

Wednesday March 10, 2010



Bloomberg

N.J.'s Christie Says Layoffs Out for Cutting Budget (Update3)

March 09, 2010, 4:06 PM EST

(Adds Corzine comment in 11th paragraph.)

By Terrence Dopp

March 9 (Bloomberg) -- New Jersey Governor Chris Christie said he's unable to lay off or furlough unionized state workers to help close an \$11 billion budget gap.

Christie, speaking at a town hall meeting in Haddon Heights, said job cuts would trigger more than \$300 million in contractually obligated raises for remaining state workers under a 2009 wage freeze agreement secured by former Governor Jon Corzine.

"I cannot lay off one state worker, I cannot furlough one state worker," Christie, 47, said. "It's an exquisite set of handcuffs."

New Jersey's budget was thrown off-balance as the biggest economic recession since the 1930s depressed tax collections and drove state unemployment to a 33-year high of 10.1 percent in December. The state workforce numbers more than 70,000, according to the state Treasury.

Corzine, a one-term Democrat, negotiated concessions with the Communications Workers of America, the largest state worker union, including 10 unpaid days off and an 18-month wage freeze under the contract that expires in 2011. Christie, the first Republican elected governor since 1997, took office in January.

During his campaign, Christie criticized the agreement and said he wouldn't be bound by it. Today the governor said lawyers for his administration determined he's obligated to honor the deal.

'Financial Sacrifices'

"We're pleased that the governor now acknowledges that he is bound to honor last year's agreement under which state workers made significant financial sacrifices in exchange for a measure of job security," said Robert Master, regional political director for the Communications Workers of America. "Over the last three years, state workers have agreed to \$450 million in concessions to help the state solve its fiscal problems."

The agreement called for state employees to delay a scheduled 3.5 percent raise until January 2011 from July 2009. Another raise is scheduled in July 2010. Coupled with a 4 percent boost in certain wage schedules, some employees will see increases of as much as 11 percent in the coming fiscal year, Christie said today.

Christie, who promised to avoid raising taxes, said the budget he is to present to lawmakers March 16 will contain at least \$1.7 billion in cuts to education and other programs.

'Difficult Choice'

"There is going to be every type of choice, every difficult choice I'm going to have to present," he said. "This is going to be a budget that is unlike any other in New Jersey."

A Corzine spokesman, Josh Zeitz, said Christie is free to fire workers after January 2011, with six months remaining in the fiscal year, without facing the penalty. For every 1,000 workers it sheds, the state would save as much as \$40 million, he said Corzine estimated.

"He's shooting from the hip without really understanding this," Zeitz said in an interview. During Corzine's term, the workforce was trimmed by about 8,000 positions, he said.

"There's no way states can fix their fiscal problems without taking this issue on," said Chris Edwards, director of tax policy studies at the Washington-based Cato Institute, referring to employee salaries and benefits reductions. "Everyone has known that this was a crisis coming."

State tax revenue across the U.S. fell for a record fifth straight quarter in the final three months of 2009, the Rockefeller Institute of Government said in a report last month. Governors will probably face depressed revenue at least through the current quarter, the Albany, New York-based organization said.

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