Connecticut Democrats, unions impose $1.5 billion in givebacks on state workers

John Marion
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On July 18, Connecticut's State Employees Bargaining Agent Coalition (SEBAC) announced that its members had approved a concessions contract with Democratic Governor Dannel P. Malloy. SEBAC, an umbrella group for 16 public worker unions, said 85 percent of workers who voted were in favor of wage freezes, and 83 percent voted in favor of higher contributions toward health insurance and retirement.

State Democrats and union executives, pointing to an estimated $5 billion budget shortfall for the two-year period starting July 1, browbeat the 40,000 state workers into accepting the deal with the threats of mass layoffs. They also held the possible bankruptcy of the City of Hartford over the heads of workers that could result in the gutting of city worker pensions and retiree health benefits as it did in Detroit and other municipal bankruptcies.

The concessions deal agreed to by the Service Employees International Union (SEIU), the American Federation of State, County and Municipal Employees (AFSCME) and other unions will rob more than $1.5 billion over two years from state workers. The deal makes false promises that the state won't lay off workers.

"Once again, this governor has asked us to step up and we came to the call," Darnell Ford of SEIU local 1199 told WFSB, adding "we were asked to help and after months of negotiations we have come up with every penny sought.'"

"This was not easy," Salvatore Luciano of AFSCME Council 4 said of foisting the deal on union members, "we hoped if we explained it, everyone would pass it.'"

The SEBAC concessions deal includes:

• No raises, except in cases of promotion, for fiscal years 2017, 2018, or 2019. A lump-sum payment of $2,000 is promised for fiscal year 2019.

• Three furlough days in the coming year.

• An increase of workers' share of health insurance premiums to 15 percent.

• An increase in health insurance contributions for workers who retire after October 2.

• A cap on the Cost of Living Adjustment for pensions of workers retiring after July 1, 2022 and a 30-month period with no COLA for those same retirees.

• A requirement that disabled retirees apply for Social Security Disability Insurance in order to get them off of Connecticut's books. Threatened federal attacks on entitlement programs will leave these workers between a rock and a hard place.

The unions previously agreed to concessions in 2011 in the wake of the Great Recession. Like many states, including neighboring Massachusetts, Connecticut is now seeing declines in tax revenue as workers' wages stagnate and corporations are handed huge tax cuts.

CNBC reported this month that actual FY17 revenues were lower than budgeted in 33 US states, and that 23 states made mid-year spending cuts.

While destroying the livelihoods of state workers, Malloy, the chair of the Democratic Governors Association, has showered top corporations and financial institutions with massive tax cuts and other subsidies. GE and Aetna have kept their tax rates low by moving their corporate headquarters out of state while keeping most of their workforces in state.

Although the state is home to 19 Fortune 500 companies, in the fiscal year just ended, corporate taxes were only 5.7 percent of total Connecticut revenues; in FY16, the share was even lower, at 4.8 percent. Total corporate taxes in FY17 were approximately $800 million, or less than half what is being taken away from state workers.

Sales and Use taxes, which are regressive and which the state expanded during the 2011 crisis, brought in about five times as much as corporate taxes in FY17.

Connecticut's personal income tax rate is not flat—and, therefore, not completely regressive—but upper-bracket income tax increases would also decrease the budget deficit. In 2012, the lowest 20 percent of state residents had an average income of $14,000 per year, while the top 1 percent raked in nearly $2.7 million a piece.

The state is not expected to close tax loopholes that allow wealthy hedge fund managers "to pay much lower tax rates on their personal earnings than the top marginal rate," according to *The Connecticut Mirror*.

SEBAC members—except those in the state police and assistant attorneys general unions—have been without a contract since June 30, 2016; the ruling out of a raise for the year July 1, 2016 through June 30, 2017 therefore puts in writing an austerity measure under which workers were already suffering. The agreement promises 3.5 percent raises in fiscal years 2020 and 2021. However, it is obvious the freeze through June 30, 2019 is meant to match the two-year budget cycle just beginning, and that an excuse will be found to deny raises in the cycle beginning July 1, 2019.

Much noise has been made in the press about the job security provisions in the concessions agreement, which supposedly offset the wage and benefits give-backs. These provisions will nominally be in force through June 30, 2021.

However, the promised moratorium on layoffs does not apply to anyone hired after July 1, 2017, and the state still has the right to "restructure and/or eliminate positions provided those affected bump or transfer to another comparable job."

The agreement spells out a four-phase bargaining process, which will allow the state to demand that the unions agree to future layoffs. Phase I states, "In the event of a significant reorganization, the State may contact affected bargaining units, and the Coalition [SEBAC], to discuss voluntary alternatives to placement to be offered to employees who would be affected." Phase II promises only that the state will "use its best efforts" to "maximize the likelihood of success."

In short, the unions and Democrats have forced workers into their second major concessions deal since the Great Recession, and workers are left with false promises. Governor Malloy was instrumental in negotiating this rotten deal and said in a statement that "the agreement delivers over $20 billion in savings to taxpayers over the long term." In the mouths of politicians like Malloy, the word "taxpayer" is code for private corporations.

While praising the unions for their "historic concessions," Malloy has gone hat-in-hand to Aetna asking them to keep their headquarters in state. According to the *Wall Street Journal*, on May 15 the governor sent a letter to Aetna CEO Mark Bertolini about his own government's behavior, stating that "the lack of respect afforded Aetna as an important and innovative economic engine of Connecticut bewilders me."

The SEBAC agreement still needs to be ratified by the state legislature, where Republicans—the minority party—are demanding even deeper attacks on wages and benefits.