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Testimony on 2014-15 Executive Budget Proposal
Workforce Issues

Presented Before:
New York State Finance Committee
Chair, Senator John DeFrancisco
&

New York State Assembly Ways and Means Committee
Chair, Assemblyman Herman D. Farrell, Jr.

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Testimony Presented by
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First, I would like to thank Chairman DeFrancisco, Chairman Farrell, and members of the Senate and Assembly for allowing me the opportunity to speak on Governor Cuomo's 2014-15 Executive Budget proposal. My name is Fran Turner and I am the Director of the Legislative and Political Action Department for the Civil Service Employees Association (CSEA). CSEA represents 300,000 public and private employees and retirees across the state. We represent state, county, city, town, village, school district employees, and home-based child care providers who provide services that our communities depend on every day.

The budget process gives the Governor and state legislators an opportunity to show who and what they really stand for. It is a moral footprint that outlines priorities for our state. At the start, CSEA would say that the Governor's priorities are out of step with the needs the vast majority of New Yorkers are facing. Our communities are struggling with increased poverty, homelessness, and people in need, but this budget does not address these issues.

Right now, communities are losing ground as decent paying middle class jobs with benefits are replaced by minimum wage jobs with no benefits, if they are replaced at all. Small businesses are being forced to close their doors as state revenue collections are depleted by preferential treatment given to a select few businesses without a guaranteed return on investment. Inequality has risen sharply in our state, and 50% of children in our communities live in poverty.

Furthermore, local governments and school districts are being stretched to the limit to provide services with shrinking workforces. New York State Department of Labor Data shows that New York State lost 91,300 state and local government jobs between August 2009 and August 2013.[1] Governor Cuomo continues to shrink the state workforce through attrition and retirement. These jobs will go unfilled with more work being outsourced to lower wage workers. The Governor takes credit in highlighting the fact that the number of positions in agencies directly controlled by the Executive will have declined by 8,239 (6.5 percent) between the period December 2010 to the end of 2014-15, from 127,392 to 119,153. This hurts our economy and our communities.

At the same time employees are being cut, overtime costs are rising every year and are now at an all-time high. Rather than hire or even maintain jobs in the areas where they are needed, Governor Cuomo has decided to hand out patronage positions instead. While positions for front line employees are further and further reduced, the Governor is handing out high-paying

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[1] Department of Labor Current Employment Statistics (CES) historical estimates.

positions to "Empire State Fellows." The juxtaposition of hard working, middle-class public employees being put at risk while the Governor hires "fellows" in the same agencies and pays them large salaries to do lower level jobs highlights the hypocrisy of the Governor's policies.

The public expects its government to provide a certain level of services. It is essential that the legislature consider whether these cuts will hamper the ability of government to do its job of providing services and protecting the needs of its citizens.

Governor Cuomo's 2014-15 budget would exacerbate many of these problems. The Governor's $2 billion dollar tax cut proposals would take dollars from state revenues to mostly benefit the rich and corporations. In order to finance these tax cuts, the state will have to make over $7 billion in cuts over the next three years. There are no specifics on where these cuts would occur, however Governor Cuomo has insisted on further shrinking the size of government at all levels. The legislature needs to take a closer look at what tax cuts today mean for deficits tomorrow.

The Governor's budget would put more pressure on local governments to consolidate even though it has been proven that taxpayers prefer having locally controlled quality services available. There is a reason that only two consolidation votes have passed in this state since 2010. At the end of the day, services need to be provided by someone and there is no guarantee that consolidations will save taxpayer money.

CSEA hopes that the legislature will take a closer look at what is being frozen, what is being cut, and who really benefits from the proposals in this budget. This budget should be about ensuring the economic survival of our communities and all of the people of New York. The decisions made this year will either continue the downward spiral of decreasing services and a decimated middle class or will invest in jobs that pay decent wages and provide quality services that people need. Our state will continue to suffer if the interests of a select few are placed above the needs of our communities and the middle class.

I would like to examine how several portions of the Executive Budget impact the future stability of our communities.

Taxes

Despite no clear evidence that lowering taxes will increase economic activity, Governor Cuomo has proposed billions of dollars in tax cuts over the next several years. These proposals will take valuable funds away from state revenues to mostly benefit the rich and corporations. In order to finance these tax cuts, the state will have to make over $7 billion in cuts over the next three years. It must be questioned how targeted tax cuts for the wealthy and corporations paid for by unspecified future budget cuts will further erode the financial stability of communities and the middle class.

Estate Tax

The Executive Budget proposes raising the basic exclusion amount for the Estate Tax from $1 million to $5.25 million and lowering the maximum rate from 16% to 10%.

Over the past several years, various state facilities have been shut down and thousands of jobs have been lost, taking paychecks out of local economies that can ill afford it. CSEA members in local governments and school districts are already doing everything they can to provide services while dealing with a shrinking workforce. Rather than focus on fixing these problems, Governor Cuomo is proposing giving a windfall to the families of wealthy individuals who don't need it. The one percent benefits while the 99 percent loses.

The Estate Tax cut will reduce state revenues by $757 million per year once fully implemented. These revenues would be better used to raise children out of poverty, help failing schools, provide more aid to the elderly, and invest in services in our communities.

CSEA urges the legislature to oppose this egregious tax giveaway to the top one percent.

Manufacturer Tax Breaks

Governor Cuomo proposes a 20% real property tax credit for manufacturers that would reduce state revenues by $136 million per year, and an elimination of corporate income taxes for "upstate" manufacturers that would reduce state revenues by $25 million per year.

There is no proof that these actions will increase economic activity, and the budget includes no language requiring manufacturers who benefit to create or retain jobs. Furthermore, the real property tax credit would be refundable, meaning that companies could not only pay no taxes, but could be written a check from taxpayer money on top of that.

Not only will taxpayers have to foot the bill and make up for lost revenues from companies receiving preferential tax treatment, but they will also be stuck paying for the infrastructure needs of those companies. Small businesses will be forced to close their doors and more middle class jobs will be eliminated in an effort to pay for these tax benefits for a select few businesses.

While not a perfect set of recommendations, the Solomon/McCall commission proposed revenue-neutral reforms that would not have jeopardized the financial security of our state moving forward. These recommendations included paying for corporate tax reforms by cutting back on the billions of dollars in ineffective business tax credits the state currently provides. A report submitted to the commission found no conclusive evidence in research studies dating back to the mid-1950s that business tax incentives have an impact on net economic gains. Despite clear evidence produced by one of his own commissions that tax credits are not a viable method of economic development, Governor Cuomo has decided to give <u>even more</u> handouts to businesses.

Elimination of the Bank Tax and lowering the Corporate Income Tax rate

The Executive Budget proposes eliminating the Bank Tax and lowering the Corporate Income tax rate to 6.5%. This will lower state revenues by at least $346 million annually once fully implemented.

Instead of focusing on providing relief to the middle class and communities, Governor Cuomo has proposed giving a hand out to the banks and corporations who helped cause the Great Recession in the first place. No proof has been shown that these actions will increase economic activity or investment from businesses that would benefit from these provisions. These cuts will do nothing but guarantee the further elimination of middle class jobs to pay for them. It is trickle-down economics all over again.

New York already provides roughly $7 billion in corporate welfare and tax giveaways every year in the name of economic development. According to a report by the Alliance for a Greater New York released last year,[2] the state has no way of knowing if these taxpayer dollars are being put to good use, and there are no guarantees that companies receiving giveaways will create even a single job. It makes no sense for the state to invest further in corporate welfare with no public benefit at the expense of everyday citizens and our communities.

Property Tax "Freeze"

While Governor Cuomo's property tax "freeze" plan may sound good in a press release, closer examination shows that the proposal isn't everything it is cut out to be.

Promises were made under the Governor's property tax cap that taxes wouldn't be raised above 2%, but that didn't mean that homeowners' property tax increases were limited to that. Like with the property tax cap, the Governor's tax "freeze" proposal is based on the tax levy, not on a taxpayer's bill. There is no guarantee that taxpayers will see a reduced bill from what they currently pay.

Under this proposal, the State will provide tax rebates to homeowners with qualifying incomes up to $500,000. These rebates will disproportionately benefit wealthier New Yorkers. An average middle class homeowner may see a minimal tax rebate while wealthier New Yorkers with more expensive homes, higher assessments and larger tax bills would be eligible for larger credits.

To make matters worse, Governor Cuomo has tied the freeze to a consolidation plan for local governments and school districts. This gimmick will lead to less services, program cuts, and layoffs in municipalities and school districts that are already struggling under the weight of reduced state aid coupled with the flawed tax cap.

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[2] Alliance for a Greater New York, and Getting Our Money's Worth Coalition. *The $7,000,000,000 Wager: New York State's Costly Gamble in Economic Development.*

Local Governments

The Executive Budget proposes a 0% increase in AIM funding for local governments. Since 2008-09, AIM has been reduced by $50 million (7%) for cities, towns, and villages. Since 1980, general purpose aid to local governments has fallen by almost 75%.

On top of the loss of state aid, local governments are limited in their ability to collect revenue due to the property tax cap instituted by Governor Cuomo in 2011. For fiscal year 2014, municipalities are limited to a 1.66% increase in their property tax levies while school districts are limited to a 1.46% increase.

Due to the pressure put on them from a decrease in state aid combined with the property tax cap, local governments are already sharing and streamlining services as much as possible. Local governments have also achieved savings through the elimination of tens of thousands of positions through layoffs and attrition.

These actions have not been enough in the eyes of Governor Cuomo. According to the Governor, New York has 10,500 local governments. Upon closer examination, the state actually has less than half that number. New York ranks 34th out of the 50 states in terms of number of governments.[3] Despite these facts, Governor Cuomo is encouraging even more consolidation by tying the 2% real property tax "freeze" to a consolidation plan.

Time and time again, voters have rejected mergers and dissolutions at various levels of government because they want local control over their services. Levels of government are set up to provide services that the public demands, such as police and fire protection, water and sewer, and garbage pickup. Simply eliminating the district that provides the service does not necessarily save money since the service will still need to be provided by someone.

There is no evidence whatsoever that Governor Cuomo's focus on consolidations will reduce taxes. The Governor's insistence on tying the hands of municipalities will do nothing but result in a loss of services in communities that are already stretched thin at a time when need is increasing.

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[3] Adjusted for population. United States Census Bureau Census of Governments

Office of Children and Family Services

The Executive Budget would extend the time, from September 30, 2014 to April 1, 2015, that OCFS is authorized to close additional limited-secure residential facilities. This blatantly disregards evidence that the Governor's "Close to Home" program is not working.

CSEA obtained figures in response to a Freedom of Information request showing that 33 percent of residents at limited-secure facilities operated by OCFS had committed violent felony offenses, including aggravated assault and dangerous weapons possession. Repeated warnings from CSEA over the potential dangers of the program went ignored, but many of those concerns have now come to fruition.

An explosive expose in the *Daily News* last year revealed the extensive failures of the program. According to the paper, 198 of the program's participants generated 422 warrants for being absent without leave after escaping from their group homes between September 2012 and March 2013. Eight of the missing youths were arrested for new crimes.

In 2013, Queens Family Court Judge John Hunt predicted problems in the system when sentencing a youth who committed five robberies after going AWOL. Judge Hunt said, "The problems identified in this decision should be addressed promptly before tragedy befalls a juvenile or an innocent citizen."

Less than two months after Judge Hunt made that statement, Andrew Benitez went AWOL from a non-secure program in Queens and stabbed a teenager to death.

There may not be a better example of the failure of Governor Cuomo's public policy by news release than what has occurred with the "Close to Home" program. Authorizing OCFS to close more limited-secure facilities flies in the face of common sense and ignores concerns over public safety.

Mental Health

Regional Centers of Excellence

The Office of Mental Health (OMH) released a three year plan that will reduce the number of state psychiatric centers and shift treatment to community-based programs. Under the plan, OMH will shift from long term inpatient treatment provided at hospitals to "Regional Centers of Excellence." This proposal would close and merge various inpatient programs without bringing up community programs in a reasonable geographic proximity to where families live.

I would like to take a moment to thank the legislature for fighting back to keep psychiatric centers in Binghamton, Elmira and St. Lawrence County open. The impact that keeping these services open and available cannot be understated. But there is still work to be done. Families in Long Island and Buffalo must also have access to mental health services in close proximity to where they live. Forcing families to travel long distances to other communities for access to care isn't a step forward.

Sagamore Children's Psychiatric Center currently has 54 in-patient beds for children ages 9-17 with severe mental illness; it lost 15 beds in May 2012 to state cuts. Most patients stay at the facility anywhere from two to six months before transitioning back into their home communities. Sagamore provides an array of behavioral, emotional, educational, nutritional and peer supports that treat patients on a holistic level. If the legislature allows Governor Cuomo to shut down Sagamore, families in crisis with delusional or suicidal children will be required to travel to Queens or the Bronx to get help.

Furthermore, CSEA opposes the closure of Western New York Children's Psychiatric Center and the transfer of those patients to the Buffalo Psychiatric Center. The West Seneca facility currently cares for seriously emotionally disturbed children between the ages of 4 and 18 years old. Under the Governor's plan, children and adults would be housed in the same location in Buffalo. Currently, seven sex offenders reside on the Buffalo campus with five being convicted of sex crimes against victims ranging in age from 4 to 17.

Housing sex offenders on the same campus as emotionally disturbed children doesn't sound like much of a "Center of Excellence," and we ask the legislature to stand up to the Governor to stop this flawed plan.

Single Residency Occupancy (SRO)

The Office of Mental Health recently issued a Request for Proposals looking for single room occupancy across the state for the "seriously mentally ill." Right now, the seriously mentally ill are being cared for in state centers where staff is available 24 hours a day. The clients remaining in state facilities are the most seriously ill and many have behavioral problems that can pose a serious risk to the community. Many of these clients have sexual behavioral tendencies and reside inside the facilities in more secure settings. Now OMH states they have somehow been "rehabilitated" and can live in the community with basically no supervision.

We have seen instances nation-wide where the lack of access to quality mental health services has led to tragedy and disaster. There is no question that clients transferred to SROs will end up on their own with no supervision. Some will survive, others will enter the criminal justice system and others will still be on the streets in our communities with absolutely no support or help.

Lack of access to long term inpatient care has resulted in state prisons and county jails becoming the new treatment model for the mentally ill. By some estimates, more than half of the inmates in county jails and correctional facilities have some form of mental illness. Many of these individuals wouldn't be incarcerated if they could get the help and care they need in their community. The state has emptied out the state psychiatric centers but has failed to follow the individuals who leave these institutions to ensure appropriate and needed services are available.

This is not how New York should take care of its most vulnerable citizens. We ask that this issue be a priority for you as well as your communities. If the State has enough money to offer tax breaks to millionaires, it certainly has the funds to protect its citizens who need it most. If the goal really is to re-invest in community services, the services must be there before any further bed reductions occur.

Office for People with Developmental Disabilities

The Office for People with Developmental Disabilities (OPWDD) has begun shifting into a managed care environment where it is alleged that an array of services will be provided by the private, non-profit sector. One of the goals of managed care is to reduce reliance on institutional care including congregate care (group homes) and offer individualized community-based services that can support all individuals, even those with challenging behavioral health needs.

CSEA has heard from parents across the state who are fearful that under this new model their loved ones will not have the same access and quality of care that is currently offered. OPWDD has not presented a clear plan describing the programs and services that will be available in this new managed care environment. There is a concern that more isolated geographic areas may suffer and have far less programs and services than more populated areas. Families who have loved ones that are disabled have a right to know whether they will receive needed services in close proximity to where they live.

This budget continues the trend of downsizing institutional programs. No additional closures or downsizing are announced, but previously announced closures will continue. It is still uncertain what the future role of the state workforce in a managed care environment will look like as the new system will keep individuals out of residential homes. CSEA has always worked with the State on transitioning services into the community. We do not defend bricks and mortar but there must be a place for our state workforce in this new environment. Individuals needing OPWDD services should be able to transition into the community while still being taken care of by employees they know and trust, but this budget assumes a staff reduction of 720 FTEs through attrition.

It takes a very special individual to work in this field. The jobs are challenging both physically and emotionally. These facilities require staffing twenty-four hours a day. Many of the people in state care have multiple disabilities, medical and behavioral issues and a wide range of special needs. In state developmental centers where the most severely challenged individuals live, direct-care staff help with the most basic daily tasks, from washing and dressing, to meeting their everyday needs, to physical and psychological therapy.

However, what draws many employees to these jobs, besides their dedication to caring for those who have no other caretakers, is the knowledge that they will receive a decent pension, quality health care, and other benefits. Even with this benefits package, it is difficult to always recruit the number of employees needed. CSEA is very concerned that if OPWDD services are outsourced the quality of care will suffer. Not-for-profits continue to pay salaries that are far less than what the state offers. Turnover rates of workers in the not-for-profit sector have averaged 40%. These workers will not pursue a career in this field because the pay is too low. It is merely a stop-over until something better comes along. You can't blame the workers – they need and deserve to make a decent living with a future for advancement. But there is no support on the part of the Governor to correct their inequalities. Continuity of care for the developmentally disabled suffers when staff is constantly churning.

The Governor claims that employees impacted by the elimination of state services will be offered jobs elsewhere but the question always remains, "where is elsewhere?" State employees offered jobs in the voluntary sector will mean a loss of over half of their income. They will have to work two or three jobs to support their families.

Local communities and regions where state employees provide these vital OPWDD services stand to lose tens of millions of dollars worth of decent middle-class jobs. Government should be setting the standard for good middle class jobs in this state. Instead our Governor is too willing to pursue a race to the bottom.

Health Care

Governor Cuomo proposes authorizing up to five for-profit corporations to own hospitals within the state.

Allowing a for-profit corporation to operate hospitals in this state would be a tremendous mistake for New York residents. Well documented research shows for-profits are more likely to take extraordinary measures to make money and are known for understaffing and cutting corners to earn more profit at the expense of quality health care. Providing proper and adequate care, rather than profit motive, must be the driving force of New York hospitals.

Furthermore, studies have shown that for-profit hospitals place strain on safety-net hospitals by skimming off more profitable patients and leaving those without insurance to be cared for at public hospitals.

Finally, it must be noted that this provision is no doubt aimed at privatizing SUNY Downstate Medical Center in Brooklyn. SUNY Downstate Medical Center is the fourth largest employer in Brooklyn and is the focal point of a healthcare network that encompasses 20 hospitals and research institutions and more than 40 health-related facilities in Brooklyn, Staten Island, and surrounding areas. Downstate serves a population where more than one in five residents lives below the poverty line and two in five receive Medicaid in some form. SUNY Downstate is the only public academic medical center for the over 8 million residents of New York City.

Allowing SUNY Downstate Medical Center to be privatized would undoubtedly set a path for Stony Brook and Upstate Medical Center to follow. These institutions are a vital part of their communities and must remain public.

The privatization of hospitals in New York would lead to lower quality health care, fewer available services, and the loss of middle class jobs.

Child Care

As mentioned previously, most of the jobs created over the past four years have been low-wage work with no benefits. The low pay of these jobs, along with the continued effects of the Great Recession, has created an increase in demand for child care subsidies.

Child care subsidies are an investment in our workforce. They give lower-income New Yorkers the opportunity to earn a living or attend school to improve their skills. Without these subsidies, families would be forced to not work or go to school, or require them to place their children with unlicensed caregivers.

While the Executive Budget proposes a $21 million increase in child care subsidies, this will not be enough to adequately expand access. Thousands of child care subsidies have been lost over the past five years due to state and county budget cuts. The funding contained in this budget does not do enough to restore these cuts.

CSEA is also disappointed that the state will be reimbursing parents and providers at the 69th percentile, rather than the 75th as they previously have. The 75th percentile is the federally recommended level and allows parents to have access to 75% of the providers in their community. This decrease in reimbursement will limit the number of available providers that parents have access to.

For many families, it is just not financially possible for them to pay for child care while working a minimum wage job. We must ensure that they have the resources necessary to achieve a higher quality of life. If we are serious about getting people working again, we must invest in child care subsidies for working families.

Department of Corrections and Community Supervision (DOCCS)

The Executive Budget proposes an $8 million cut to the operating budget of the Department of Corrections and Community Supervision, and to move forward with the four correctional facility closures announced in July 2013.

The closure of Butler, Chateaugay, Monterey Shock, and Mt. McGregor correctional facilities will bring the total number of DOCCS facilities closed since 2009 to 24. Prisoners in facilities that close will transfer to other facilities that are already near or exceeding capacity. It is widely accepted that the number of inmates double-bunked in cells made for one person is increasing. The overcrowding of these facilities will inevitably lead to ever increasing violence both between inmates and on staff.

Since Governor Cuomo's main focus seems to be consolidations and shared services, CSEA would argue that savings can be realized through the review of positions in the top-heavy administration of DOCCS. While the number of staff physically inside prisons is decreasing, the number of Albany-based administrators is increasing. Efficiencies must be found in administration before more front-line workers are impacted and communities are left out in the cold.

Design-Build

The budget would make permanent the current authorization for five state agencies to utilize design/build. It would also expand the authorization to local governments.

This is an unwarranted, significant expansion of the limited design-build authority the Legislature gave the Executive to deal with the aftermath of Hurricane Irene. It is critical that we maintain public oversight of capital projects. Projects should be examined on a case by case basis, and the responsibility of reviewing the impact of specific proposals on local communities should remain with the legislature.

<u>Conclusion</u>

I would again like to thank the Chairmen and members of the Senate Finance Committee and the Assembly Ways & Means Committee for allowing me the opportunity to speak here today.

This budget process gives the Legislature a clear opportunity to stand up and show who and what it really stands for. Will we be a state that allows income inequality to continue to worsen, childhood poverty rates to rise, good jobs to disappear, and communities to struggle? Or will we stand up for the needs of the middle class, the mentally ill, the developmentally disabled, our youth, and strong communities.

I strongly urge you to take a closer look at the proposals included in this budget to see who would really benefit. Choosing to prioritize the interest of the privileged few over the interests of our communities is a record to run from, not on.

On behalf of 300,000 active and retired, public and private employees across New York State, I hope that you will join us in fighting for the principles that have historically made this state great.

Thank you.