

Eight moves to watch in this year's city budget dance

Posted on February 1, 2012 by Alexander Hotz

On Thursday Mayor Bloomberg will present his rough draft preliminary budget – the first step in a back-and-forth with the City Council that will continue until the mayor and council agree on a final budget in June.

Last year New York City's expense budget – the fund for the city's day-to-day operations – added up to a staggering \$66 billion, larger than the budgets of only four states in the union. The reality, though, is that only a tiny fraction, between \$200 and \$300 million – is really in play during the budget season.

Many of this year's likely targets for budget knife are familiar ones. The mayor may also try to advance some of the new initiatives outlined in the State of the City address. Here are some items budget-watchers expect will be in play for 2012:

1. Merit bonuses for teachers

In his State of the City address last month, Mayor Bloomberg presented some ambitious education reforms. Perhaps his most controversial proposal was merit-based pay for the city's 80,000 teachers, something both the governor and Education Secretary Arne Duncan support but that the United Federation of Teachers opposes. Under the Bloomberg plan, if a teacher were to receive two consecutive years of excellent ratings he or she would receive a \$20,000 salary bump.

How the excellence of a teacher would be determined or how many teachers would get this bonus has not yet been made public. The mayor's argument for the bonus is additional cash would help retain the best teachers while attracting new talent. What remains unclear, however, is how much this will cost. If just 1 percent of educators were to be awarded the bonus, it would cost the city \$160 million a year. Bloomberg may be budgeting for the program to be paid for by the next mayor, but even if merit pay were instituted this year, the top teachers would likely not receive their bonuses until 2014.

2. Employee contributions toward health care premiums

One of the best perks afforded to city employees is their health care plan. With the exception of co-pays and deductibles, costs are almost entirely covered by the city. Mayor Bloomberg has said for years that he wants to change this practice, and recently Deputy Mayor Cas Holloway announced that the city will try to chip away at this benefit by asking city employees to contribute to a portion of their premiums. Not surprisingly, the city's unions are not interested in giving up their benefits, preferring instead to work under expired contracts. Bloomberg could let the next administration deal with the issue, but it's hard to ignore the numbers. According to a recent IBO report, while pension costs are larger, health care costs are growing about three times faster.

Last year health care costs totaled \$1.5 billion and the Citizens Budget Commission (CBC) predicts an increase to \$2.2 billion by 2015. That would add up to a 10-year growth of 150 percent. In 2009 the Mayor tried to change the system when he proposed a 10 percent worker health premium contribution in the 2010 budget. According to the Bloomberg administration, that cut would have saved the city \$350 million per year. Ultimately the administration dropped the idea because of fierce opposition from the city's unions. To make any change Bloomberg still will need to negotiate an agreement with the unions. Still, the projected savings could show up in the budget tomorrow, just as they did in 2010.

3. More raids on the Retiree Health Benefits Trust Fund

In 2006 Mayor Bloomberg established the Retiree Health Benefits Trust Fund, a nest egg to make contributions toward workers' retirement benefits. The fund, which contained \$2.5 billion when the mayor created it, has been whittled down over time by the administration when it needed to plug budget gaps. Last year the mayor drew \$395 million from the fund and this year the administration used \$672 million.

According to the Independent Budget Office, the pot will be empty by 2014, since the mayor's November 2011 financial plan calls for removing \$1 billion in both 2013 and 2014. The CBC said these raids are shortsighted and neglect the city's long-term fiscal health. "This will tap out the trust," said CBC's Director of City Studies, Maria Doulis. "A better option would be to reform the city's health care obligations."

If the fund disappears, it's not clear where the money for the pension contributions will come from. Yesterday Bloomberg News reported that the city's pension obligations, which are already bloated, are larger than previously thought. A lower return on fund investments has increased the city's obligation for this year by \$2 billion, presenting the Bloomberg administration with a tighter budget than it had been expecting. This year pensions make up \$8.4 billion, or 13 percent of the budget.

4. Layoffs and attrition

At the request of Mayor Bloomberg last November, city agencies suggested \$1.5 billion in cuts to help make up the city's \$2 billion budget shortfall. Included in these potential reductions

were layoffs for 2012 and 2013. The agencies that stand to lose the most personnel include the departments of Transportation and Health. At Transportation, the city's recent transition of parking meters to Muni-Meters, which require fewer staff for coin collection and maintenance, will result in the loss of 62 employees. The Health Department reductions are in the Office of the Chief Medical Examiner's DNA analysis team, which will lose 27 employees. In total the layoffs would total 566 for the two years.

Other agencies that would lose headcount include the Department of Cultural Affairs and libraries. The proposed cuts are nowhere as steep as those the mayor asked for last year – the elimination of more than 9,000 jobs, mostly teachers. Notably absent from the administration's so-called Gap-Closing Plan were cuts to the usual targets: the Department of Education, the HIV/AIDS Services Administration and the Department of the Aging.

5. Balancing the books on libraries

One of the staples of the budget dance is the library cut. Typically these translate into a reduction of hours or the closure of branches. In recent years the Bloomberg administration has been especially aggressive at slashing library funds. In the 2010 budget he tried to cut \$75 million, and last year a \$90 million reduction was on the table. In both cases the mayor's proposed cuts were not upheld. Last year's proposed \$40 million reduction to the New York Public Library, for example, was reduced to \$2.5 million.

6. Firehouses, again

Last year one of the most contentious budget issues was the removal of funding for 20 fire companies. The mayor tried to axe the firehouses – including the iconic Hook and Ladder #8, which appeared in the *Ghostbusters* movies – to save the city \$55 million. City lawmakers, however, contended that the closures would adversely affect city safety and after some aggressive petitioning the firehouses were saved, at least briefly. The council did not put the firehouses back in the budget permanently. Instead it added them for fiscal year 2012, ending this June, which means they could again be on the chopping block this season.

7. The kids may not be alright

In his last preliminary budget Mayor Bloomberg introduced several cuts to the Administration for Children's Services, including the proposed elimination of more than 16,000 of the city's 42,000 publicly funded child-care slots. The cut would have saved more than \$90 million but it lacked support in the Council and the seats were eventually spared. Much like the firehouses, those child-care slots were not added back permanently so unless Bloomberg includes them this year, expect another fight.

A sign of things to come might be Wednesday's call from Public Advocate Bill de Blasio, a prospective mayoral candidate, to "hold the line" on child-care spots. Other possible cuts facing children can be found in the agencies' recent gap closing report to the mayor. A 7

percent reduction to the Out of School Time would slash approximately 3,000 after-school slots positions. And 25 Housing Authority community center programs and seven Beacon after school programs could also close.

8.) ...and there's always garbage

Every year New York City hauls 10,500 tons of waste to landfills as far away as South Carolina. These trips cost the city \$300 million annually, but the Bloomberg administration wants to change that. Last spring the mayor reiterated his idea, first outlined in PlaNYC, of building a waste-to-energy plant in New York City to consume a significant share of the city's garbage. Waste-to-energy conversion doesn't necessarily mean incineration. "What we're doing is as bad as it gets," said Steven Cohen, Executive Director of Columbia University's Earth Institute, describing the city's current waste disposal system. "Really, any of the other options would be better."

If the city can't process its own garbage, it may at least try to save money on collecting it. While most private enterprises must pay for their own private hauling, the Department of Sanitation offers free collection not only for residences but also for religious institutions, universities and other not-for-profits. That costs the city \$440 a ton – and Sanitation is now proposing that the organizations pay a fee to help cover the costs. The department predicts the move will save \$17.2 million.