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City worker pensions vs. kids: Bloomy must cut youth services because adult costs are out of control

BY Carol Kellermann and Jennifer March-Joly

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The $1.6 billion in budget cuts announced by Mayor Bloomberg last month are the most recent example of the consequences of the national recession for local governments. New York provides a troubling example of how the inability to contain costs associated with a large municipal workforce imposes a greater burden on the most vulnerable populations, notably low-income children.

Since 2008, as the economy has struggled, planned city expenditures have repeatedly exceeded revenues. This has required multiple rounds of budget cuts, which have reduced planned spending for fiscal year 2012 by $3 billion.

How evenly has the pain been spread? While no agency has been spared, the greatest hits occur to city agencies serving children.

Staff reductions will reach 21% in the Agency for Children's Services, 11% in the Department of Youth and Community Development, 10% in the Department of Health and Mental Hygiene, and the Parks Department will lose nearly one in three previously planned positions. In the Department of Education, the proposed reduction in teaching staff is more than 9,600, or 8%. In addition, cuts in funding for contracts have restricted the ability of city agencies to support community-based services upon which children rely.

Is Bloomberg a hard-hearted Scrooge? No. The root cause of this injustice is that he has limited authority to alter the compensation or fringe benefits of the municipal workforce.

The state Legislature controls pension benefits, and other forms of compensation are subject to collective bargaining. Although eight union contracts covering the majority of the city's workers have expired, needed concessions have not been negotiated. While the Legislature made significant reductions to pension arrangements for state employees this past year, parallel action with respect to city workers has not been taken.

No one argues against a fairly compensated public workforce. But the compensation of municipal workers is more generous than city taxpayers realize. An analysis of 2008 compensation found the average figure for city employees was $106,743, ranging from $186,464 for firefighters and $164,045 for police officers to $98,689 for teachers and $83,174 for all others. While cash wages made up a large share of this compensation, fringe benefits, including pension fund contributions, are also a major component. Annual city-funded pension fund contributions for each firefighter were $69,884 and for each police officer $51,829, and total pension contributions cost New York's taxpayers $6.6 billion last year.

Pension fund contributions are so large because the benefits are so generous. Uniformed workers are eligible to collect in full after 20 years of service without any age requirement, and the pension is based on earnings that include overtime that is often extensive in the year before retirement. These young retirees often will receive their pensions for more years than they worked to earn them, and for that entire period they and their spouses will also receive comprehensive health insurance without paying any part of the premium. Retiree health insurance cost New York taxpayers $1.2 billion last year.

Sustaining these benefits is a major factor in the city's rising expenses, forcing cuts in other parts of the budget - specifically, agency staffing and contracted community-based services. At the same time that the city has had to cut spending by $3 billion, annual pension fund contributions have grown from $4.9 billion in 2007 to a projected $8.1 billion in fiscal year 2012.

The simple arithmetic is that if pension costs had been held flat, no budget cuts would be needed today.

There is a better way for New York to deal with the ongoing recession. First, the Legislature must enact a new pension system for future uniformed workers: They should have a minimum age for retirement, have the pension based on salaries without overtime and be obliged to contribute more during their working years. Second, union leaders must agree to more cost-sharing for health insurance premiums, and retirees should be paying for a share of their benefits similar to arrangements in the private and nonprofit sectors.

Union leaders may argue that they are not responsible for the current economic crisis, so their members should not bear any of the burden. But the same is true of the city's 2 million children, who are bearing the brunt of current cuts. The city budget must be trimmed - it is critical that changes be made to enable the mayor to do so more equitably.

Kellermann is president of the Citizens Budget Commission; March-Joly is executive director of the Citizens Committee for Children.