

Bentley, GOP lawmakers say they've saved state more than \$1 billion

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Gov. Robert Bentley holds a news conference on Monday to announce more than \$1 billion in savings to the state.

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Gov. Robert Bentley holds a news conference on Monday to announce more than \$1 billion in savings to the state. / Amanda Sowards/Advertiser

Bentley's Billion-plus

How the office of Gov. Robert Bentley calculates its \$1.137 billion in savings: • **\$345.6 million in pension changes:** Includes 2011 legislation that raised most state employee contributions to their pensions from 5 percent to 7.5 percent, with total

savings of \$181 million. Also includes 2012 legislation that created a new pension plan for state employees hired after Jan. 1, 2013. That is projected to save an annual average of \$164.1

million annually; however, the savings on that part are heavily backloaded into the future. • **\$200 million in PEEHIP:** A 2012 act exempts the Public Education Employees Insurance Board (PEEHIB) from requirements of the Third Party Prescription Program, including a requirement that "reimbursement rates paid for by services rendered by pharmacies to members covered by a plan cannot be less than the amount paid by consumers not covered by a plan." The law was passed as the board faced a lawsuit over its ability to apply the network discount rate. The Legislative Fiscal Office said the act "could prevent PEEHIB from being required to pay substantially more (in the range of \$200 million to \$300 million more annually) for prescription drug coverage than PEEHIB currently pays." • **\$160.7 million in "workforce rightsizing:"** The state employee workforce has fallen from 39,577 at the beginning of 2011 to 35,068 on Sept. 30. Most of those jobs have been lost through attrition. • **\$139.7 million in merit raise freezes:** The total amount of savings estimated for merit raise freezes in 2011, 2012 and 2013. Bentley signed an order in June unfreezing those raises; the order will take effect next month. It is not clear how much of this money is state money and how much comes from other sources. Many state agencies use federal funds and outside sources to pay employees. • **\$118.8 million in changes to insurance plans:** Teachers, education employees and state workers are paying more for insurance. The state's premiums for state employees have declined as the number of state employees has fallen. The fall in the number of state employees means there are fewer people paying into the system; this was cited as a factor last September when the State Employees' Insurance Board voted to raise individual and family premiums. • **\$58.5 million in repeal of Deferred Retirement Option Plan (DROP):** The Legislature in 2011 voted to close enrollment in DROP, set up in 2002 with the aim of retaining experienced employees. DROP allowed teachers, education employees and state workers over the age of 55 with 25 years experience to work for up to five additional years while receiving salary and retirement benefits in

a separate account, paid out in a lump sum upon retirement. The largest accounts in the program at the time belonged to AEA leaders Joe Reed (\$1.48 million) and Paul Hubbert (\$1.3 million); others included University of South Alabama president Gordon Moulton (\$1.1 million) and Troy University chancellor Jack Hawkins (\$843,000). Savings went to both the Education Trust Fund and the General Fund.

- **\$49.5 million in agency streamlining and realignment:** About \$20 million comes from the closing of Alabama Department of Mental Health facilities in 2011 and 2012, including Greil Hospital in Montgomery; Mental Health is shifting to a community-based model for treating patients. Figures also include implementation of electronic payroll, attendance and benefit systems and consolidation of regional Department of Human Resources offices.
- **\$28.8 million in contract renegotiations:** Includes consolidation of health care contracts in Corrections as well as revisions to contracts in Departments of Human Resources, Mental Health and Finance.
- **\$20.4 million in bond refinancings:** This is a 12-year average of the impact of various refinancings of state bonds, from the Public School and College Authority to General Obligation bonds. The governor's office says there will be \$245.3 million in "total future value savings."
- **\$15.3 million in indigent defense reform:** A 2011 law created an Office of Indigent Defense Services to monitor spending on indigent defense and impose a flat fee of \$70 an hour to attorneys representing the indigent. Indigent defense payments have fallen from \$65.3 million in 2011 to \$50 million in 2013.

 Gov. Robert Bentley and Republican lawmakers said Monday that they had achieved \$1.137 billion in current and projected state savings, much of it coming from state workforce cuts and changes to state employee benefits.

Speaking at a news conference in the state Capitol, Bentley said the state's voters, who overwhelmingly voted Republicans into office in 2010, "gave us a clear mandate."

"They wanted us to be good stewards of the money they sent to Montgomery, they wanted a government that lives within its means, and they wanted us to increase efficiency so that government is making the best use of the resources we have," he said.

Lawmakers, he said, had "delivered on our goal of being good stewards of their hard-earned money."

The governor acknowledged that some of the savings will not be seen for decades. The numbers provided by Bentley's office include projections of \$164.1 million average annual savings from pension changes for new state employee hires; the greater part of those savings are heavily backloaded into the future.

The governor's office also said a freeze on state employee merit raises, which will end at the start of 2014, had saved \$139.7 million between 2011 and 2013, though it was unclear how much of that was state money. Many departments use federal funding and other grants to pay their workers.

Roughly two-thirds of the total savings came from decisions to pare back the state workforce and increase benefit costs for state employees. Since Bentley took office in January, 2011, the

number of state employees has fallen more than 11 percent, from 39,577 to about 35,000, mostly through attrition.

For those who remain, lawmakers have voted to increase pension contributions from 5 percent to 7.5 percent, while insurance costs also have increased, due in part to fewer state employees paying premiums into the state's health insurance system.

Mac McArthur, the executive director of the Alabama State Employees' Association, said those changes, along with inflation and the expiration of a 2 percent payroll tax cut last year, have eaten into state employees' take-home pay.