# De Blasio Pulls Off Deft Budget-Balancing Parlay

**By JAMES PARROTT | Posted: Monday, May 19, 2014 5:45 pm**

Understandably, much of the commentary on Mayor de Blasio's FY 2015 Executive Budget has dealt with the financial impact of the recent UFT contract if ratified and applied across the entire 350,000-person unionized city workforce. It is, after all, by far the most significant labor deal in city history, potentially affecting the entire workforce for seven years, and 150,000 of those workers for an additional two years going back to 2009 and 2010.

Some observers can't quite grasp that Bill de Blasio pulled that off, restoring a constructive labor-management dialogue based on mutual respect, and doing that without destabilizing city finances. They pointed to the $17.8-billion total price tag and voiced their skepticism about under-specified health-care savings.

## A Pound of Flesh?

It is truly puzzling why such observers feel it's somehow better to have workers pay part of their premiums rather than definitively commit to substantial and enforceable cost savings. The unions are now obligated to provide by FY 2018 $1.3 billion in annually recurring health- care savings.

While $17.8 billion viewed alone is a substantial sum, relative to the total $172 billion that will be spent on labor compensation in the 2015-2018, four-year financial plan, it is a fraction over 10 percent. That includes lump-sum back pay for three to five years that his predecessor should have dealt with, and that won't recur. Plus, there's the fact that $3.5 billion was already in a labor reserve, and that labor is on the hook to identify $3.4 billion in health-care cost-savings and will provide $1 billion from a joint health-stabilization fund.

The health savings pay for a significant part of the cost of a citywide labor settlement. On an annual basis, total personnel costs in the de Blasio budget grow about 7/10 of a percent faster than under Bloomberg's assumptions—that's pretty modest.

Not to be lost sight of is the fact that a host of educational policy and work-rule issues were resolved at the bargaining table between the UFT and the city that should positively affect city schools.

## Break With Recent Past

There is also a risk of losing sight of the many ways Mayor de Blasio's budget represents a sharp and progressive departure from how the budget has been done for the past 20 years. The Mayor starts by acknowledging that not all New Yorkers are sharing in the city's economic growth, and that "our economy will be strengthened by addressing income inequality." Then he stakes out two big things the city must do: expand educational opportunities from pre-K to middle school to college, and dramatically expand affordable housing. A big agenda for a big challenge.

Foremost on this list, of course, are the Mayor's signature UPK and after-school-expansion initiatives, where he succeeded in getting the state to kick in $500 million a year for services that will overwhelmingly benefit children from low-income families. No small feat, and one of the most significant budget commitments Albany has made to New York City in a long time.

Moreover, the Mayor's budget finally ends what has come to be known as the cynical and harmful annual "budget dance" that for years marginalized public libraries, child-care services, and important community-based public-health, senior and youth services.

Those who claim the Mayor's budget is fiscally irresponsible need to take a closer look at recent tax collections and the city's conservative tax and budget projections. Compared to the FY 2014 tax forecast at the time the budget was adopted last June, tax collections are now expected to be $2.6 billion higher. Similarly, the latest tax forecast for FY 2015 calls for growth of only 1.2 percent compared to fiscal 2014.

## Closing the Gaps

In its March review of the city's preliminary budget forecast, the Independent Budget Office (IBO) projected upside revenue potential of $1.1 to $2.4 billion a year over the next four years. In updating its projections, the IBO might conclude that upside revenue potential alone will offset much of the projected out-year budget gaps. And that's without having to turn to various non-labor reserves elsewhere in the budget.

A May 12 comment on the Mayor's budget by credit-rating agency Moody's cast the budget impact as "credit negative" but curiously cited only the increase in projected budget gaps without analyzing the underlying tax and budget assumptions. The week before, Moody's noted that the pattern-setting UFT settlement resolved a "long-standing budgetary risk," and pegged the net cost of the UFT settlement through fiscal 2018 as only 0.9 percent of revenues.

Some observers have also made a mountain out of the proverbial molehill in citing the Mayor's joint statement with City Comptroller Scott Stringer announcing an accounting change regarding the lump-sum payments to UFT members retiring after June 30, 2014. This action advances recognition of that obligation into fiscal 2014 from fiscal years 2015-18, and has absolutely no effect on the UFT settlement, and no net budget or financial impact. This was simply an accounting clarification, and entirely understandable given the fact that a historically unprecedented long-term labor agreement was finalized within a few days of the budget release.

Bill de Blasio not only faced up to one of the biggest challenges any new Mayor has confronted in inheriting wall-to-wall unsettled labor contracts, but he has managed that with a fiscally responsible budget that also begins to take meaningful strides in addressing income inequality.

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*Mr. Parrott is the chief economist and deputy director of the Fiscal Policy Institute.*