StatesmanJournal.com
OREGON'S MID-WILLAMETTE VALLEY

June 26, 2010

State workers may pay more for health, retirement

By Dennis Thompson Jr.
Statesman Journal

"I'm just going to rip the Band-Aid off on this one and say it," said Gov. Ted Kulongoski in calling on state workers to begin sharing the cost of their pensions and health care benefits.

Video: http://www.statesmanjournal.com/live">Watch a replay of Gov. Kulongoski's speech at the Portland City Club
Read the report: http://www.statesmanjournal.com/assets/pdf/J0160072625.PDF">Reset Cabinet's recommendations
Speech: http://www.statesmanjournal.com/assets/pdf/J0160074625.PDF"> Read Gov. Kulongoski's speech as prepared for delivery
Website: http://governor.oregon.gov/Gov/governor_reset_cabinet/reset_state_govt.shtml">Governor Kulongoski's Reset Cabinet website

---

"Increasing labor costs will be a big contributor to future deficits if we do not change the way we budget and provide compensation to public employees."

The governor pushed the proposal Friday as part of his Reset Cabinet speech in Portland. It's a recommendation that's sure to create some push back from public employee unions.

He said state workers should begin paying the 6 percent employee contribution to the Public Employees Retirement System. State agencies currently pick up that contribution, something that has been in union contracts since 1979.

State employees also should take on a larger share of the cost of their health care, he said. They should begin to pay part of their insurance premiums, and have deductibles and higher copayments instituted into their health plans.

Kulongoski cited skyrocketing pension and health-care costs as the reason behind these recommendations:

-PERS retirement costs are expected to increase more than $350 million in the next biennium and by almost $1 billion by 2017.

-The costs of health benefits provided by the Public Employees' Benefit Board is expected to increase 9 percent per year for the next two to three years.

"I think it is fair to ask state employees and school employees to share the burden of bringing these costs under control," Kulongoski said.

The comments drew praise from Oregon Republicans like Rep. Dennis Richardson, R-Central Point, who have been arguing for curtailing public employee benefits as one means of fixing the state budget.

"Renegotiating so the state isn't paying the full 6 percent of the employee contribution is a good first step," Richardson said. "That would save a substantial amount of money, and would be more in parity with the private sector. There's a lot of anger in the private sector with people who see public sector employees receiving higher pay, better retirement and better benefits."

But officials from the two unions that represent most state employees said Kulongoski gave people only half the picture, unfairly targeting benefits in his speech while making no mention of the wages state workers receive.

Leslie Frane, executive director of SEIU Local 503, cited a report put out by the Oregon Department of Administrative Services that found state workers' total compensation — wages and benefits combined — are equal to or below that enjoyed by employees in comparable positions at private firms.

"I think by singling out benefits and ignoring wages, the governor creates a straw man that ignores the reality that state workers' total compensation is less than that of private-sector workers who do comparable work, according to the state's own study," Frane said.

Specific recommendations made by the Reset Cabinet include:

-Shifting as soon as possible half of the 6 percent PERS employee contribution to state workers, who would begin paying 3 percent. The ultimate goal would be to have workers pay the full 6 percent.

-Having workers pay part of the premium for their health care. Workers currently pay no premium.

-Controlling health care costs by charging higher copays for pricey medical procedures that aren't proven to produce better outcomes.

The ultimate goal would be to realign state worker compensation to be similar to that of private workers, with better pay but decreased benefits, according to the Reset Cabinet report.

The next governor will have to negotiate with the unions to shift the 6 percent employee contribution and have workers begin to pay premiums for the health insurance.

Don Loving, spokesman for AFSCME Council 75, said his union would be amenable to such discussion if the governor would be willing to consider other cost-cutting measures as well, such as thinning the ranks of middle management at the state.
