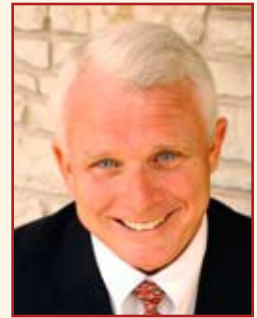


2011 Legislative Session Poses Huge Challenge for TPEA



As TPEA has been working on developing our Legislative Agenda for 2011, one factor has overshadowed all of our deliberations - the huge budget shortfall that legislators are likely to face when they convene next January. Unfortunately, this means that in all likelihood we will be defending pay and benefits for employees and retirees, and success may be more about minimizing cuts and maintaining current benefits than increasing pay. We've also been looking back at the experiences of 2003, when the state faced a \$10 billion shortfall, to see what lessons we can decipher from that difficult legislative session.

TPEA has consulted with a number of state fiscal experts, and almost universally they now predict that Texas will face a budget shortfall of \$11 to \$17 billion dollars for the 2012-2013 biennium. My staff at TPEA believes the budget shortfall will be even larger, from \$15 to \$20 billion, because of the cost of maintaining current state services with larger populations to serve and because health care costs continue to increase so rapidly. The only good news is that Texas will have at least \$8 billion in the state's "Rainy Day Fund," and perhaps more than \$10 billion. Even so, legislative leaders have publicly stated that they are unlikely to use more than half of whatever is available in the Rainy Day fund in 2011.

Whatever the ultimate size of the budget deficit, the 2011 legislative session looks to be the most difficult of my tenure as Executive Director of TPEA. I say this advisedly, after having dealt with very difficult choices in 2003, when the legislature was confronted with an unexpected \$10 billion deficit.

In 2003 TPEA was forced to essentially "pick your poison" in trying to defend and maintain our health care benefits. Faced with legislative proposals that would have significantly cut the state's contribution toward our health benefits, TPEA chose instead to point out other ways to cut costs. The net result was TPEA preserved the contribution system where the state pays the full premium cost for employees and retirees and half the cost for dependent coverage. Seven years later, I believe we made the right choice, but we paid a high price to maintain the contribution policy. Among other things, the legislature imposed a 90 day delay before new employees receive health benefits, they required less than full time employees to contribute toward their premiums, and they increased virtually every out-of-pocket cost sharing feature (copayments, deductibles, etc.) significantly.

Looking back at 2003, it is also clear that state employees sacrificed disproportionately to helping close the budget deficit. TPEA's analysis shows that the number of general government state employees authorized in the Appropriations Bill was decreased by almost 10,000 positions in 2003, while at the same time the legislature increased the authorized employee count for state institutions of higher education. TPEA understands that sacrifices and some hardship may be necessary when times are tough and money is tight, but such sacrifices need to be widely shared. Unfortunately, from the legislative perspective, it seems that state employees are the first to be asked to sacrifice when fiscal conditions are bad, but we are among the last to be rewarded when conditions are good.

It's too early to accurately predict the course of the next legislative session, but we already know our health benefits are being cut as ERS attempts to close a projected \$142 million budget shortfall in the state's health plan. The proposal ERS has put forward consists entirely of increasing costs on state employees, retirees and their dependents, with absolutely no effort to require health care providers to operate more efficiently or otherwise help contribute to close the ERS deficit. ERS does not appear to be giving full recognition to the fact that excessive health care inflation is the primary cause of the ERS deficit.

While I know this not a happy message, I want to issue a call to arms for state employees and retirees. Our health benefits are in serious jeopardy, both now because of ERS' proposal and again when the Legislature convenes in January. You need to be aware of this threat and prepared to take action. If you have email access, it is vital that you sign up for TPEA's Advocacy Updates on our website, www.tpea.org. TPEA will keep you updated and ask for your help when appropriate. We also need to get bigger to fight more effectively, so challenge your co-workers or friends to join TPEA. If they're not TPEA members, they're not doing their part.

Gary W. Anderson
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