Economist: City Can Give UFT and Nurses Retro, Do New Deals

By RICHARD STEIER | Posted: Monday, April 28, 2014 5:45 pm

A continually improving fiscal outlook has given the de Blasio administration the ability to grant retroactive pay approaching $3.7 billion to Teachers, nurses and other employees whom Mayor Bloomberg excluded from the two 4-percent raises he gave the rest of the municipal workforce by 2008, with enough left over to provide “modest” wage increases to the entire workforce covering more-recent years, according to the liberal Fiscal Policy Institute.

During an April 23 briefing for reporters that was coordinated with the United Federation of Teachers, the group’s chief economist, James Parrott, said the unresolved contracts present “a challenge but not a crisis” in terms of providing raises.

Calls ‘Pattern’ Hikes Likely

Noting the long history of pattern bargaining in the city until Mr. Bloomberg’s move to discontinue the pattern he created in July 2007 after the national economic crisis began taking a toll on the city late the following year, Mr. Parrott said that arbitrators now considering cases involving the UFT and the New York State Nurses Association would be “hard-pressed” not to grant them the same 4-percent raises with full retroactivity.

The city’s chief negotiator, Robert W. Linn, is known to be engaged in intensive bargaining with the UFT that has caused a delay in the issuance of recommendations by its panel, which would not be binding on the city in any event. The arbitration involving Registered Nurses is binding, but sources have indicated that this panel’s award is unlikely to be issued until the UFT talks have run their course.

The New York Times has reported that Mr. Linn and UFT President Michael Mulgrew have discussed the possibility of a contract that would run for as long as nine years. Since the last pact for the union expired Nov. 1, 2009, a deal of such unprecedented length would wind up being at least half retroactive. It might also permit the city, if it agreed to grant the two 4-percent raises in the pact’s opening two years, to make a plausible offer of less-generous terms in the middle of the contact while providing enough money on the back end to make it worthwhile for the UFT.

No Clear Budget Shift

Mr. de Blasio’s preliminary budget issued in February adhered to the one Mr. Bloomberg put forward three months earlier on his way out of office after 12 years as Mayor: a three-year wage freeze, followed by annual raises of 1.25 percent. Mr. Bloomberg had offered the unions the possibility of improving their wage packages if they agreed to productivity savings to cover the added costs. Labor leaders demurred, however, from the time in the first half of 2010 that he unilaterally decided that he would take the 4-percent raises off the table for Teachers so as to avoid the need for laying off thousands of them.

In a presentation that was largely devoted to analyzing the city's current budget situation, Mr. Parrott said that the city's tax revenues have been growing by 5 percent a year, adding $2.5 billion to its available funds as the budget year that will begin July 1 approaches. He noted two additional pots of money that could go towards funding raises in addition to the $500 million earmarked for that purpose in the city's labor reserve.

One is the Retiree Trust Fund that serves as a back-up for providing health-benefit coverage to city workers. Mr. Parrott noted the Mayor boosted it in his preliminary budget by restoring half of the $2 billion Mr. Bloomberg withdrew from it during his final years in office.

An Overflow Grant Fund

He also pointed to the city's reserve for "disallowances," which is used to repay the state and Federal Governments in cases where it is found that the city misused grant money it had received from them. In a typical year, the city is forced to make good on about $15 million in improper disbursements from grants, but it currently has $1 billion in that fund. This, too, Mr. Parrott said, could go a long way toward funding wage settlements.

One point of contention, particularly while Mr. Bloomberg was in office, was whether if the city granted raises with full retroactivity to the UFT, NYSNA, and unions representing Licensed Practical Nurses, school supervisors and school custodians, it had to make those payments within a single fiscal year. During the mid-1970s fiscal crisis, the unions agreed to defer raises that had previously been agreed to, and they were repaid with interest in the early 1980s. That deal was reached, however, before the city—as one condition for averting bankruptcy—was required to abide by Generally Accepted Accounting Principles, which state that a liability must be paid in full during the fiscal year in which it is scheduled to be incurred.

During the UFT fact-finding process, Bloomberg-administration officials said that obligation made the cost prohibitive and therefore unaffordable, citing the requirement that arbitrators consider ability to pay in deciding on the size of a contact award. The UFT presented an expert witness who contended that there was a method by which payments could be spread over multiple years without placing the city in violation of the GAAP standards.

Thinks Pay Can Be Spread

Mr. Parrott told a questioner that he shared that view, saying, "I think the city has the latitude to do that... if it needed to." He did not elaborate.

The retroactivity question resonates beyond the huge impact it carries in terms of the UFT and NYSNA contracts, which cover more than 100,000 workers. The rest of the municipal workforce in almost all cases will have been working under expired contracts for four years by mid-summer. Because none of the unions can stake a claim to further 4-percent raises, since no pattern has been established yet for the bargaining round that dates back to 2010 for most of them, the cost may not be nearly as great. But even raises of 1 or 2 percent from that time forward would put a strain on the city budget if the retro money had to be paid over the same fiscal year.

One of the three UFT officials who was present for Mr. Parrott's briefing noted that city officials have the option of generating additional funding by refinancing municipal bonds, if need be.