

## **Taxpayer Protection Act of 2010: A Republican Plan To Cut Spending, Kill Tax Hikes**

***“Don’t make me fire my employees so you can hire more.”***

**Rick Enstrom, Owner, Enstrom’s Candy, Colorado-based business**

### **Purpose:**

To make reductions in spending in order to eliminate the need for job killing tax hikes. The spending reductions save \$17.8 million in the current year, and \$306.5 million in the next year, eliminating the need for Democrat proposals to increase taxes by \$17.8 million in the current year and \$306 million next year.

### **Summary:**

The bill provides for an across the board spending reduction of 0.24% (or approx. \$17.8 million) for the current year, realized exclusively through reductions in state payroll costs – focused primarily on those state employees making in excess of \$100,000 per year. For next year, the bill calls for an across the board spending reduction of approx. 4.39%, giving first priority to eliminating non-essential and vacant government positions, and in pay cuts to state employees primarily making more than \$100,000.

Teachers would not be subject to the pay reduction or job elimination provisions of the bill.

### **Background:**

Colorado is not alone in facing budget gaps. Almost every state in the union is facing the same challenges – and making the difficult decision to reduce spending in an effort to ensure that government lives within its means.

- ✓ **The Democrat Governor of Massachusetts, for example, proposed to lay off 2,000 state employees.**
- ✓ **Washington’s Democrat Governor called for the elimination of more than 150 boards and commissions and the closure of several licensing offices.**
- ✓ **Montana’s Democrat Governor has called for an across the board cut in spending of 5% in order to forestall the need to raise taxes in that state.**
- ✓ **And last year Governor Bill Ritter asked his Department heads to identify spending cuts of 10% across the board – although most of these cuts were never implemented.**

Yet in Colorado, Democrats have largely avoided these difficult spending decisions. Instead, they have moved to raid a number of emergency reserve and cash funds, and relied on tax hikes of more than \$1 billion in tax and fee hikes last year – and hundreds of millions in additional tax hikes for this year have already cleared the House of Representatives.

**In fact, according to the National Conference of State Legislatures, 82% of the Governor’s budget balancing proposal for FY 2009-2010 relies on tax hikes and one-time sources of money to bridge the budget gap.**

**Despite these budget challenges, however, the size of the state payroll has continued to grow, and compensation for state employees has continued to rise.**

According to a recent Channel 7 investigative report, more than 2,300 state employees were added during an alleged government “hiring freeze” in Colorado. And a recent Denver Post analysis found that state employees make an average of 6 percent more than workers who do the same jobs in the private sector – and even those who work for other governments. In addition, according to Legislative Council, total compensation for state employees has risen from \$2 billion in 2000 to more than \$3.2 billion in 2008 – an average annual compensation per state employee of nearly \$70,000. By comparison, the average private sector worker’s annual compensation package in Colorado comes in at less than \$60,000.

**Republicans believe we should look at reducing the size and cost of the state’s payroll before considering tax hikes – a step that will most certainly force private sector employers to reduce their payrolls.**

## **Patrick warns of 2,000 job cuts: Asks unions for concessions**

**By Andrea Estes, Globe Staff | October 16, 2009**

As many as 2,000 state jobs could be eliminated, Governor Deval Patrick warned yesterday, unless unions agree to concessions necessary to help close an estimated \$600 million budget shortfall that could trigger spending cuts throughout state government.

Executive branch managers will be asked to take an unpaid furlough of up to nine days, Patrick said, and the administration will look at other potential money-savers, including consolidating state agencies, farming out some public programs to private agencies, selling surplus state property, and making other service and program cuts.

“Painful as it is, we have to adjust,” said Patrick.

Besides layoffs and furloughs, employees could feel the brunt of the budget crisis in other ways. The head of the state’s Group Insurance Commission, which oversees employee health benefits, said yesterday the agency will consider raising copayments for doctor’s visits, deductibles, or premiums.

“A person would have to be naive not to realize we all have to take a look at our budgets and see what we might have to do,” said Dolores Mitchell, the commission’s executive director, who sent a letter to the commissioners this week detailing possible changes. “When the Commonwealth is facing this kind of budget crunch, everything is on the table.”

It is the fourth time within a year that Patrick has been forced to make emergency cuts because tax revenues came in lower than expected. According to the governor, tax revenues for the first quarter of the fiscal year came in \$212 million lower than expected.

The disappointing revenues, despite recent tax increases and a generally improving economy, could hurt Patrick as he heads into next year’s reelection campaign. State officials acknowledged that the budget woes could grow when it comes to formulating the budget for the next fiscal year, because there will be no federal stimulus money to help fill any gaps.

“This is a lot more than line items on a spreadsheet,” said Patrick, who made the announcement on the same day that the state’s unemployment rate rose to 9.3 percent, the highest level since the 1970s. “There are no quick fixes, no easy choices, no low hanging fruit.”

Nothing is off the table, he said, including local aid to cities and towns, which is already down more than \$700 million from the level originally approved in the fiscal 2009 budget, which began in July 2008. Patrick said yesterday that he would ask the Legislature to grant him authority to make cuts beyond the executive branch agencies he oversees, which could include possible local aid reductions.

Yesterday wasn’t the first time the administration has appealed to unions for voluntary givebacks. Last spring, just weeks after the administration granted pay raises to tens of thousands of union workers, officials said they would ask for furloughs and other voluntary givebacks to lessen the impact as the recession worsened. So far, officials acknowledged yesterday, the unions have given back nothing.

"In light of the new situation, the governor obviously called again for the unions for make contributions and sacrifices to avoid what is looking like will otherwise be significant layoffs," said state Administration and Finance Secretary Jay Gonzalez.

Mike Grunko of State Employees International Union Local 509, which represents 7,500 social workers, rehabilitation counselors, and other social service workers, said the union is willing to listen to the governor's plan but has already "taken a very big hit."

"We have experienced significant layoffs, which has resulted in significant increases in workloads at agencies that serve people who have fallen to the bottom. Our shoulders will not be broad enough to carry the deficit and leave the state in a recognizable condition.

"We're a democratic organization," he said. "If we agree to cuts, our members will be given a chance to vote. I don't think they can take much more, frankly."

Massachusetts is not the only state facing a severe budget shortfall. Yesterday, New York Governor David A. Paterson announced plans to cut \$3 billion from this year's budget. The plan, aimed at chipping away at the state's projected \$50 billion deficit over the next 3 1/2 years, included massive cuts to education and health care, as well as a tax amnesty. Massachusetts lawmakers said they were not surprised by yesterday's dire revenue forecast or the governor's plan to seek immediate cuts. But they said they won't rush to give him emergency powers to cut spending across state government.

"We're obviously in a fiscal morass, and we're all going to have to come together to figure out how to get through this," said Senate President Therese Murray. "He's asking for further power, but we haven't seen a plan."

She said many state agencies duplicate the work of others and should be eliminated or merged. "We've been working to try to realize what the 23 economic development agencies, quasis and authorities, do, for example," she said. "Definitely there can be consolidating."

House Ways and Means Chairman Charles Murphy said lawmakers are afraid the governor will look to reduce local aid.

"That would be a tough cut, given the circumstances," he said. "Nobody wants to go down that road. But if we have to, so be it. Most people get the fact that taxes aren't where they should be and cuts will have to be made. It's just more bad choices."

Geoffrey Beckwith, executive director of the Massachusetts Municipal Association, said more local aid cuts would be disastrous to cities and towns. "People need to understand that if local aid is cut, communities will have to eliminate teachers, police officers, and firefighters and cut municipal services even more."

Senate Minority Leader Richard Tisei said the administration has taken way too long to confront the state's worsening budget crisis.

"Basic things like a hiring freeze or a wage freeze, or repeal of the antiprivatizing laws - those would save taxpayers hundreds of millions of dollars," Tisei said. "We're always behind the eight ball on the budget

crisis and can't get ahead of it. It's clear from listening to the governor that not only do we have a revenue problem, but we have a management problem in the state."

**CALL7 Investigation: Thousands Hired Despite Freeze: *Budget Committee Senator Says Freeze Was Mismanaged***

***Arthur Kane and John Ferrugia, CALL7 Investigators***

October 26, 2009

**DENVER** -- Gov. Bill Ritter promised a hiring freeze last year to help bridge the budget gap, but a CALL7 investigation found that as many as 2,300 employees were hired during the "freeze."

"We have taken a number of steps to shore up our fiscal house: imposing a hiring freeze, stopping several new construction projects and halting non-essential spending requests," Ritter said in his January 2009 State of the State speech.

But a CALL7 investigation found that the number of state employees increased during Ritter's hiring freeze, and Ritter's top staff, who were tasked with managing the freeze, did not know how many people were hired.

"So, during the hiring freeze, the number of employees actually went up?" asked CALL7 Investigator John Ferrugia.

"Yes," said Jim Carpenter, Ritter's chief of staff.

Carpenter, in an interview with 7NEWS, repeatedly said about 600 employees were hired during the freeze, which ran between Oct. 1, 2008 and June 30, 2009.

"I think the number is around 600 that we added that in that time period, and a lot of those were replacement positions," Carpenter said.

CALL7 investigators then told Carpenter about a database from the Department of Personnel and Administration that showed more than 2,300 people were hired during the freeze time period.

"That is a number that is unfamiliar to me, frankly, because I don't think it was that high," Carpenter said.

Days later, Ritter staffers said there were actually 1,454 people hired during the freeze but they could not explain why the personnel database shows more than 2,000 hires. They later said the 1,454 number wasn't accurate either.

State Sen. Al White, a Hayden Republican who is on both the Senate Appropriations and the Joint Budget Committee, said the hiring freeze was not properly managed.

"Had we managed this better and had we had better savings in our personnel dollars, we may not have had to make some of the more dire cuts that we have had to look at so far," White said.

Ritter is now looking to lay off nearly 300 employees and announced four additional furlough days in this fiscal year -- for a total of eight -- to help fill the budget gap. Those are days that state employees won't be able to provide services to taxpayers.

There are about 25,000 state employees who fall under departments controlled by the governor. The analysis of the DPA hiring database shows that in the three months before the hire, the state hired about 1,300 people and in the last three months of the freeze the state hired about 1,100 employees.

Hiring slowed substantially after the ban was imposed but by the end of the ban period it ramped up. For example, the most people hired in a month in the three months before the ban was 515 people in August 2008 but in May of 2009 -- during the ban -- 527 people were hired, according to the DPA database.

During the hiring freeze the average monthly rate of hire substantially decreased from the three months before the hire, but there were still hundreds more state employees after the freeze than before it.

Also, during the hiring freeze, Carpenter required any departments that needed to hire staff receive a waiver from him and budget officials.

CALL7 investigators reviewed all the waivers for the freeze period, finding Carpenter approved fewer than 500 waivers.

Ritter spokesman Evan Dreyer said the additional people who did not receive waivers may have fallen under one of the exemptions to the waiver process that included federally funded positions or interdepartmental transfers. But Dreyer could not provide proof that was the case.

"That's no freeze to me," Ferrugia said to Carpenter. "How can it be a freeze to state government?"

Carpenter said: "I can tell you that in an organization as large as state government, you can't have a 100-percent freeze."

But White said Carpenter should have made one hire that might have reduced the state payroll.

"It sounds easy on its face," White said. "It blew up to the point that it was probably more of a job than (Carpenter), with all his other duties, could oversee."

Carpenter said the hires were necessary to provide services to the state and there would have been even more hires without the freeze.

"In a recession, you have an increased demand for services, you have to get to a reasonable balance here of providing services, of replacing people," Carpenter said. "If we had not instituted that freeze and saved the millions of dollars we did, there would have been more state employees."

A state audit, conducted in December 2008 just after the hiring freeze started, was critical of the Ritter administration for not being able to track the budget savings and overall impact attributed to the freeze.

**Colorado state jobs pay 6% more**

The audit of Colorado's salary setup didn't factor in less-generous benefits.

**By Tim Hoover**  
*The Denver Post*

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Colorado state employees make an average of 6 percent more than workers who do the same jobs in the private sector or for other governments, a private audit of the state's salary system released Monday found.

The audit, from Fox Lawson and Associates, a St. Paul, Minn.-based firm that specializes in personnel and salary issues, said state workers in some categories make as much as 16 percent more than the market average for the same positions. They used data from the fiscal year that ends June 30.

But state personnel officials pointed out something the audit itself noted: The report did not measure the state workers' total compensation package, which includes health insurance and retirement benefits.

Personnel officials said the state's benefits are not as generous as the rest of the market's, and when the lower benefits are taken into account, state workers make only an average of 2 percent more than other employees, or close to the market average.

Rep. Mark Ferrandino, a member of the legislature's Joint Budget Committee and a Denver Democrat, agreed, saying the audit's findings should be put in perspective.

"Our health benefits are not very competitive with our counterparts — city, county or the private sector," he said. "I don't hear from a lot of people both in the private sector or public sector, 'I need to go work for the state because they pay so well.' "

### **Premiums and co-pays**

Jody Berger, a spokeswoman for Colorado WINS, the largest organized labor group representing state workers, said state employees pay higher insurance premiums and higher co-payments and deductibles than workers in other sectors. "There are some state employees that are paying \$1,000 a month for coverage," Berger said.

Lawmakers this year passed a budget that nixed a proposed pay increase for state workers. The budget also slashed payroll costs by nearly 2 percent statewide, leaving Gov. Bill Ritter, a Democrat, the option of leaving some positions unfilled and possibly furloughing some workers.

The audit criticized the state's process for determining how much state employees should be paid, noting that the Department of Personnel and Administration measured how much market-salary ranges increased each year rather than what the actual pay was for those non-state workers.

"This process, however, assumes that the state's salary structures are set appropriately in the first place, and that actual employee salaries are set appropriately within those structures, which is not the case," the contract audit said. "In fact, when we compared actual state employee salaries with actual market salaries for all benchmark jobs, we found that in the aggregate, state salaries exceeded market salaries by more than 6 percent."

For "professional and financial services," the state's average salaries were 8 percent higher than the market, while its pay for "physical sciences and engineering" was 14.2 percent higher than the market, the audit found. For "enforcement and protective services," which includes the state's highway patrol troopers, the pay was 16 percent higher than the market, the audit found.

### **Some categories closer**

Meanwhile, the state's salaries for jobs categorized as "labor, trades and crafts," "health care services" and "administrative support" and related were 1 percent below market scale, a margin that auditors said showed the pay was about right for those jobs.

Department of Personnel and Administration officials said they agreed that the state's salary-comparison process should be changed to look at actual salaries instead of overall increases in salary structures. They said the changes would take place Aug. 1, but added that a look at employees' total compensation was needed. But Rep. Frank McNulty, R-Highlands Ranch, said state workers need to look at the larger picture.

"While many Coloradans are worrying about whether they're going to have a job," he said, "if you're a state employee, the argument is about how much more you're going to get, not whether you're going to have a job."

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**The Wall Street Journal**

### **The Montana Exception: A Democrat cuts spending. Really.**

As Governors deliver their January State of the State addresses, the fiscal lamentations can be heard across the land. Then there's Montana, where Governor Brian Schweitzer this week ordered a 5% across the board cut in state agency spending.

The Governor, a Democrat, called the spending cuts "pro-active measures to make sure we live within our means." Imagine that. More remarkable is that Montana is one of three states—North Dakota and Texas are the others—without a budget deficit. They are all states that benefit from high oil and energy prices, but Mr. Schweitzer wants to continue his state's habit of balancing the books during the economic downturn without a tax increase.

In 2007 he offered a \$400 per homeowner property tax cut. The former rancher and businessman has also cancelled low-priority renovations and decorations on state buildings, cut state agency travel

budgets by 35% in favor of video conferencing, and nearly eliminated state printing costs by posting state documents online. He's vetoed more than 30 spending bills and has been one of the loudest critics of the pork projects that have been funded with federal stimulus money.

"It doesn't matter what party the legislature is. They want to spend every last dime," he says.

Mr. Schweitzer was a keynote speaker at the Democratic convention in 2008 and was trumpeted as the new brand of centrist, fiscally pragmatic Democrats. Too bad he's not running Congress. After the election the Washington Democrats forgot that message and blew out the national balance sheet with an unprecedented spending binge. If President Obama and other Democrats want to rehabilitate themselves in 2010, they could do worse than follow Mr. Schweitzer's common-sense lead and cut federal agency spending by 5%.