

Management of Reduced Budgets

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Mr. Chairman, members of the committee, my name is George Vega and I am the Director of the Division of Personnel Services of the Department of Administration. Thank you for the opportunity to appear before you today.

I'm here because you are discussing a mandatory, across-the-board furlough for state employees. A furlough is a reduction of hours of work of employees for a preset number of hours over a particular period of time covered. For the State, the reduction of hours is measured per pay period.

While a furlough is most certainly one of the tools available to the State of Kansas at this time, it is important to remember that is not the only tool available and, is in fact one that we would only consider as a choice of last resort.

There are three primary reasons why furloughs are a choice of last resort for the State of Kansas. First, while the private sector may suffer because of a loss of demand for products and services during a weak economy, demand for services actually grows for many state agencies in a weak economy.

Second, no matter what savings are produced as a result of a furlough, it is imperative to remember that by its very nature, a furlough will result in reduced services to the State's customers. When taken into consideration with the point above, by implementing mandatory furloughs, the State would be reducing the availability of services to its customers when the need for those services was actually growing.

The third reason why furloughs are a choice of last resort is that managing furloughs without violating Federal labor laws can be an awkward and complicated undertaking. We work closely with the US Department of Labor and we are aware they are watching the application of furloughs by State governments very closely. The steps that have to be taken to safeguard against violations of the Fair Labor Standards Act (FLSA) during a furlough are risky, to say the least.

Even with these concerns, we are aware that some State agencies and managers have considered implementing a furlough. As noted above, a furlough is one of many tools and like all tools, it is better for some situations than it is for others. In the right circumstances, a furlough can be a very effective tool for a particular agency, office or program but an across the board furlough is a rather blunt instrument compared to more precise tools available to managers.

Since last spring, when Governor Sebelius ordered State agencies to cut their '09 budgets by a total of three percent, managers have used many of the tools available to them to cut costs.

Examples of other tools that have been implemented include:

- Limitations on hiring of employees to certain essential and mission-critical positions (e.g., direct service positions, security, positions to maintain key systems, or positions that carry out

the agency's core purpose or responsibilities that are statutorily required.) For most agencies today, hiring is done by exception.

- A complete "hiring freeze," which is the complete cessation of hiring employees altogether.
- Elimination of temporary positions (e.g., the Department of Revenue eliminated temporary positions during the height of the tax season and employees from non-tax divisions have been used to make up the difference.)
- Move employees from their normal positions to mission-critical positions.
- Consolidation of duties with vacant positions.
- Halt or reduce travel or stop paying travel and per diem to employees who travel to certain meetings.
- Elimination or delay of activities and meetings.
- Termination of certain contracts.
- The closure of facilities or the termination of programs.

All of these are cost cutting tools available to State agencies and managers, and all of them are being contemplated or have been implemented. For example, along with furloughs, layoffs are the other cost-cutting tool that is focused on most often with respect to the State workforce.

Since the beginning of FY2008, there have been a total of 139 employees impacted by layoff in a total of ten agencies. Of particular note, JJA closed its Atchison facility and KDOC has closed three facilities at Osawatomie, Stockton and Toronto. We know that additional budget cuts will be made in FY 2010 and we anticipate other layoffs as a consequence.

My point here today is for the Committee to remember that there are many options available for State agencies to utilize in reducing costs, and that certain options fit better for certain agencies. For example, an agency can decide to layoff one high-paid employee in order to keep two lower-paid employees available to deliver services. Conversely, in another situation, a manager can use a furlough as a tool to keep certain employees rather than lay them off if the need for savings is temporary and the program will remain intact.

An across the board approach is quite simply not in the best interests of the State. Kansas government employees and managers have responded to the challenge of reduced budgets and increased demand for services magnificently thus far and we laud their performance to this end. Managers have detailed information available to them to focus the cost-cutting where savings efforts are more effective and will create the least harm to services and programs. Managers know how much money to cut in order to live within their respective budgets and they have the ability to act in precise ways to achieve the savings.

We understand the need for agency budgets to be reduced. The Department of Administration's position is this: set the budgets and allow agency managers to use their knowledge, expertise and all of the tools available to them to manage them. If you cut the budgets by the amount you determine necessary, state managers will take the necessary and appropriate actions to stay true to their mission within their respective budgets.

Thank you for this opportunity to share the position and perspective of the Department of Administration.