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N.Y. mayor-elect will face immediate fiscal crisis

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NEW YORK — Mayor-elect Bill de Blasio will sweep into office in January with a powerful mandate for progressive change, but a looming fiscal crisis threatens to derail his agenda before it begins.

De Blasio, a Democrat, faces a multifaceted dilemma years in the making that he will be forced to confront within weeks of taking office. He will contend with soaring worker health care costs, a still-fragile recovery from the recession, and potentially a dramatic reduction in the vital aid supplied to New York by the state and federal governments.

But de Blasio’s most immediate crisis is presented by some of his staunchest allies: the city’s unions. All 300,000 members of the municipal labor force have been working on expired contracts for years, declining to negotiate with outgoing Mayor Michael Bloomberg in hopes of striking a more favorable deal with de Blasio.

Labor leaders are asking for current and retroactive raises, a balloon payment that could eclipse \$7 billion, which is nearly 10 percent of the city’s entire \$72.5 billion budget, according to the Independent Budget Office.

“There is no question this is the biggest fiscal problem the incoming mayor faces,” said George Sweeting, deputy director of the nonpartisan agency. “It will impact everything else.”

If de Blasio were to fully acquiesce to the unions, his scramble to fund the raises would have immediate and dramatic ramifications.

Agency budgets would be slashed, meaning vital services, from trash pickup to police staffing to school supplies, would likely be cut. City workers would be laid off. And de Blasio would have little choice but

to raise the one tax he can control, the property tax, which could drive homeowners and businesses from the city.

“To pay for all that, they would have to be sweeping cuts that would really impact the quality of life in the city,” said Carol Kellerman, president of the independent Citizens Budget Commission.

Negotiations over the new contracts are expected to begin in January. De Blasio has been steadfastly noncommittal about retroactive raises, and his team declined to comment further.

“He’s in both a political and fiscal bind,” said Baruch College political science professor Douglas Muzzio, noting that de Blasio faces a choice between alienating his base or throwing the budget out of kilter.

A compromise may be the most likely outcome, according to analysts. Instead of retroactive raises, de Blasio could offer one-time bonuses for employees that would not be factored into their pensions. He could also ask city workers to start contributing to their health care premiums.

But the fiscal challenges de Blasio faces won’t end with the union contracts.

Like most big-city mayors, de Blasio is uncertain on whether he can count on aid from Washington, where another government shutdown or sequestration could turn off the faucet of federal funds.

There is some good news: New York has bounced back from the last recession better than most big cities, city spending has been cut slightly, and tax revenues are on the rise, thanks in part to Bloomberg’s policies and rising profits on Wall Street.

But de Blasio needs more than that to enact his sweeping legislative agenda, one he hopes will continue the city’s reduction in crime while combatting rising income inequality.

His signature campaign proposal is universal pre-kindergarten, which will be funded by a tax hike on the wealthy. But he needs Albany’s support to raise taxes, and if it’s not forthcoming, he’ll need to look elsewhere to find the money.

“He has tough choices to make,” Kellerman said. “There’s no pot of gold to pay for everything.”