



**Testimony to the
New York State Senate - Westchester Delegation**

Senator Suzi Oppenheimer, Delegation Chair

Senator Ruth Hassell-Thompson

Senator Jeffrey D. Klein

Senator Vincent L. Leibell

Senator Andrea Stewart-Cousins

**Impact of the Executive Budget Proposal
Fiscal Year 2010 – 2011**

March 19, 2010

Testimony of William Mooney,
President, The Westchester County Association, Inc.

I am disappointed to, once again, submit this type of testimony to you and/or your colleagues. 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. It was barely four months ago that I testified to your Senate Finance Committee about the Governor's Deficit Reduction Plan which addressed earlier attempts at closing this fiscal year's budget gap. The deficit at that time was a "mere" \$3.1 billion. Current deficit projections for the fiscal year beginning next month are \$9 billion and growing-- and you're still asking for testimony about ways to close that gap. Our earlier recommendations have apparently fallen on deaf ears.

Those of you who attended the recent Westchester County Association members breakfast with the Westchester delegation heard loud and clear about the frustration of business and taxpayer alike with continued runaway government spending and the consistent increases in taxes and fees we all must bear to pay for that spending. In today's economic climate, businesses and families have all taken the necessary steps to trim their spending as is appropriate when revenues decline. Businesses take these steps

to make sure that they can continue to provide core products and services. Throughout the State, there is a clamor for our government to operate in a similar manner. What we mean by that is government needs to take the steps to ensure that its core products – healthcare, education, public safety, etc. – continue to be provided at an acceptable level. We understand that in this fiscal crisis there will be cuts in those areas but they should not be disproportionate, especially in the healthcare sector. Hospitals in the Westchester region have been subjected to four previous budget cuts over the last two years, totaling \$1.7 billion in cuts. The Governor’s proposed budget adds another \$1 billion in cuts on top of that. That is clearly not sustainable and is bad economic policy given that the healthcare sector is a major economic driver in our region. For Westchester and the Hudson Valley, the direct and indirect economic impact of the hospitals is particularly impressive:

- 55,000 jobs coming across the region, with 33,000 from Westchester alone.
- A total regional financial impact of \$8.4 billion, with \$5.3 billion from Westchester.

The Westchester County Association has heard the statewide clamor for our State government to get its fiscal house in order. We have been joined by business and taxpayer groups throughout the State and in our early stages we now represent over 50,000 employers and 2 million employees. Our message is clear: we will hold our elected officials to the following guiding principles:

- NY’s spending must come down significantly.
- NY’s tax burden on individuals, families and businesses must be reduced significantly.
- NY must live within its revenues each year without increasing taxes and fees.
- NY must become more economically competitive with other states.

We continue to call for action in the one area that is consistently ignored – the public sector compensation structure. The testimony that I gave in November addressed that specific issue and since nothing has changed in the last few months, I repeat that testimony here:

“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 3 highest property taxes in the nation. These are obviously not the kind of statistics that foster economic development or create an economically viable community.

“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 healthcare 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% of private sector employees on a national average. In addition, Public sector benefits are 168% of the private sector 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% increase in the price of State and Local Public Services from 2000 -2008 compared to a 27% increase in the cost of Private Sector services during the same period.

NY State leads the pack in terms of generous public sector compensation. Only 1 State (Alaska) pays higher Government wages and salaries per capita than we do. 69% of NYS 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.

Region	Private Sector Avg. Salary	Public Sector Avg. Salary	Difference
All Upstate	\$42,978	\$47,036	10%
Capital District	\$39,370	\$44,939	14%
Mid-Hudson	\$50,311	\$53,445	6%
Long Island	\$39,574	\$57, 711	46%

Now let’s talk about health insurance benefits. The current national debate about healthcare 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% of your health insurance premium. In many cases it reaches 100%.

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% of all workers have a “defined benefit” pension-most are “defined contribution” such as 401 (k). And that 20% 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, the NYS Comptroller Tom DiNapoli predicted that local governments outside NYC will be forced to **triple** their contributions to public pensions over 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.

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% of the population, left NY State. In 2006-07 alone, the population flow out of NY 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.”

For the sake of our community and our state, I hope not to have to give similar testimony anytime soon.