



November 9, 2009

Time to rein in public-sector compensation

The state Legislature this week, depending upon the members' whim, may consider Gov. David Paterson's multi-year plans to close a yawning gap in the state budget. On Thursday, President William Mooney of the Westchester County Association, the public policy and business advocacy group, addressed a Senate Finance Committee hearing on the governor's proposals. The meeting in Greenburgh was presided over by Sen. Carl Kruger, D-Brooklyn, chairman of the Finance Committee, and Sens. Suzi Oppenheimer, D-Mamaroneck, and Andrea Stewart-Cousins, D-Yonkers. Here is an edited transcript of his testimony:

Good afternoon, Sen. Kruger and colleagues. I am Bill Mooney, president of the Westchester County Association. The Westchester County Association is a business membership organization dedicated to public policy, advocacy and business development for our member companies. We represent over 500 companies and 300,000 employees from most of the major multinationals as well as middle market companies and a large number of professional and entrepreneurial businesses.

Over the last few years, our organization has been understandably concerned about the slew of unfavorable metrics for our state and county. As a state, we rank 49th out of 50th in terms of business friendly environment. As a county, we consistently pay among the top three highest property taxes in the nation. These are obviously not the kind of statistics that foster economic development or create an economically viable community.

We are no strangers to testifying at these types of hearings as we have made many recommendations in front of both the Suozzi Commission as well as the Commission on Local Government Efficiency. Our testimony here today about the governor's proposed deficit-reduction plan focuses on many of the same issues that we suggested over two years ago - perhaps if our suggestions were heeded back then, we would not find ourselves in the mess we are in at the moment.

An unresolved issue

Since my time here today is limited, I want to focus on one area of the budget that needs to be addressed and that is the public-sector compensation structure. I made this same point when I attended the governor's meeting at Stewart Airport where he asked for direct input on his plan. The governor and the Legislature continue to talk about shared sacrifice when addressing the current budget deficit. We have heard a lot about the cuts that will be made to areas "where the money is" such as health care and education. I do not suggest that they should not have to sacrifice along with everyone else, but the cuts should not be disproportionate. The one area that no one seems willing to address is one that has huge implications to the costs borne by taxpayers - namely compensation.

The prevailing rationale has always been that public sector employees deserve higher benefits than the private sector to offset salary disparity. While this may have been true decades ago, it is no longer.

Today, public-sector employees are paid 133 percent of (what) private-sector employees on a national average. In addition, public-sector benefits are 168 percent of what private-sector employees receive

nationally. If you look at what the price of public services are compared to private services, the statistics show that there has been a 41 percent increase in the price of state and local public services from 2000-2008 compared to a 27 percent increase in the cost of private-sector services during the same period.

Leading the pack

New York state leads the pack in terms of generous public-sector compensation. Only one state (Alaska) pays higher government wages and salaries per capita than we do. Sixty-nine percent of New York state public-sector employees belong to collective bargaining units which is the highest in the nation. And we are the only state in the nation requiring public employers to continue paying wage and benefit increases in the absence of a contract - this courtesy of the Triborough Amendment to the Taylor Law.

In almost every region in New York state outside of New York City, public-sector salaries outpace the private sector. In the upstate region, the average private-sector salary is \$42,978, and the average public-sector salary is \$47,036, 10 percent more; in the Capital District, the average private-sector salary is \$39,370, and the average public-sector salary is \$44,939, up 14 percent; in the mid-Hudson region, the average private-sector salary is \$50,311, and the average public-sector salary \$53,445, 6 percent greater; and on Long Island, the average private-sector salary is \$39,574, while the average public-sector salary is \$57,711, 46 percent more.

Now let's talk about health-insurance benefits. The current national debate about health-care reform focuses on the tens of millions of uninsured and underinsured Americans. One of the major reasons is that health-insurance premiums are unaffordable to many private-sector employers and sole proprietors. However, if you work in the public sector in New York state, taxpayers cover over 90 percent of your health-insurance premium. In many cases it reaches 100 percent.

It isn't just wages

The issues I have just spoken about pale in comparison to the public-sector pension costs. Again, New York state leads the pack with the highest per capita contribution in the nation to public-sector pension plans. In the private sector, only 20 percent of all workers have a "defined benefit" pension - most are "defined contribution" plans, such as 401(k). And that 20 percent number is steadily declining.

The costs of public employee pensions are a crushing blow to New York taxpayers. Statewide, pension contributions by every level of government have increased tenfold in past decade: from \$991 million in 2000 to \$10.1 billion in 2009. Recently, New York State Comptroller Tom DiNapoli predicted that local governments outside New York City will be forced to triple their contributions to public pensions over the next six years to make up for declines in the stock market. Wouldn't it be nice if our employers made up the hole in our 401(k) investments?

And why do taxpayers in our state consistently pay these outrageous public-sector compensation costs? Unlike private-sector unions, public-sector unions have influence on both sides of the bargaining table: campaign contributions and voter drives are held to elect politicians who then control the negotiations over their pay, benefits and work rules.

This cycle ultimately leads to bankruptcy as evidenced by the huge deficits in our state and others with strong public-sector collective bargaining units such as California.

Taxpayers, voters react

Contrary to what I have heard some of our state legislators claim, these excessive taxpayer costs do cause state residents to "vote with their feet." From 2000-2008, New York experienced the nation's largest loss of

residents to other states - in both absolute and relative terms. Over 1.5 million people, or 8 percent of the population, left New York state.

In 2006-2007 alone, the population flow out of New York drained \$4.3 billion in taxpayer income. That revenue would just about cover our projected deficit.

Given New York state's economic condition, it is time for public-sector employers to make the hard decisions and take the strong measures that private-sector employers have when they are faced with declining revenues. Compensation, benefits and work schedules are often slashed to ensure the survivability of the company. It is now up to our elected officials to have the political courage and will power to make the changes necessary to save our state, which has not been demonstrated to date. As Tuesday's elections clearly demonstrate, taxpayers will stand for nothing less.