

## City Hall's Budgetary Exuberance May Soon Fade Away

by Glenn Pasanen

Tuesday, July 13, 2010 12:00 AM

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Photo (cc) [D Sharon Pruitt](#)

Self-congratulation filled City Hall late last month as the City Council [adopted](#) the \$63.1 billion 2011 city [budget](#) that took effect July 1. For Mayor Michael Bloomberg and the City Council, the new budget represents a tough but fair resolution of the fiscal problems generated by a weak economy and losses in federal and state aid.

The mayor and council could in particular point to the \$3.6 billion surplus in 2010 whose roll-over provided the key base for balancing the 2011 budget, an effort the state [Financial Control Board](#) in its June report credited to the city's "conservative assumptions and proactively managing its budget."

But from another perspective, the adopted budget is simply a short-term political solution, filled

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with unacknowledged inequities and mismanaged priorities, many of them the result of the rush to create the 2010 surplus. In this view, the budget could unravel in the next few months, much as last year's budget had to be modified mid-year.

The new budget, for example, depends on what City Comptroller John Liu, in comments on May's executive budget [called](#) "a labor negotiation strategy that has little precedent in our city's history. In case it is not successful, there must be a 'Plan B' to address the challenging period ahead." In other words, if city workers do not accept the wage freezes at the heart of this budget, hundreds of millions of dollars will need to be found elsewhere.

### The Adopted Budget

The budget adopted on June 29 reflected some typical end-of-year changes. New revenues and new expenditure savings since May's executive budget added \$370 million to the 2010 surplus and helped fund \$395 million (only 0.9 percent of city funds) in City Council restorations and initiatives.

A few days earlier, after the preliminary [handshake](#) budget agreement with Council Speaker Christine Quinn, Mayor Michael Bloomberg said there would be, "pain, yes. Serious damage, no." On the council side, Finance Committee Chair Domenic Recchia

[explained](#)

, "We got lemons from the state, from the federal government and from the economic climate, but I'm proud to say that by working together with the mayor, we were able to make budget lemonade."

On budget-adoption day, Speaker Quinn [echoed the Recchia metaphor](#) : "We found ourselves struggling beneath an avalanche -- the persistent economic downturn; the declining federal stimulus dollars; the limited state resources -- all led to us ultimately being left with practically no tools to rebuild our city after being hit by such a historic financial crisis."

The lack of "tools," though resulted from choice in some cases, not necessity. The mayor and speaker, for example, had made a much-touted pledge that there would be no new taxes in the adopted budget. This was an unusual if not unprecedented response to "a historic financial crisis." By contrast, the last financial crisis -- in 2002 -- was resolved with a balance of tax increases and expenditure cuts.

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The speaker continued with a slap at the budget chaos in Albany. "Through a thoughtful, deliberate process, we agreed to a fiscally responsible, timely budget " she said. "We restored funding for core services for the most in-need New Yorkers."

These positive City Hall comments brush over the fact this new budget represents the latest round of budget cuts -- the eighth in the past three years. The cumulative impact of these cuts totals \$3.6 billion for 2011 alone. That is the equivalent of the combined expenditures of the fire, sanitation and housing departments in 2011.

The rolling nature of budget cutting over the three years has both minimized any political opposition and made more difficult to identify pain and serious damage from the budget. For instance, the city comptroller's recent comments on the executive budget pointed out that only \$544 million of \$1.3 billion in agency cuts for 2011 will be implemented in 2011; the other \$747 million are recurring savings from cuts implemented in 2010.

### Programs for the Needy

The New York Nonprofit Press [provides](#) extensive evidence that, while the administration has repeatedly said the cuts have been across-the-board and equitable, they have not always worked out that way. Instead, three years of agency cuts have caused serious damage. Since agency heads have much discretion, some programs remain relatively untouched, while others have suffers severe cuts or even elimination.

For instance, in child welfare, Nonprofit Press reports the council restored \$12.1 million of the \$12.8 million cut in preventive service programs, which could have reduced capacity by 30 percent. Also, some \$6.7 million of a \$9 million cut to childcare centers was restored. According to the Press, most significant proposed cuts in youth development programs were restored "either in whole or part."

On the other hand, although the \$3.8 million elimination of the [After-School Corp.](#) youth program was fully restored, less than a half of a \$8.5 million cut to the popular [Beacon program](#), which runs afterschool, weekend and vacation centers for children and young people, was restored, and only half of the \$6 million Out of School Time program was restored. A \$1 million Neighborhood Youth Alliance/Street Outreach Program was eliminated.

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Senior services "were extremely hard hit," the Nonprofit Press reported. While the mayor and council agreed to scale back the closing of 50 senior centers to save \$11.5 million -- the social service cut that probably received the most publicity throughout the spring -- the centers still saw their funding cut by 42 percent. Worse, a \$10 million program that "provides homemaking for vulnerable home-bound seniors" was eliminated entirely.

A \$2 million social services program for disabled older adults and an \$850,000 intergenerational program for joint activities between seniors and youth also got the ax. After partial restoration, cuts to other senior programs ranged from 10 to 33 percent.

In homeless services, \$1.2 million of a \$1.7 million cut to medical services in shelters was restored. But other shelter programs, including the providing of employment specialists for residents, did not fare as well. Even after partial restoration, the city cut funding for [Anti-Eviction Legal Services](#) by 11 percent, the Housing Preservation Initiative by 33 percent; and community consultants by 50 percent. The \$1.8 million cut in funding for on-site supportive housing case managers remained intact, an "unfathomable" cut, according to the director of the [New York City AIDS Housing Network](#).

One earlier decision in the budget process can put these cuts in perspective: the mayor's decision, after the attempted Times Square bombing, to reverse an earlier decision and not cut some \$105 million by downsizing the police department. That retraction took away funds that could have made most, if not all, of the social service cuts unnecessary.

### The Groundwork for More Cuts

The 2011 adopted budget has the seeds of the next big mid-year package of agency cuts. Labor costs remain the big question mark.

The 2011 budget does not include one of the mayor's standard labor-negotiation goals -- savings from labor concessions on health premiums and pensions. After the release of the executive budget, Bloomberg shifted from proposing a limited 2 percent raise for teachers to [no raise at all for two years](#)

. That, he said, would avoid teacher layoffs. Neither the [United Federation of Teachers](#) nor the

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### [Council of School Supervisors and Administrators](#)

, which represents principals, has accepted this proposal, although it remains unclear how they could fight it.

The mayor has expanded this no-raise demand to all city workers. As the comptroller points out, he has "removed funding of 1.25 percent from the [labor reserve fund] annually for the first two years for the next round of collective bargaining agreements, arguing that any wage increases must be paid for by offsetting reductions in the city's costs for fringe benefits or by productivity increases. On net, this approach allows the mayor to reduce projected spending \$896 million over fiscal years 2010 through 2013."

Another major question mark is whether the city will get \$279 million in federal funds to offset city Medicaid spending; Congress has yet to agree to this.

The lack of a [truly final state budget](#) poses further uncertainty. According to the city comptroller, May's executive budget anticipated about \$1.25 billion in lost state aid for 2010 and 2011, including nearly \$500 million in state education aid for 2011.

The comptroller also raises the question of management. His comments include a charge, based on audits and contract registration, that some capital budget projects are mismanaged and do "not adequately protect the taxpayer."

The CityTime computerized payroll project, significantly over budget, is "a prime example" of mismanagement, according to the comptroller. Juan Gonzales in a June 4 Daily News [column](#) pointed out that this system has already cost \$700 million, 10 times its original estimated cost. It is not near completion, and the mayor is spending another \$100 million on it this year.

Earlier in the year the Daily News found that 230 private CityTime consultants received an average of \$400,000 each this year. (City computer technicians cost an average \$77,000 a year.) At a June 16 labor rally outside City Hall, Lillian Roberts, executive director of the city's largest union, [District Council 37](#), [argued](#) that a 15 percent reduction in city consultant contracts would save over \$316 million and thus eliminate all service cuts and preserve city jobs.

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The city faces projected deficits averaging over \$4.5 billion every year from 2012 through 2014. With the first of these deficits 11 months away, and the current prospects for a surplus in this year poor, recent history suggests that the exuberance at City Hall will soon fade. Unless the mayor and council can find new tools to minimize or cancel further harmful cuts, critics may begin to suggest that some of those budget lemons are homegrown.

Glenn Pasanen, who teaches political science at Lehman College, has been in charge of Gotham Gazette's finance topic page since 2001.