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Doulis: City, teachers' agreement resolves major uncertainty around city's financial plan

The tentative agreement between the city and the teachers union resolves major uncertainty surrounding the city's financial plan and ensures some stability in labor relations with a major segment of the city workforce for the next five years.

By Maria Doulis

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Maria Doulis is director of city studies at the Citizens Budget Commission.

The tentative agreement between the city and the teachers union resolves major uncertainty surrounding the city's financial plan and ensures some stability in labor relations with a major segment of the city workforce for the next five years.

It establishes a reasonable pattern for other city workers, but its affordability rests on ensuring concrete savings from health care costs.

The contract provides relatively reasonable wage increases ranging from 1% to 3% from 2013 through 2018 and installment payments beginning in 2015 – intended to be the equivalent of raises other unions received from 2008 to 2010.

The exact fiscal details of nine-year contract will not be announced until the Executive Budget is released next week, but the Mayor's Office calculates the contract will cost about \$4 billion over the next four years.

Stretching out those payments will help shield New Yorkers from tax hikes and service cuts that would be necessary if they were paid in a single year.

Some union leaders have expressed dissatisfaction with the deal; police and fire unions can go to arbitration before a state board, which can potentially award greater wage increases.

But if the agreement serves as a pattern for the remainder of the workforce, back-of-the-envelope calculations show other employees' salaries will grow by an additional \$400 million in fiscal year 2015 rising to \$1.5 billion in fiscal year 2018.

Some of these costs will be defrayed by reserves already set aside in the budget and by an estimated \$3.4 billion in new health care savings to be determined by city and labor officials.

The health savings will be derived from implementing cost control measures; how much they will actually save remains unclear. More predictable savings are possible by requiring employees and



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retirees to share in the cost of their health insurance premiums, just as most public and private employees do.

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