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Brecher: Issues Remain In Mayor de Blasio's New Budget

The tentative agreement with the teachers union last week and the executive budget released Thursday reveal the mayor's solution to the biggest fiscal uncertainty for the city.

By Charles Brecher

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For months, the biggest fiscal uncertainty for the city has been how Mayor de Blasio would handle negotiations with the municipal unions that have been working without contracts. The tentative agreement with the teachers union last week and the executive budget released Thursday reveal the mayor's solution.

The total cost of applying the teachers' deal pattern to all workers and giving the teachers back pay is \$13.4 billion in the next four years and another \$4.3 billion in subsequent payments for a total of \$17.7 billion.

The mayor says this is a good deal for taxpayers because the unions will take cooperative actions to help pay for the raises and because he is able to stretch the cost over a long period.

The agreement commits the unions to help find a total of \$3.4 billion in savings in health insurance costs over the next four years and lets the city use \$1 billion from a fund of tax dollars jointly controlled with the unions. The teachers have agreed to take their back pay from 2009 and 2010 in payments that start in 2015 and stretch to 2020. As a result the budget is balanced this year and next, but the gap in fiscal year 2018 has jumped from \$370 million in February to \$3.2 billion in the new budget. The mayor's spin is not convincing. While he has kept the promised raises for most workers other than teachers at a modest 10% over seven years, two big issues remain.

First, the health insurance savings are uncertain. Second, the extended time frame for paying the teachers' back pay conflicts with principles of public finance. This year's taxes should pay for this year's services. In this sense, the new budget sets a bad precedent.