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The Public Ought to Know: City still bears burden of heavy expenses, deficit

By Corey Bearak

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With Mayor Michael Bloomberg about to present his preliminary budget proposal for the fiscal year 2006, which commences July 1, 2005, it makes sense to look at some of the bigger expenses New York City continues to bear. This makes sense when placed in the context of funding for libraries, senior centers, youth programs and schools in Queens and the rest of the city.

Medicaid represents a nice chunk of the city budget - about 10 percent - and forecasts expect it to grow. Much of the focus on Medicaid and the objection to the program in some quarters center on the perception that Medicaid funds poor people with no interest in helping themselves. That challenging misperception allows some critics to advocate killing or reducing the program rather than searching for an innovative funding mechanism.

Compare Medicaid costs - about \$4.7 billion this fiscal year - to other fixed costs over which the city lacks control. The city must pay its enormous debt on long-term borrowing (\$4.2 billion due this fiscal year), pensions and worker benefit plans. Contractual commitments require these payments.

Reducing borrowing involves the use of money that would otherwise fund operating expenses to pay down the size of the city's capital debt. That becomes hard to do when the city's funds are tight. It's a practice that makes great sense only when the city realizes budget surpluses.

Pension costs depend on the size of the city's workforce, the lifespans of pensioners and their beneficiaries (dependent on how a retiree elects to receive his/her pension) and the calculation by the city's actuary on how much the city must "contribute" to its pension funds.

Health benefits depend on the various programs made available to city workers based on contracts with organized labor on behalf of the city's workforce (city managers and elected officials enjoy their own management benefits fund). Outside of healthy workers who need nothing more than basic care, the only way to significantly reduce these costs

involves negotiating savings with the unions who represent city workers.

The contract with District Council 37 expires in June and city teachers, principals and police officers remain without contracts. Frankly, negotiations that reduce employee benefits effectively cut employee compensation packages (which includes salaries). No one, not even our mayor, thinks workers should work more for less.

On the other hand, where workers and managers can identify real opportunities to increase productivity, the savings ought to be shared appropriately between labor and management. The difference in how to apportion that savings often becomes the divide that keeps the mayor and labor leaders at odds over closing on new contracts. The mayor's office projects these costs growing to \$10 billion, about 20 percent of the project budget in two (fiscal) years (2008).

So that leaves the city to focus on the size of its workforce and its programs for seniors and youth, public schools, the City University, libraries, firehouses and housing and economic development. These involve between 1 and 2 percent of the city's budget. In recent years, Council restorations to the cuts the mayor proposes in the executive budget due out in the spring have tended to range from under \$80 million to nearly \$200 million, a small change in comparison to pensions, borrowing and Medicaid costs.

When we think of Medicaid, we see medical coverage for low-income people funded. The federal government funds 50 percent and leaves the remainder to the discretion of the states. New York is one of several states that imposes half of its cost on local governments; that means New York City pays 25 percent of the total bill. Mayors, past and present, try to get our state governments - currently cash-strapped - to pick up that amount. Fairness dictates the state pay the bill, but the cupboards in Albany remain bare (that requires its own column one day).

The bipartisan National Governors Association last month proposed that Medicare pick up 100 percent of the cost of Medicaid for long-term care on dual-eligible individuals. The federal Medicare program covers people over 65 regardless of income. According to the governors association, 42 percent of current Medicaid costs go towards care for Medicare beneficiaries who comprise a small percentage of the Medicaid case load. Medicare fully insures these individuals.

Medicaid currently accounts for 50 percent of all long-term care dollars and finances the care for 70 percent of all people in nursing homes. The Queens Civic Congress last month asked the city's Independent Budget Office to determine the possible savings to New York City if Medicare picked up these costs.

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