

A&F Secretary Kirwan called a meeting yesterday with representatives of the state employee unions, which I attended along with Jo Blum, Jack Flannagan and Beth Boyer for the MTA. Kirwan first reviewed the drastically revised revenue projections for the FY 09 and FY10 state budgets. She presented and discussed the revenue revisions for these years.

Kirwan thanked the unions for reaching new contract agreements with the Administration, and said the Administration was pleased that it had worked successfully with all the unions to bargain the new four-year deal in this fiscal climate. She indicated that the GLOBE was preparing a story about the new contracts that would likely draw fire, but said the Administration was proud of the contracts and would defend them.

She said that the Administration has had to revise FY09 fiscal projections four times already. The latest downward revision for the remainder of this year is due to April's tax revenues coming in \$1B below last April's collection. This means that FY09 revenues are now projected to be \$3B below the original projections on which this year's budget was based. The projected FY10 budget now is \$1-1.5B lower than the Governor's House I anticipated.

She estimates the total revenue losses for FY09 and FY10 combined are \$8.5B. Her numbers projected that stimulus funds (\$1,646M) and rainy day funds (\$1,113), together with the Gov.'s spending cuts (\$2,901M) and new revenues including some taxes proposed by the Governor (\$823) would still mean a \$2 billion combined shortfall for FY09 and FY10.

There is no answer yet about how the state can close this \$2B gap. Kirwan does not see that further taxes being discussed will close it all. She asked the union representatives to think about any ways that would help the state save more money. She said that the Administration has heard from some employees that they might be willing to help save money, but that they have not been "asked." She said she was here today to ask. She noted that the non-unionized state managers would be put on a furlough plan, for 2, 3 or 5 days depending on salary. She said that she knew that they could not furlough unionized employees, but noted that a similar plan for union employees would save \$35M.

She asked union representatives to go back and talk with their membership and hopefully suggest ways that the Administration could save money to close this huge gap. Some union leaders asked questions about an early retirement incentive, perhaps with backfill restrictions, but Kirwan indicated that they had concerns about it because it would burden the pension system. However she did not close the door to further thoughts about it. It seemed clear that she hopes that unions will propose some type of furloughs to save money.

She ended again by thanking the unions for their partnership in finalizing the contracts.