

TOP STORY ■■■

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After furloughs, states mull permanent cuts

By Christine Vestal, Stateline.org Staff Writer

Moving from furloughs of state employees to more permanent downsizing, states are girding for the deepest workforce cuts yet when they hammer out their fiscal 2011 budgets next year. In preparation, many are taking stock of every position in state government to determine what effect job cuts and the possible elimination of whole departments will have on revenues, expenses and the quality of government services.

“I think we’re kind of in a permanent retrenchment,” says Raymond C. Scheppach, long-time director of the National Governors Association. “There are a number of areas where we’ve got to sit back and almost look at new models for delivering services.”

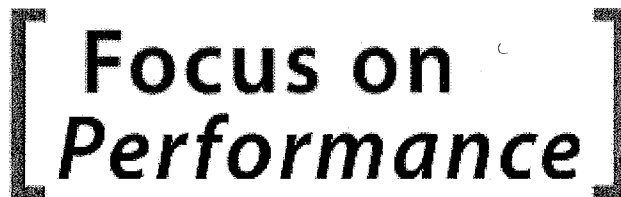
For the first time on record, states’ overall spending has declined in back-to-back years, sinking 4.8 percent last fiscal year and at least 4 percent in the current fiscal year, according to the [National Association of State Budget Officers \(NASBO\)](#). The spending drop reflects a plunge in tax revenues last year that is expected to continue for at least two more years. The [National Conference of State Legislatures \(NCSL\)](#) has estimated that \$60 billion in shortfalls are looming for 2011 and \$50 billion for 2012, despite signs that the Great Recession may be ending.

STATES TURN TO EMPLOYEE FURLOUGHS

Although the recession has unofficially ended, states are still struggling to cut spending and balance their budgets. Many states continue to target their payrolls, which represent nearly 20 percent of state budgets, and are furloughing or laying off workers.

STATES WITH FURLOUGHS

Alabama	State agencies can furlough employees for up to 24 days a year, but all furloughs have been temporarily blocked by a legislative committee.
Arizona	Departments have responded to budget cuts with furloughs.
California	The court system furloughed its workers on the third Wednesday of each month for 10 months. The state furloughed 20,000 workers for three Fridays a month. The executive branch is furloughing 189,000 of its 235,000 workers three days a month until June 2010.



The Pew Center on the States’ ongoing “Focus on Performance” series, a collaborative project of *Stateline.org* and the Government Performance Project, looks at states’ successes and failures as they retool government during this downturn.

Previous editions of "Focus on Performance:"

- [Budget cuts test state personnel policies](#)
- [Cuts, stimulus create risk for auditors](#)
- [States team up to save in tight times](#)
- [With crisis as catalyst, govts push big changes](#)

In the past, states’ toughest budget years have been the two years following the end of a recession. That’s because, by then, Medicaid rolls have swelled as more people lose their jobs and health insurance, even as state revenues continue to lag. But because this recession has been deeper than any in modern history, some predict state revenues will not rebound until late in the next decade. And while some economists say this recession ended this summer,

	The Board of Regents voted to furlough 144,000 employees 11 to 26 days a year, and the California State University System will furlough at least 40,400 employees two days a month.
Colorado	The state is furloughing 15,500 workers four days over the next few months. Public safety, parks, unemployment and state hospital employees are exempted. The governor is calling for four more furlough days in 2010. The 2010 unpaid leave is expected to save \$27.2 million.
Connecticut	The state furloughed 50,000 employees for seven days over two years. The move is expected to save \$70 million.
Delaware	The state will furlough 31,500 employees for five days during the next year to save \$28.5 million.
Georgia	The state's Department of Human Services has furloughed 9,000 workers for 12 days during FY 2010 to save \$23 million. The state is furloughing 128,000 educators during teacher planning days to save \$135 million. The state Supreme Court is furloughing justices and all court staff for three days before the end of 2009.
Hawaii	The Hawaii State Teacher's Association has agreed to 17 furlough days a year for 10-month teachers and 21 furlough days a year for year-round teachers. The leave is expected to save \$117 million. The Hawaii Government Employees Association approved 18 furlough days this fiscal year and 24 next fiscal year for most state workers represented by the union. A savings of \$204 million over two years is anticipated. The governor has ordered two furlough days a month for herself, her cabinet and deputies.
Idaho	Some agencies, including the Health and Welfare Department, have implemented furloughs to cut costs, furloughing 3,710 employees so far this fiscal year. The Corrections Department is furloughing its 1,650 workers four to 12 days in FY 2010 to save the state \$11.5 million.
Iowa	The state's judicial branch, including all judges and magistrates, has been ordered to close offices and take 10 days of unpaid leave between Dec. 4 and June 18, 2010. The move is expected to save \$4 million.
Maine	The state is furloughing employees from non-essential government services for 20 days during the next two years.
Maryland	The state is furloughing 70,000 non-essential employees for three to 10 days, depending on salary, during the next few months. The unpaid leave will save \$76.1 million.
Massachusetts	The governor has asked the 4,000 executive branch managers to take furloughs of up to nine days. The group took five furlough days during the last fiscal year.
Michigan	The state required all 37,400 of its employees to take six furlough days by Oct. 1. The move was expected to save \$22 million.
Nevada	The state is furloughing employees one day a month. Teachers and higher education employees are taking a 4 percent pay cut rather than furloughs. The move is expected to save \$333 million.
New Hampshire	Eighteen legislative employees voluntarily took 215 unpaid days during the summer and fall, saving \$847,000.

the National Bureau of Economic Research, a private research firm that calculates the official dates of recessions, has yet to declare the end of the current downturn.

With that in mind, some states are moving beyond short-term fixes to rethink the role and structure of government with the goal of delivering high quality, but fewer services, at lower costs. Targeted are functions and agencies that overlap or are no longer relevant.

“The duration of the downturn and the shocking level of revenue shortfall compared to other recent downturns offers states the opportunity to transform state workforces,” said Robert Campbell, director of accounting firm Deloitte's state government practice. “Unfortunately, many states have not come up for air and continue to focus on short-term across the board cuts and accounting adjustments.”

Since the recession began in December 2007, nearly all states have instituted hiring freezes, at least 75 percent have eliminated vacant positions and more than half have laid off and furloughed workers. In all, nearly 1 million state workers — one in five — have been affected by the cutbacks, according to estimates compiled by *Stateline.org*.

After hiring freezes, furloughs are the preferred

New Mexico	The governor called for 20,000 state employees to take five furlough days. The move is expected to save \$11 million.
Ohio	The 2010 budget authorizes the Department of Administrative Services to impose 10 mandatory furlough days. The Ohio Civil Services Employee Association ratified a contract that includes 10 days of furloughs for all employees in its union.
Oklahoma	The Department of Corrections is furloughing 4,600 workers for 10 to 12 days. The move is expected to save \$1.2 million.
Oregon	The state is furloughing all employees for 10 to 14 days during the next two years. Corrections workers will take "floating" furlough days instead of taking them on the designated furlough days. The move is expected to save \$71.5 million. All university employees are being furloughed eight to 16 days during the next two years.
Rhode Island	In fiscal 2010, state workers are required to work eight days without pay spread over eight separate weeks. In exchange, workers get 1¼ days of personal leave for each day they aren't paid — a total of 10 days — or they can choose to get paid for four of the days they missed upon retirement or discharge.
South Carolina	State agencies are required to take up to 10 furlough days from employees. Furloughing all employees is expected to save \$1.4 million.
Virginia	The governor is furloughing state employees on the Friday before Memorial Day 2010. The unpaid day off will not apply to critical personnel such as police and emergency crews.
Wisconsin	State workers are being furloughed eight days-a-year for the next two years. Legislative staff will be furloughed 16 days over the next two years. Legislators have been asked to return eight days of pay during each of the next two fiscal years.

STATES WITH LAYOFFS

Alabama	Department of Examiners of Public Accounts will lay off more than 30 of its 200 examiners.
Arizona	The state has laid off 1,000 tax auditors, benefits screeners and other state employees.
California	The state laid off 17,500 by July 2009. The governor proposed laying off 5,000 state workers mostly working in corrections and human services.
Delaware	The state has removed more than 500 vacant positions through attrition.
Hawaii	The state plans to lay off 1,100 state employees, and lawmakers eliminated 200 state jobs.
Idaho	The state laid off 350 employees since July 1, 2008 and has been holding 700 jobs vacant. The Corrections Department eliminated 44 positions.
Illinois	The secretary of state's office is offering \$5,000 incentives to 318 employees who have worked at the agency for 30 years or more to leave their jobs by the end of the year.
Maine	The state laid off about 300 employees.
Maryland	The governor has eliminated more than 2,700 mostly vacant government positions.

The Board of Public Works has approved the elimination of

short-term option for most states, because they preserve morale and keep talented workers on the job for better days ahead. But experts say the benefits are illusory. The best employees still tend to look for other jobs.

A better way for states to weather fiscal ups and downs is to increase the number of contract workers, private sector consultants suggest. "Most corporations maintain about 25 percent of their workforce through flexible contracts, while states have contingent labor in the single digits," said University of San Francisco professor Master Burnett.

Beyond reductions in payroll — which represents nearly 20 percent of state budgets — policymakers are also closely scrutinizing purchases, closing facilities, sleuthing for uncollected revenues, sharing back-office services such as accounting and payroll, increasing use of online technologies and trimming agencies to a smaller, more manageable size. In many cases, states also are sharing services with local governments and other states.

While nearly all states are downsizing, a few have created commissions tasked with finding ways to make state government more efficient for the long-term. Some already have slimmer bureaucracies in the works.

Massachusetts, for example,

364 positions, more than 200 of which are filled.

Massachusetts	The state has eliminated 750 positions. The governor warned that up to 2,000 jobs could be eliminated if the state employees' unions did not agree to concessions. The Trail Courts have cut their number of employees, mostly by attrition, from 7,565 to 6,995.
Michigan	The Department of Agriculture laid off 28 workers and the Capitol security office laid off 11 workers. The Department of Human Services will eliminate 320 jobs.
Missouri	The governor laid off 700 employees and eliminated 200 jobs.
New Hampshire	The state will lay off 200 employees.
New Mexico	The governor has called for the elimination of 1,000 state jobs. The governor ordered a hiring freeze at the beginning of the year, which has resulted in 2,900 vacancies.
North Carolina	The state will lay off 725 employees under the current budget and 1,318 jobs have been eliminated.
Virginia	The governor ordered the elimination of 929 state jobs, including 593 layoffs. Also to be laid off are about 200 temporary and hourly wage employees who supplement the state's full-time work force. The wage-worker reductions are anticipated to save \$2.3 million.
Washington	The state is cutting about 7,000 jobs in agencies, universities and public schools. Both the House and Senate are cutting their full-time staffs by 5 percent.
Wisconsin	The state could lay off up to 1,110 state employees based on 2010 budget cuts.

Source: National Conference of State Legislatures and *Stateline.org* reporting

overlapping services in the departments of fish and wildlife, parks and recreation and natural resources.

“We have three agencies managing natural resources, each with its own scientist standing in the same Washington stream. We need to reform, and we will. We need a lean, nimble state government serving our people in the 21st century,” Gregoire said in her inaugural address this year.

In other cost-cutting measures, Nebraska lawmakers are considering a proposal to merge the governing and administrative staffs of the state's community college and university systems. Kansas has created a cross-agency pool of workers that can step in to help short-staffed departments complete time-sensitive projects without hiring temporary workers.

Among Michigan's proposals for leaner government are a series of sentencing and corrections policy shifts aimed at reducing the prison population to stem one of the state's fastest growing expenditures. Louisiana's budget-cutting panel is also seeking smaller prison populations by proposing that inmates be required to complete a high school equivalency exam before release, so they won't be as likely to end up back inside.

“We're seeing sentencing changes in states where they likely would not be occurring if it weren't for the fiscal crisis,” said Stacy Mazer of NASBO. Since the recession began, more than half the states have trimmed corrections costs by closing prisons, reforming sentencing

collapsed four transportation agencies into two, and a legislative commission in Michigan has proposed excising layers of management and reducing employee benefits.

Washington state eliminated at least 75 commissions and boards this year and closed 25 driver's license centers across the state, replacing them with online kiosks. Oregon also plans to eliminate and consolidate dozens of advisory and regulatory groups.

In addition, Democratic Gov. Christine Gregoire plans to consolidate all natural resource functions, sharply reducing the number of workers required to protect some of the state's greatest assets, including Puget Sound and the Columbia River. The proposal would eliminate

and probation rules and, in some cases, releasing prisoners early.

Meanwhile, furloughs continue in a few states, although the trend is slowing. Traditionally considered a temporary cost-cutting measure, unpaid days off produce limited savings and can result in revenue loss and unintended longer-term costs, including increased overtime pay and a backlog of unused leave. In addition, furloughed staffers retain their benefits, leaving states liable for pension fund payments and health insurance bills.

Still, in the early days of the Great Recession, furloughs filled a need to quickly cut expenses as revenue dropped precipitously. As the downturn persisted, many states found ways to minimize the negative impacts of forced unpaid leave, including exempting employees in departments such as prisons and hospitals that require 24-hour services and closing agencies on Fridays to avoid the long lines and confusion caused by rolling furloughs. Revenue losses were stemmed by exempting workers paid with federal money – such as Food Stamp and Social Security Administration officials – and those in revenue-producing or self-sustaining departments, such as motor vehicle and business licensing.

Even so, disruptions and public backlash plagued some states. Multiple lawsuits were filed against California Gov. Arnold Schwarzenegger (R) over statewide furloughs and the federal government threatened to withhold aid for administering unemployment benefits because of delays in getting benefit checks to unemployed workers. In Hawaii, furloughs and school closures promise to be major issues in the upcoming gubernatorial campaign.

Another problem is that furloughs, layoffs and hiring freezes have shrunk state workforces without reducing the volume of work, hurting the quality of service and staff morale, state officials say.

“We’re trying to make the work fit the personnel cuts already taken,” said Washington state policy director Robin Arnold-Williams. “This is an opportunity to take advantage of the times we’re in to push forward with a reform agenda. In good times, you get a lot of push back. People just don’t feel the urgency to make the change,” Arnold-Williams said.

Deloitte’s Campbell says not enough states are making the long-term policy decisions needed to cut future costs. “Most are failing to revisit policies long set in statute that are the major drivers of program costs, such as Medicaid. It takes time and a methodical approach to build the necessary political alignment, but it needs to be done for states to curtail long-term costs,” Campbell said.

STATES STREAMLINE

Since the recession began, states have taken one or more of the following steps to cut workloads and preserve service quality as shrinking revenues demand a smaller workforce:

GOVERNMENT EFFICIENCY INITIATIVES

Most states are downsizing. Here are some state commissions created to propose changes:

- Iowa’s legislative [State Government Reorganization Commission](#)
- Louisiana’s [Commission on Streamlining Government](#)
- Michigan’s [Legislative Commission on Government Efficiency and the Workgroup on Streamlining Government](#)
- Oregon’s [Reset Cabinet](#)
- Utah’s [Advisory Commission to Optimize State Government](#)
- Washington state’s shared [services directive, order eliminating boards and commissions and natural resources reform project](#)

Among those looking for savings in every corner of government is Michigan’s Democratic Gov. Jennifer Granholm. A legislative commission there was charged in 2007 with slicing \$1.5 billion from the state

