



**Monday, August 10, 2009**

**Exclusive articles on state policy, politics and trends from the staff of Stateline.org**

Wednesday, August 5, 2009

## **States make deep cuts to health**

**By Pauline Vu, Stateline.org Staff Writer**

Although states are facing their worst fiscal crisis since the Great Depression, 14 found the dollars this year to increase health coverage for about 250,000 children.

That's one of the few bright spots for health within state budgets in a year in which all but a handful of states faced shortfalls and were forced to shrink taxpayer-financed programs.

The 14 states – Alabama, Arkansas, Colorado, Indiana, Iowa, Kansas, Montana, Nebraska, North Dakota, Oklahoma, Oregon, Rhode Island, Washington and West Virginia – took advantage of an additional \$33 million that Congress appropriated when it reauthorized the Children's Health Insurance Program (CHIP) in February. At the same time, President Obama rescinded a Bush administration directive that had hampered states' ability to expand coverage for children whose families earned too much to qualify for Medicaid but too little to buy their own health insurance.

"It is reassuring that states recognize the value of providing health care to children, perhaps especially during an economic downturn," said Jennifer Tolbert, a policy analyst at the Kaiser Commission on Medicaid and the Uninsured.

States have an incentive to invest more state dollars in CHIP because they only pay 30 cents of every dollar spent in the program; the federal government picks up the rest. By comparison, states pay an average of 43 cents of every dollar spent on Medicaid, another joint federal-state venture that covers low-income people.

Aside from the CHIP expansion, though, record-low revenues forced many states to make cuts to their departments of health and to roll back policies and programs set up to keep people healthy and covered just as

more people began needing those programs. Since spring 2008, at least 21 states have cut health programs, according to the Center for Budget and Policy Priorities, a group that advocates for policies that benefit the poor.

The budget deficit problem in California was so dire that on July 17, the state froze enrollment to its CHIP program, Healthy Families. Less than two weeks later, the waiting list already had 33,146 children. The program is being cut \$178.6 million – a 44 percent reduction from the previous enacted budget.

The health cuts fall most heavily on areas such as mental health, public health, and providers who serve people on Medicaid, which provides medical coverage to 60 million people.

Before Congress passed the stimulus package in February, states' Medicaid programs were in danger of huge cuts, including removing thousands of people from the program. An infusion of \$87 billion from the stimulus helped avert that doomsday scenario, especially because one condition of accepting the money was that states couldn't change eligibility to cut the rolls.

Some states, like Alaska and North Dakota, were able to increase Medicaid benefits.

But the recession has caused at least 15 states to make some sort of cut to Medicaid during the 2010 and 2011 fiscal years, according to Families USA, a health-care advocacy group.

"We're still seeing that states are having to make some very tough choices," said Rachel Klein, Families USA's deputy director of health policy. "In this recession, we saw states turning to Medicaid (for cuts) much more quickly than they had in the last recession."

Medicaid costs, expected to rise as more Americans lose their jobs and employer-provided health care, are a major financial worry for states. Already struggling to pay for their share of Medicaid – which is every state's largest or second-largest expenditure, making it a ripe target for cuts – governors recently protested congressional proposals for universal health care that would have vastly expanded the program to cover more uninsured and relied on states eventually to pick up the tab.

This year at least eight states cut benefits that are optional under Medicaid. For example:

California, Michigan and Utah ended adult dental coverage, while Connecticut is still considering it. California is also cutting back in-home adult care. New York is limiting drug therapy and requiring doctors to use cheaper drugs. Colorado and Washington made cuts to aid for people with disabilities. Nebraska limited mental health and substance-abuse therapy. Minnesota set up stricter criteria for getting in-home help from a personal care assistant. At least five states are forcing Medicaid patients to pay more for their care, and well over a dozen are cutting how much doctors are reimbursed for treating Medicaid patients, a move that could cause more physicians to stop seeing such patients. One year after Hawaii began paying its Medicaid doctors higher payments, the state is pulling back this year.

Some states also have rolled back coverage in state-financed health insurance programs for people who don't qualify for Medicaid, either because they earn too much money or do not have children. (Medicaid doesn't routinely cover childless adults, though states can make exceptions.)

In Massachusetts – a state in the middle of an ambitious universal health care experiment – lawmakers initially passed a budget that would have saved \$130 million by removing 30,000 legal immigrants from Commonwealth Care, the state health plan, but they later restored \$40 million to cover immigrants, who instead will see reduced benefits. Washington state also cut 40,000 people from its Basic Health Plan for the poor who don't have Medicaid coverage.

Still, there were some expansions for adults. Wisconsin moved forward this year with a previously enacted expansion of its BadgerCare Plus Medicaid program to childless adults.

Connecticut lawmakers overrode a veto on July 20 by Gov. M. Jodi Rell (R) to set up a plan by 2012 that would cover all the state's uninsured residents, but lawmakers didn't set aside any money yet for the expansion.

New Hampshire will allow adults up to age 25 to buy into its CHIP program if they pay the full cost themselves. More New Yorkers and Ohioans likely will get coverage because of new state requirements for insurance companies, such as limiting how much they can charge people with chronic diseases and allowing parents to add children up to age 28 or 29 on their employer-sponsored insurance plans.

But while Ohio moved to expand coverage by private insurers, the state also drastically cut areas of their taxpayer-financed health system, including from mental health, substance abuse and nursing homes. Ohio's two-year budget cuts about \$184 million from nursing homes, 3 percent from Medicaid providers, and \$98 million from mental health, meaning counties will have to slash services like peer counseling and addiction prevention. This comes after mental health suffered midyear cuts of \$175 million in the last biennium budget, moves that closed two mental health hospitals.

"These cuts are going to be devastating to local community care," said Jim Mauro, the executive director of the National Alliance on Mental Illness of Ohio. He said the state will lose providers, waiting lists will get even longer, and mentally ill people leaving state hospitals or jails won't be able to find service. "We're going to pay for all this. You cannot escape the cost of people with serious mental illnesses."

Mental health was a common target of budget cuts. California, Connecticut, Georgia, Illinois, Michigan, New York, South Carolina and Tennessee also made significant cuts to mental health, said Mike Fitzgerald, the executive director of the National Alliance on Mental Illness.

“We have a fragmented mental health system where already half the people with serious mental illnesses in this country can’t find the basic services they need. That’s being further eroded because of the budget challenges that state legislatures and governors are experiencing,” Fitzgerald said.

States’ public health programs, which provide preventative care to the low-income and monitor diseases, are also taking a hit – just as the U.S. is scrambling to plan for what could be a resurgence of swine flu later this year. The first day that swine flu cases were announced in the U.S. was the same day Washington state’s King County learned the Legislature was slashing \$14.4 million from its public health budget.

Those cuts translate into lost public health services:

New York cut more than \$8 million from a program that last year offered free cancer screenings to 80,000 uninsured and underinsured. Hawaii deleted \$3 million from a program that combats child abuse in at-risk families. California’s budget allocates \$3 million for the state’s four poison control centers, half of what they received last year. But the system’s representatives say the money may not be enough to keep them operating past September; if it closes, California would be the only state without a poison control program. Washington state’s Department of Health received 4 percent less in the budget than in the previous biennium. Cuts were made to a variety of programs, including childhood vaccination and HIV early intervention. The tobacco prevention program was cut by 40 percent. “These cuts were made neither lightly nor easily,” health department spokesman Gordon MacCracken said.

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- [Medicaid programs feel weight of recession \(2/6/2009\)](#)
- [States ask feds for health care help \(11/26/2008\)](#)
- [Medicaid rolls, spending up in bleak economy \(9/30/2008\)](#)

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Thursday, August 6, 2009

## **Sales tax breaks erode state revenues**

**By Kimberly Leonard and Tony Romm, Special to Stateline.org**

Stateline.org

Sales tax holidays                      Shoppers in 15 states can expect some relief at the register this month, thanks to a series of “sales tax holidays” that exempt certain goods from being taxed. But consumers in at least three states — Florida, Maryland and Massachusetts — and the District of Columbia will not share in those savings this year, as declining revenues and burgeoning deficits forced lawmakers to cancel their sales tax holidays.                      View sta  
by state listings of:                      State sales tax holidays

State sales tax rates

Dates

Items

2009 missed revenue

First year

Alabama

Aug. 7 - 9

Clothing

Computers  
School supplies  
Books

Estimated \$3.25 million.

2006

Connecticut

Aug. 16 - 22

Clothing

Footwear

Estimated \$4.2 million

2001

District of Columbia

N/A

Clothing

School supplies

Suspended this year; would have cost D.C. more than of \$600,000 in tax revenue.

20

Nov.27 - Dec. 6

Clothing

Insufficient data for estimate

2004

Georgia

July 30 - Aug 2

Clothing

School supplies

Computers

Estimated \$13 million

2002

Oct. 1- 4

Energy and water-efficient

products

Insufficient data for estimate

2006

Florida

N/A

Hurricane preparedness

Tax holiday canceled; would have cost Florida an estimated \$2.9 million.

2007

Iowa

Aug. 7 - 8

Clothing

Estimated \$2 million-\$3 million.

2000

Louisiana

Aug. 7 - 8

Personal items

Estimated \$6.1 million

2007

May 30 - 31

Hurricane preparedness  
Insufficient data for estimate      2008      Maryland

N/A

School supplies  
State has not had a sales tax holiday in three years; estimated loss in 2001 at nearly \$6 million.  
2001      Massachusetts

N/A      Personal items      Tax holiday canceled; estimated loss in 2008 was \$14.9 million  
2008      Mississippi

July 31 - Aug 1

Footwear      Clothing  
2009      Estimated \$2 million  
Missouri

April 19 - 25

Energy Star products  
Insufficient data for estimate      2006

Aug. 7 - 9

Computers      Clothing  
School supplies      Insufficient data for estimate  
2004      New Mexico

Aug. 7 - 9

Computers      Clothing  
School supplies  
Estimated \$4.6 million in 2008

2005

North Carolina

Aug. 7 - 9

Clothing

School supplies

Computers

Other comp.

Sports equip.

Estimated \$12.3 million in 2008

2001

Nov. 6 - 8

Energy Star products

Insufficient data for estimate

2009

Oklahoma

Aug. 7 - 9

Clothing

Estimated \$6.6 million in 2008, besides another \$3 million paid to reimburse municipal

2007

South Carolina

Aug. 7 - 9

Clothing

School supplies

Computers

Other

\$2.9 million in 2008.

2000

Nov. 27 - 28

Energy Star products

Insufficient data for an estimate

2008

Tennessee

Aug. 7 - 9  
Clothing

School supplies  
Computers

Estimated \$14 million-\$15 million

2006

Texas

May 23 - 25

Energy Star products

Air Conditioners  
Other

Insufficient data for estimate

2008

Aug. 21 - 23

Clothing and

backpacks  
1999

Estimated to have cost Texas \$442 million since 1999.

Vermont

March 6

Personal purchases

Estimated \$2.2 million

2008

Aug. 7 - 9

Personal Purchases

Insufficient data for estimate

2008

Virginia

May 25 - 31

Hurricane preparedness

Estimated \$2.29 million

2008

School supplies  
 Aug. 7 - 9  
 Clothing  
 Estimated \$4 million  
 2006

products  
 Oct. 9 - 12  
 Energy efficient  
 Insufficient data for an estimate  
 2006

West Virginia

Sept. 1 - Nov 30  
 Energy Star products  
 Estimated \$330 million  
 2008  
 provide financial impact statements or did not collect holiday performance data.

Sources: Federation of Tax Administrators, Tax Foundation, State Departments of Revenue, Stateline.org reporting

					Alabama	4		
	Arizona	7.25						
	Arkansas	2.9		California	7.25			Colorado
	Washington, D.C.	5.75						
	Florida	4						
	Georgia	4		Hawaii	4			Idaho
Maine			Maryland	6		Massachusetts	5	
n/a								
	Nebraska	5.5		Nevada	6.5			
	New Hampshire	n/a						
	New Jersey	7		New Mexico	5			
	New York	4						
	North Carolina	4.25						
	North Dakota	5						

Ohio	5.5		
Oklahoma	4.5		
Oregon	n/a		
Pennsylvania	6	Rhode Island	7
South Carolina	6	South Dakota	4
Tennessee	7		
Texas	6.25		
Utah	4.65	Vermont	6
Washington	6.5		Virginia
West Virginia	5		
Wisconsin	5		
Wyoming	4		

Source: Federation of Tax Administrators

Stateline.org

As shoppers in 15 states rush to buy tax-free clothing and school supplies this August, so lawmakers are experiencing buyer's remorse: Their "sales-tax holidays" are pinching revenues at a time when state coffers are hurting.

Nearly all of the states offering sales tax breaks this month estimated they could miss out on millions of dollars in income when they could least afford it in this recession-ravaged climate, according to data provided by state budget offices.

Fearing those losses, three states — Florida, Maryland and Massachusetts — recently canceled their much-anticipated tax-free weekends in August. The District of Columbia decided in July to suspend its first of two annual tax breaks.

Generally, tax holidays are mixed blessings for states, even when their budgets are intact. On one hand, the breaks – which last a day to a few months – are very popular. Parents appreciate the lower prices, stores value the uptick in business and lawmakers prize constituents' support.

But tax-free holidays also deprive states of important revenue, often beyond the tax-free period, said Mark Robyn, a staff economist at the non-partisan Tax Foundation. The increase in sales on these days can trigger a decrease in sales later in the year, as consumers plan their shopping sprees around the tax calendar, he said.

“Anything that’s reducing states’ already depleted tax collections is not a good thing, especially a policy like this that has problems in good economic times,” explained Liz McNichol, a senior fellow at the Center on Budget and Policy Priorities. “Research says (tax holidays) really just move sales from one period to another, so it’s not creating new economic activity; it’s not stimulating business.”

Consequently, some states this year have re-evaluated how long – if at all – they offer temporary tax breaks.

Massachusetts, for example, hiked its sales tax from 5 to 6.25 percent in June to address the \$5.1 billion deficit troubling its 2010 budget. But if Beacon Hill had approved the sales-tax holiday lawmakers debated July 31 – what would have been the sixth tax holiday in six years – the state could have missed out on up to \$15 million in revenue, state officials said.

Washington, D.C. lawmakers suspended the city's back-to-school sales tax break 12 days before the holiday. For the first time since 2004, D.C. buyers lost nine days of tax-free shopping on clothing, shoes and school supplies costing less than \$100 each. District officials estimated this move would bring in \$640,000 to the budget at a time when the city is struggling to tame a \$666 million deficit.

Other states, however, are planning to weather the predicted losses. In Vermont, where lawmakers struggled to overcome a \$282 million deficit, the Department of Taxes fears its approaching tax-free day could deprive the state of about \$2.2 million in revenue, said Susan Mesner, one of the department's tax economists.

"It's a political thing," Mesner said, noting this year's proposal faced considerable opposition in the legislature. "There's a lot of research out there that shows (the holidays) aren't an effective tool, and there's concern in a number of corners about lost revenue. But they are heavily supported by businesses and retail associations."

States can bear the brunt of the tax holidays in other ways as well. Oklahoma lawmakers, for example, built a holiday into their tax code in 2007 to compete with nearby Texas, which debuted its tax-free weekend in 1999. But in 2008, Oklahoma's holiday deprived state coffers of about \$6.6 million in sales tax revenue. And because cities and counties were obligated to participate in the tax holiday, lawmakers forked over an additional \$3 million that year to the local governments, thanks to a provision that guaranteed the state would compensate local jurisdictions. Its third annual back-to-school holiday — an exemption on clothing items \$100 and under — takes place this weekend (Aug. 7-9).

Yet, lawmakers insist these "losses" – which they call "consumer savings" – obscure the intent of a sales tax holiday: It allows struggling families to purchase school supplies and back-to-school clothes at cheaper prices. But tax analysts contend that brief changes to the tax laws – no matter how temporarily beneficial – do very little to help consumers' finances in the long term.

"From a policy perspective, we would prefer all sales be treated the same," Robyn of the Tax Foundation said. "If states want to provide real tax relief and provide a real benefit to the economy, they would lower the sales tax rate on all goods year-round by a comparable rate."

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See related stories:

States win points with sales tax holidays, 8/14/07

Tax breaks a prelude to school bells, 7/29/05

Friday, August 7, 2009

## Weekly wrap: Recession forcing government overhaul

By Stephen C. Fehr, Stateline.org Staff Writer

General Motors emerged from bankruptcy a leaner company, with fewer car brands and employees. Oregon Gov. Ted Kulongoski (D) says state governments should copy GM's reorganization model by coming out of the recession with a smaller number of services. In other words, what's good for GM is good for state governments.

"GM is going to have to live without Pontiac – even though there are probably millions of loyal Pontiac owners," Kulongoski said recently. "Well, every state agency, board and commission has its loyal supporters, too. I get that. But the money simply isn't there anymore. Some government functions have to go – at least for the foreseeable future. Oregon state government can no longer be all things to all people."

Kulongoski first proposed a government restructuring in May, but on Wednesday (Aug. 5) the Salem (Ore.) Statesman Journal reported that the governor added 50 specific suggestions to eliminate, suspend or merge state programs to save about \$20 million a year. One example is merging the state's countless natural resource agencies.

Oregon isn't alone in this re-examination of government services. The worst recession to slam states since the Depression is forcing several governors and state legislatures to rethink what services government should provide and how to deliver them at a lower cost.

Louisiana Gov. Bobby Jindal (R) spoke July 27 at the first meeting of the state Commission on Streamlining Government, a panel Jindal and the Legislature created to come up with recommendations to downsize government through such things as merging, abolishing or privatizing state agencies. "Everything is on the table," the governor said.

Michigan Lt. Gov. John Cherry, at Gov. Jennifer Granholm's (D) request, is working on a plan to reduce 18 state departments to eight. Connecticut Gov. M. Jodi Rell (R) and Virginia Gov. Tim Kaine (D) also have been active in streamlining efforts. Kulongoski's counterpart to the north, Washington Gov. Christine Gregoire (D), speaks about "rebooting" state government to make it a more "nimble and relevant" partner in Washington's economy. She wants to eliminate 150 boards and commissions and close 25 licensing offices for drivers.

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Utah pioneered the four-day workweek last summer when energy costs were soaring and government revenues were falling. Now, a preliminary analysis by the Utah Department of Administrative Services indicates that energy costs dropped 13 percent in the first nine months of the shorter workweek. More data are needed, officials said, but the initial findings could help incoming Gov. Gary Herbert (R) to decide whether to make the pilot program permanent. Herbert, the lieutenant governor, will succeed Gov. Jon Huntsman (R) when the U.S. Senate confirms Huntsman as ambassador to China. The Senate vote is expected any day.

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State workers: Thank God it's Thursday (6/30/2008)

State lawmakers were particularly active this year in making changes to state employee pension plans. A new report by the National Conference of State Legislatures chronicles those changes to benefits, contributions and eligibility. "Almost every state will have to address pension funding and security in the near future," said NCSL's Ron Snell, who compiled the report.

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Market slide batters state pension funds (10-20-2008)

Monday, August 10, 2009

## Tracking the recession: Buyouts lure 9,000 state workers into retirement

By Rob Silverblatt, Special to Stateline.org

EMPLOYEES OFFERED INCENTIVES TO LEAVE STATE JOBS About 9,000 state employees in six states are expected to accept buyout offers. Terms of the incentive packages varied.

Connecticut

Eligibility: State employees 55 and older with at least 20 years of service; 20 years of service but no age requirement for state troopers and prison guards

Incentive: Three years added to length of service in calculating pensions, boosting annual earnings a few thousand dollars for most

Number of buyouts: 3,856 by the July 1 deadline, more than the 3,500 expected

Anticipated savings: \$110 million a year

## Maine

Eligibility: About 800 state workers of retirement age with at least 10 years of service

Incentive: \$10,000 bonus

Number of buyouts: More than 200 anticipated; deadline for acceptances is Aug. 15

Anticipated savings: \$5.3 million by close of fiscal 2011

## New York

Eligibility: Workers already qualified for retirement or with at least 10 years of service; must also be in positions that can be left vacant

Incentive: \$20,000 bonus

Number of buyouts: 4,500 expected

Anticipated savings: \$173 million by the close of fiscal 2011

## Oklahoma

Eligibility: Workers in the state's Corporation Commission and Department of Corrections

Incentive: One-time bonus, 18 months of health insurance premiums, longevity payments, accrued annual leave up to 480 hours

Number of buyouts: Up to 25 employees in Corporation Commission; around 120 in Department of Corrections

Anticipated savings: \$1.2 million by close of fiscal 2011 for Corporation Commission; no projections for Department of Corrections

## Louisiana

Eligibility: Workers already able to retire

Incentive: Cash, varies by employee

Number of buyouts: About 50 employees in the agriculture and insurance departments accepted by July 31 deadline

Anticipated savings: \$1 million

Vermont

Eligibility: Employees with 30 years of service, or those over age 62 with at least five years of service

Incentive: Bonus between \$750 and \$1,000 for each year of service, up to \$15,000 per employee. In addition, the state will pay 80 percent of health insurance premiums for the employees and their dependants for 10 years.

Number of buyouts: 330 workers accepted by the July 31 deadline. Initially, the state had planned to cap the number of packages at 300, but has since decided to accept all of the applications.

Anticipated savings: \$3 million a year by the program's third year Looking to shield their work forces from tumultuous cutbacks, at least six cash-strapped states have decided this year to spend millions on incentives to encourage government employees to retire.

As the job security traditionally associated with state employment becomes increasingly uncertain in the face of large-scale layoffs and furloughs, these buyouts give states the chance to tighten their belts without fracturing morale.

They also allow state governments and unions to find rare common ground amidst deep cuts to employee benefits. Still, while frequently used during recessions, incentive packages to shrink state payrolls have a history of not always delivering their projected cost savings. If states too quickly refill the jobs opened up by the buyouts, they have to absorb the costs of the incentives while still paying salaries to new workers.

A separate concern is that buyouts can lead to a brain drain if too many experienced employees accept. For example, Connecticut lost 10 of its 23 prison wardens, 200 state college professors and 10 percent of its teachers at technical high schools in its recent round of buyouts.

All told, 3,856 employees in Connecticut accepted the offer, which adds three years to the length of their careers for the purpose of calculating pensions. For most workers, that will mean a few extra thousand dollars a year in their pension checks.

"What ends up happening is the incentives are very, very attractive, so many people who have institutional history with state agencies opt to take the early retirement," said Connecticut state Rep. Christopher Caruso (D). "So we frankly drain those agencies of institutional histories, of experience."

Apart from Connecticut, other states offering buyouts this year include Louisiana, Maine, Oklahoma and Vermont. Meanwhile, in New York, officials are formalizing a plan to buy out a projected 4,500 workers for \$20,000 each.

These states are following in the footsteps of New Jersey and Tennessee, where lawmakers last year employed the same strategy.

In all instances, the buyouts are a piece of larger cost-cutting efforts as states work to balance their budgets. According to the National Conference of State Legislatures, all but a handful of states had to close a combined total of \$139.4 billion in budget gaps for fiscal 2010.

As part of this, at least 16 states are forcing upwards of 593,000 employees to take unpaid furloughs in 2010. Meanwhile, at least 54,000 state workers, including teachers, have been laid off so far this recession, based on tallies from NCSL and the American Federation of State, County and Municipal Employees (AFSCME).

By comparison, current and upcoming buyouts will affect only around 9,000 employees.

Kerri Korpi, an AFSCME spokesperson, attributes the dominance of furloughs over layoffs and buyouts to a reluctance on the part of state governments to trim their work forces any more than they have already.

Still, even in small doses, buyouts carry the promise of reducing the need for more scarring cuts. In Maine, for example, legislators first tried buyouts before midyear deficits later forced them also to impose a combined 20 government shutdown days – which are similar to furloughs – in 2010 and 2011.

While unable to avoid the shutdowns, Maine has been able to limit its layoffs to around 40 with the help of the incentive packages. Around 800 workers are eligible to take a buyout, and each employee who retires will receive a severance package of \$10,000. Workers have until Aug.15 to apply, and state officials are expecting at least 200 of them to take the deal.

Ellen Schneiter, Maine's budget officer, called the buyouts a gentler alternative to layoffs.

"We don't have to be cruel to anybody," she said. "It's horrible to have to lay anybody off, especially in this job market."

In New York, the buyouts are part of a deal between Gov. David Paterson (D) and unions to allow the state to escape the current round of cuts without a single layoff. Previously, Paterson had planned to use layoffs to trim the work force by 8,700.

Darcy Wells, a spokesperson for New York's Public Employees Federation, a union representing state

workers, expressed satisfaction with the buyouts, which aim to save \$173 million by the close of fiscal 2011.

But even as states eye millions in savings, the payoffs aren't always as projected. Instead, these buyouts, which require states to put millions on the table, hinge on the gamble that governments can restrain themselves from rehiring and can adequately predict the amount of interest the programs will generate.

In New Jersey, a 2002 round of buyouts lured more than twice the anticipated number of workers into retirement with the promise of beefed-up pension checks. The unexpected interest drove up pension costs from the \$278.1 million anticipated to \$616.8 million in 2007 inflation-adjusted dollars, according to a 2007 article in *The New York Times*. Still, New Jersey again offered buyouts last year.

Another lesson stems from Connecticut's experiment with buyouts in 2003, when it ended up rehiring 983 workers under temporary contracts and paying them around \$14 million in salary – in addition to their pensions – in 2004.

“(It) ultimately did not result in any long-term savings, but instead led to higher costs of providing salary, pension and health benefits to the combined populations of active and retired employees,” Connecticut Comptroller Nancy Wyman (D) said in a statement.

This year, the rehiring in Connecticut already has begun, as Gov. M. Jodi Rell (R) has announced the state will bring in 135 new workers to the corrections system to make up for the 425 who accepted the buyouts.

The state also has signed temporary contracts with more than 100 of the recent retirees, agreeing to pay them reduced salaries in addition to the pension checks they will be receiving.

To salvage its savings from buyouts, Maine's Legislature has required that all except critical positions be kept empty, most for two years.

Tennessee went a step further last year, when 1,521 workers accepted buyouts. According to Lola Potter, a spokesperson for the state's Department of Finance and Administration, only employees holding expendable posts were eligible to step down so that those jobs could be left permanently vacant. Potter said the buyouts netted \$46 million in savings in calendar year 2009.

New York is employing the same strategy, and officials are currently vetting positions to see which could be left open after retirements. Only workers in those jobs deemed dispensable will be able to accept the incentives.

Overall, even when retirees' jobs are filled by new workers who earn less money, state agencies could lose thousands of dollars per rehire in training and lost productivity, said management consultant Nancy Dering Martin, a senior adviser for the Pew Center on the States' Government Performance Project. (Stateline.org also is part of the Pew Center on the States.)

“(Rehiring) is not without its costs; it’s not without its implications for performance,” Dering Martin said.

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State workers face bleak budget picture (10/3/2008)

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