payroll Bulletins)*

The State has also reached agreement with the New York State Correctional Officers and Police Benevolent Association on a five-year labor contract through FY 2021 (pending member ratification). This agreement would provide for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the cost of which are offset by benefit design changes within the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs.

The State is negotiating comparable responsible successor agreements with all of the remaining unions, including: the Civil Service Employees Association, United University Professions, Council 82, the Police Benevolent Association of New York State, and District Council 37 (Housing).

Employee Fringe Benefits and Fixed Costs

The State provides a variety of fringe benefits to its current and former employees, including health insurance, pensions and workers' compensation coverage.

All Governmental Funds spending, including the Judiciary, is projected to increase by $325 million (4.1%). According to the Governor, the health insurance growth is primarily attributable to medical inflation and, to a lesser degree, increased medical services utilization. Pension costs are growing primarily due to lower than expected investment returns. Workers' compensation costs are increasing due to growth in the average weekly wage for benefit calculations and medical costs, partially offset by the use of existing reserve funds.

Summary of State Employee Fringe Benefits Spending

Benefit	FY 2017 (millions)	FY18 (millions)	Change (millions)	Percent
Health Insurance	3,682	3,976	294	8.0
Pensions	2,457	2,540	83	3.4
Social Security	988	992	4	.4
Workers' Comp	459	539	80	17.4
All Other	347	211	(136)	(39.2)
Total	**7,933**	**8,258**	**325**	**4.1**

RETIREE HEALTH INSURANCE 3 ROLLBACKS PROPOSED---AGAIN

1.Medicare Part B Reimbursement Cap

Under current law, the State provides full reimbursement of the Medicare Part B standard premium ($104.90 per month) to all eligible retirees. The Governor's proposal seeks to cap state reimbursement to eligible retirees and their dependents effective May 1, 2017 at:

1. $104.90 per month for those who enrolled in Medicare on or before December 31, 2015; **or**

2. the lesser of $121.80 per month or the currently applicable standard Medicare premium charge for those who enrolled in Medicare on or after January 1, 2016.

The Governor's proposal estimates that the Medicare Part B Cap would reduce the State's Other Postemployment Benefits (OPEB) liability by $10.2 billion.

2. Income Related Medicare Adjustment Amounts (IRMAA) Reimbursement

The Governor's proposal would amend Section 167-a of the Civil Service Law to cease reimbursement of additional Income Related Medicare Adjustment Amount premiums paid by higher-income retirees retroactive to January 1, 2017.

To minimize employee health benefit costs, the State requires all retirees participating in the NYSHIP to enroll in Medicare Part B upon turning age 65. After enrolling in Medicare Part B, the federal government requires enrollees to pay a monthly premium ($104.90 in 2016). State retirees pay this monthly premium to the federal government (typically taken as a Social Security check deduction), but are later reimbursed the full amount by the state as a credit in their monthly pension allowance.

In 2007, the federal government implemented an additional income-related Part B premium requiring higher income enrollees to pay higher monthly premiums. These higher monthly premiums are called **Income Related Medicare Adjustment Amounts (IRMAA).**

Under the current law, the State also fully reimburses affected retirees if they are required to pay the additional IRMAA premiums. Under the Governor's proposal, state reimbursement of IRMMA would be eliminated effective January 1, 2017 and retirees paying the IRMAA would no longer be reimbursed. The State does not reimburse for the IRMAA surcharge on the prescription portion of Medicare and has no plan to do so.

The Governor's proposal estimates that elimination of IRMAA reimbursement would reduce the State's OPEB liability by $450 million. Interesting that the estimated Medicaid increase for all NYS citizens that are "dual Medicare/Medicaid enrollees" has risen approximately $200 Million. It is highly probable that the continuing attempts to limit the State retiree health insurance benefit is seen as a means of offsetting the growing Medicaid costs.

NYSHIP Retiree Health Insurance Premium Differential

Under current law, the state reimburses retirees for their health insurance costs after 10 years of service. For state retirees with at least 10 years of service at grade 10 or higher, the state pays 84% of the cost of Individual Coverage and 69% of the cost of Dependent Coverage – the retiree pays 16% and 31% respectively. For state retirees with at least 10 years of service at grade 9 or lower, the state pays 88% of the cost of Individual Coverage and 73% of the cost of Dependent Coverage – the retiree pays 12% and 27% respectively.

The Governor's proposal seeks to establish a graduated health insurance reimbursement system for **civilian state employees retiring on or after October 1, 2017** whereby retirees would contribute a greater share toward health insurance costs. The Governor's proposal **does not** apply to members of the NYS Local Police and Fire Retirement System, members of the uniformed personnel in the Department of Corrections and Community Supervision, and/or and state employee who is determined to have retired with an ordinary, accidental, or performance of duty disability retirement.

The Governor's proposal seeks to enact the following contribution levels:

Years of Service	**Grade 9 or lower**		**Grade 10 or higher**	
	NYS Individual Contribution	NYS Dependent Contribution	NYS Individual Contribution	NYS Dependent Contribution
10	54%	39%	50%	35%
11	56%	41%	52%	37%
12	58%	43%	54%	39%
13	60%	45%	56%	41%
14	62%	47%	58%	43%
15	64%	49%	60%	45%
16	66%	51%	62%	47%
17	68%	53%	64%	49%
18	70%	55%	66%	51%
19	72%	57%	68%	53%
20	78%	63%	74%	59%
21	79%	64%	75%	60%
22	80%	65%	76%	61%
23	81%	66%	77%	62%
24	82%	67%	78%	63%
25	83%	68%	79%	64%
26	84%	69%	80%	65%
27	85%	70%	81%	66%
28	86%	71%	82%	67%
29	87%	72%	83%	68%
30	88%	73%	84%	69%

The Governor's proposal estimates the graduated reimbursement system will reduce the State's OPEB liability by roughly $17.6 billion. In SFY 2018, the estimated savings would be $3.4 million and in SFY 2019 the estimated savings would be $10.9 million.

State Employee Tax Obligation Compliance

The Governor's proposal would require tax clearances for new state employees and, at local option, for new local government employees to verify that these new public employees are in compliance with their tax obligations. Specifically, the proposal would require tax clearances from the Tax Department to verify that new state employees do not have past-due state tax liabilities and are in compliance with applicable tax return filing requirements.

If the applicant's tax clearance is refused, the government employer would provide notice to the applicant to contact the Tax Department, which would provide the applicant with details of the tax compliance issues and how they may be resolved. One such resolution could be the use of an installment payment agreement between the employee and government employer.

This proposal would take effect on June 1, 2017.

Transfer of Division of Military and Naval Affairs employees in the unclassified service of the State to the Office of General Services

The Governor's proposal would authorize the transfer of certain Division of Military and Naval Affairs (DMNA) employees to the Office of General Services (OGS) as part of the centralization of certain human resource functions within OGS' Business Services Center (BSC).

The BSC was established within OGS in 2012 to provide shared services to streamline financial and human resource transactions for State agencies. As part of the BSC assuming responsibility for DMNA transactions, certain employees that are in the unclassified service of the State need to be transferred to OGS to work in the BSC. The transfer of such employees requires statutory authorization.

Appointments of Specialized ITS positions without Examination

The Governor's proposal would authorize up to 250 information technology (IT) term appointments for up to 60 months without initial Civil Service examination. The proposal would allow ITS to recruit individuals with specialized skills and expertise, who are not currently obtainable through existing eligibility lists. These appointed individuals must pass a Civil Service examination during their term to become eligible for a permanent appointment.

Administrative Hearings Consolidation

The Governor's proposal would create the new Division of Central Administrative Hearings within the Executive Department, led by a Chief Administrative Law Judge (ALJ) who will be appointed by the Governor.

The Chief ALJ would be authorized to reorganize and consolidate administrative hearing functions within <u>all Executive agencies</u>, consistent with a plan approved by the Director of the Budget. This proposal would take effect 180 days after enactment; however, any actions necessary for implementation are authorized immediately.