

## Without union concessions, big consolidations yield small savings

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The challenge of reducing state government operating costs without wage and benefit concessions was underscored in a new, nonpartisan report showing a reduction of nearly 30 percent in the number of government agencies will save less than 1/20th of 1 percent of this year's overall budget.

In its initial summary of the \$40.54 billion biennial budget approved last month, the nonpartisan Office of Fiscal Analysis reported projected savings of \$9 million in this year's \$20.14 billion budget, and \$9.6 million in the \$20.4 billion package approved for 2012-13.

Those savings stem from a net reduction of 23 departments and agencies, from 81 to 58. Technically, the new budget removed 28 entities via consolidation, but it also created five new ones, eliminating a net total of 68 positions in the process.

"These consolidations are not nearly what is needed to cut the cost of state government," said Sen. Robert Kane of Watertown, ranking GOP senator on the Appropriations Committee, who added that unless employee wage or benefit expenses are impacted, consolidations can't yield big savings.

"It's almost impossible to do that without affecting these areas," agreed Sen. Toni R. Harp, D-New Haven, co-chairwoman of the Appropriations Committee, who said she wasn't stunned to see an average savings of just \$9.3 million per year from mergers cut state agency totals by 28 percent. "I think we knew the initial savings would be something consistent with those numbers."

One of the biggest consolidations involved the merger of nine watchdog agencies--covering ethics, elections enforcement, right-to-know laws, clean contracting, oversight of child welfare services and others--into the new Office of Governmental Accountability.

Other major changes ordered by legislature and Gov. Dannel P. Malloy merged the departments of

Public Utility Control and Environmental Protection; put the Department of Information Technology and some functions of the Department of Public Works into the Department of Administrative Services; and merged the Connecticut State University System, the community colleges and Charter Oak State College.

Malloy originally planned to complement all consolidations with a two-year concession plan projected to save \$1.6 billion across the biennium, but unions rejected it last month.

That plan would have ordered a two-year wage freeze, established a new worker wellness program and imposed new restrictions on retiree pension and health benefits. And administration officials said they believe the latter also would have encouraged about 1,000 senior state employees to retire by early September. Plans called for no more than 10 percent of those workers to be replaced, opening the door to \$130 million in savings over the next two years.

Kane said the Democrat-controlled House of Representatives squandered a chance last month to save more by tabling a bill to curtail several collective bargaining rights in future state contracts, including phasing out longevity pay for senior workers and excluding overtime and longevity earnings from pension calculations.

But Harp said "I'm still hopeful the unions and the governor will have a meeting of the minds" and larger savings can be achieved through a concessions agreement.

The State Employees Bargaining Agent Coalition asked Malloy last week to reconvene discussions while its leaders investigate possible changes to SEBAC bylaws regarding contract modification votes.

Though 11 out of 15 coalition unions representing 57 percent of the workers backed the deal, it failed because bylaws require 14 out of 15 member unions representing at least 80 percent of all members to support any contract changes for successful ratification.

Malloy has said he won't renegotiate the deal, but also that he would talk with union leaders about better ways to clarify the agreement once they have a clear plan to reform the bylaws.

Meanwhile, the administration has been moving forward with plans to match the savings it hoped to achieve through concessions with a combination of layoffs and other spending cuts.

The governor's budget agency, the Office of Policy and Management, has assigned savings targets totaling \$701 million for this year and \$901 million for 2012-13 to more than 50 departments and offices. The administration also has recommended more than 6,600 layoffs and elimination of

about 1,000 vacant posts to help meet those targets.

Malloy has said he's committed to balancing the budget with or without concessions, and his budget director, OPM Secretary Benjamin Barnes, said his office has just begun to review dozens of agency responses to the assigned savings targets.

Though Malloy must report a final budget-balancing plan to the General Assembly by Friday and Barnes said he wouldn't be surprised if the legislature -- and the general public -- press the administration to reconsider cutbacks. "I'm sure there will be some instances where it will be a real challenge," he said. "Some of these reductions will be difficult to live with."

But Barnes also predicted that the administration also predicted that "there will be some real areas of savings (in operating costs) that we can sustain in future years."

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