

## Hidden truth about the budget

City employee fringe benefits, debt service are unsustainable

Mayor Michael Bloomberg gets a lot of praise for socking away billions of tax dollars during the booming economy that blessed his early years in office. In the last few city budgets, the surpluses have been used to make up for plunging tax revenues. But they have not cured the ailment, only masked the pain. In 2011, the anesthetic will wear off.

The Citizens Budget Commission calculates that city expenditures will outpace revenues by \$4.3 billion in the next 12 months. Put another way, the city will spend 7% more than it takes in. That's unsustainable, and it forebodes a fiscal reckoning.

This year's budget was balanced by exhausting the remaining \$3.6 billion in surplus and about \$700 million from the retiree health benefits trust fund. Content to burn the safety net for fuel, the City Council focused on restorations, as usual. It undid about \$232 million in proposed cuts and added \$165 million in new initiatives, including \$48.9 million in pork.

These amounts, of course, are tiny fractions of the budget. The real problem is that the mayor and council did not make structural reforms to prepare New York for a surplus-less future. Instead, they bargained over firehouses, swimming pools and such. As Citizens Budget Commission President Carol Kellermann puts it, "They're still doing the same dance."

It's time to stop the music. The city's expenditures have grown to \$63 billion today, from \$41 billion in 2002, while its debt has ballooned 41%, to more than \$60 billion. The mayor is fond of saying that New Yorkers are willing to pay for services, but surely he does not mean fringe benefits for city employees and debt service. These are the fastest-growing areas of the budget. Health and social services and uniformed services have seen the smallest increases during his tenure.

It is imperative to have public employees share the cost of their health care and pension contributions, but little progress has been made on that front. Mr. Bloomberg continues to call for a new pension tier, yet he is poised to pour any savings he achieves into salary increases. Teachers, for example, may yet receive raises, even though money has not been set aside for them in the new budget.

Servicing the debt, which has grown because of capital projects, is costing 9% more each year, and by 2014, it will account for nearly 12% of the budget. Although the mayor says the city must develop land to make it productive, the line must be drawn somewhere. The city's \$13.4 billion in capital commitments last year was an all-time high.

The administration projects \$68 billion in spending and a \$3.3 billion deficit in fiscal 2012, less than a year away. Fundamental change is needed if massive service cuts and tax increases are to be avoided. Extracting concessions from public employee unions won't happen overnight. The Bloomberg administration and City Council must forget their fox-trot and get down to business.