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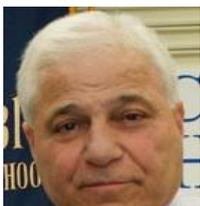
TOP STORY

Unions Balk At Terms Of Health Fund's Use To Plug Budget Hole

Price Called Too Steep For Postponing Layoffs And Fire Company Closings

By DAVID SIMS and RICHARD STEIER

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A proposal to use hundreds of millions of dollars from the Health Stabilization Fund to avert thousands of layoffs and the closing of fire companies for a year was shot down June 15 by union leaders who questioned diverting the money for that



HARRY NESPOLI: A tough sell due to union mistrust.

purpose while arguing that the primary beneficiaries of the deal would be Mayor Bloomberg and City Council Speaker Christine Quinn.

A not-insignificant factor in their rejecting the plan was lingering anger over the Bloomberg administration's tactics in dealing with labor issues over the past year, which was stoked again when details of the proposal appeared in the Daily News before they were presented to the steering panel of the Municipal Labor Committee June 13.



GREG FLOYD: City's tactics not helpful.

'They Don't Trust the Mayor'

"They just don't trust this administration," MLC Chairman Harry Nespoli said in an interview June 16, although he did not rule out the possibility of a revised proposal proving acceptable.



CHRISTINE QUINN: Unable to broker a deal.

As this newspaper went to press June 20, however, no new talks had been scheduled. A budget deal by law must be reached on or before June 30.

Those favoring the proposal most strongly—United Federation of Teachers President Michael Mulgrew and the two firefighter union leaders, Steve Cassidy and Alexander Hagan—have memberships that are particularly vulnerable to the

Mayor's proposed budget cuts. Yet neither Mr. Cassidy of the Uniformed Firefighters Association nor Mr. Hagan of the Uniformed Fire Officers Association attended the meeting, and participants said Mr. Mulgrew left most of the advocacy

for the plan to Barbara Bowen, head of the Professional Staff Congress, which like the UFT is an affiliate of the American Federation of Teachers.

The opposition was led by District Council 37 Executive Director Lillian Roberts, whose members also face layoffs under the Mayor's spending plan, Patrolmen's Benevolent Association President Patrick J. Lynch, and Correction Officers Benevolent Association leader Norman Seabrook.

Ms. Roberts, according to those present, said the city should be looking in other directions for savings, citing lagging revenue collections and inflated spending on outside contracts—an area Ms. Quinn has also contended could be cut without doing the kind of damage to city services that would be caused by massive Teacher layoffs and fire-company closings.

Wrong Use of Fund?

Mr. Lynch, MLC participants said, contended that a fund originally created to cover health-benefits shortfalls should not be used to plug budget gaps.

Mr. Seabrook was particularly vociferous on that subject, both during the MLC meeting and in two phone interviews, saying, “Christine Quinn wants this to be her bailout package. We’re not gonna do it—she has to negotiate a budget. She has to make the decision on closing fire [companies] and layoffs.”

Ms. Quinn issued a statement after the proposal—which also included a \$100-per-person contribution to employee and retiree welfare funds—failed to make headway saying that she was “grateful” that the MLC had considered the plan. “I remain committed to working with everyone involved on reaching an agreement that will prevent Teacher layoffs and benefit the city overall.”

But past statements she had made about cutting the contract budget and slicing \$75 million from Department of Education spending in areas other than teaching have signaled her reluctance to sign off on up to 4,100 layoffs proposed by Mr. Bloomberg, and much of the Democratic caucus in the Council appeared at a fire-union rally two weeks ago to pledge its opposition to closing companies. Mr. Seabrook was among the union officials who said Ms. Quinn had more to lose politically if the Mayor’s budget plan was adopted than even the union leaders whose members would be most affected.

Sees Political Pain for Mayor

“It’s unbelievable that the unions would even consider this,” said one union official who did not want to be identified. He said that he believed that Deputy Mayor Howard Wolfson, whose roughhouse tactics on Teacher layoff and pension legislation have antagonized many municipal union leaders, was confronting the reality that the threat of Teacher layoffs had not persuaded the State Legislature to end the use of seniority in dismissing staff and realizing “that if he lays off Teachers, the Mayor gets killed.”



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Mr. Seabrook said he thought Mr. Bloomberg might make the layoffs anyway to avoid the political embarrassment of backing down, but that it would be a mistake for the unions to capitulate to their own fears.

If they agreed to the proposal, he noted, “We will only be saving layoffs for at most a year. At that point he comes back to us and we have no money and I think he begins the privatization of the workforce. I think that’s what [Deputy Mayor Stephen] Goldsmith’s preparing to do.”

The COBA president, for whom privatization is a particular concern because it has been used in jail systems in other states, said he would not consent to using the stabilization fund for budget relief unless Mr. Bloomberg promised there would be no layoffs for the remaining 30 months of his term. Mayoral officials dismissed that possibility, noting that the city also faces a \$5-billion deficit for the fiscal year that begins July 1, 2012.

Dispute Over Hit on Fund

Mr. Seabrook also claimed the administration had low-balled the cost of the proposal in saying that \$400 million would be withdrawn from the stabilization fund, contending the real figure was closer to \$750 million. That was disputed by other union officials however, who believe the price-tag is \$480 million. Roughly \$300 million of that would be needed just to avert the Teacher layoffs.

Some union officials’ wariness about committing the money stems from their experience in June 2009, when the stabilization fund was a key element in a deal that postponed roughly 1,000 layoffs for three months while also providing a cash infusion to union welfare funds. A hoped-for improvement in the city’s economy did not materialize, and almost all of those targeted for layoffs—most of whom were represented by DC 37—lost their jobs early that fall.

“Next year the economic situation could be worse,” Mr. Seabrook said. “A one-year [no-layoff] guarantee only puts a band-aid on a major artery break.”

Detectives Endowment Association President Michael J. Palladino, who was not present at the MLC meeting but sent two union officials to represent him, said, “What’s keeping us from participating is the lack of financial justification on the city’s part.” He questioned why the Mayor would be making significant workforce cuts “while stockpiling surpluses,” even though Mr. Bloomberg previously said it was necessary to roll over an anticipated surplus of more than \$3 billion to start dealing with the deficit for the following fiscal year.

Pension Earnings Downgrade

The city is also likely to have a new hole to fill when City Actuary Robert North issues recommendations for a reduction in the assumed interest rate earned by pension-fund investments to reflect the fall-off in recent years in stock profits from the investments of the five city funds. It is expected that Mr. North will lower the assumed rate from 8 to 7.5 percent, which would force the city to make an additional \$1 billion a year in pension contributions to cover the anticipated earnings drop-off.

In the absence of any city officials at the MLC meeting, Mr. Nespoli became a target of some of the venting, with several union leaders reportedly questioning why he had been negotiating with Ms. Quinn before consulting them. But Teamsters Local 237 President Greg Floyd said the MLC chairman became a victim of what he called an “amateurish” decision by someone in the Bloomberg administration to leak details of the discussions to the News in an attempt “to box us in.”

“It hampered Harry Nespoli’s ability to negotiate a deal,” said Mr. Floyd, contending he would have been amenable to using the stabilization money except for the feeling that he and his fellow labor leaders were “treated like children” by the administration.

Mr. Nespoli, who also heads the Uniformed Sanitationmen’s Association, acknowledged somewhat ruefully, “A lot of work has to be done to build up the credibility of City Hall.”

But while he emphasized that point during a meeting with Deputy Mayor Goldsmith last Thursday, no further meetings had been scheduled by presstime June 20.

“We’re just letting everything regroup,” Mr. Nespoli said.

