


**DESIGNING AND IMPLEMENTING A VOLUNTARY BUYOUT PROGRAM**
**Issue or Challenge:**

The current economic downturn has left many state and local governments facing large budget deficits, due to decreased revenue as well as increased expenses. Some governments have reserve or “rainy day” funds to minimize the deficits, but even so, many governments are exploring strategies to reduce their expenses in order to balance the budget.

The client, a southern State government, faced a shortfall of nearly \$500 million for fiscal year 2009. In order to reduce spending, the State decided to offer a voluntary buyout to employees to save \$64 million in recurring personnel costs. The State planned to access up to \$50 million in reserved funds to support the program.

**Segal's Approach:**

Segal was retained initially to review the program developed by the State and provide guidance on program components. The resulting buyout program offered employees a mix of incentives, including a base payment, an additional payment based on service, subsidized continuing health coverage, and an educational benefit.

Once the buyout program was announced publicly, Segal developed a full project management plan, assisted the State with managing program implementation, and provided expert support to the various agencies as they built and carried out their own responses to support the overall initiative. Segal consultants joined the State’s Director of Human Resources and the Director of Finance and Administration in meetings with agency directors to discuss the classifications to be eliminated, according to each agency’s business needs and savings goals. Of the State’s 43,000 employees, approximately 12,000 employees received an offer to participate in the voluntary buyout program.

Segal also coordinated a multi-agency implementation team to complete this initiative. We worked closely with State agency personnel to develop detailed operations plans, internal and external communications, multiple training sessions, and statewide informational help sessions for employees located outside the capital region.

**Impact:**

The voluntary buyout program received more than 2,300 applications, which resulted in the acceptance of 1,521 employees, for a recurring savings of \$47 million, minimizing the need for an involuntary layoff. Within four months of the State legislature approving the voluntary buyout program, the participating employees separated from the State’s payroll, at a projected one-time cost of \$38 million.