REMAPPING DEBATE
Asking "Why" and "Why Not"

Caught in the act

Commentary | By Craig Gurian | Education, Health care, Labor, NYC

June 15, 2011 — As originally reported by the New York Daily News, New York City is in talks with its unions to avoid teacher firings and other budget cutbacks by means of taking hundreds of millions of dollars from a Health Insurance Stabilization Fund set up in 1986. Back then, The New York Times reports, "the unions agreed to scale back raises they had negotiated; in exchange, the city agreed to contribute $35 million each year to a fund that was meant to even out the costs employees paid for two of the health insurance plans offered by the city."

Creating a rainy day fund — a fund to which the city has been obligated to contribute $875 million over the last 25 years — was a prudent decision. It put the city and its workers ahead of the curve: rather than scrambling to meet unexpected developments on the health benefit front, there has been a cushion in place.

This spring, however, New York City Mayor Michael Bloomberg has promised to lay off more than 4,000 teachers in order to close a budget gap, and the Times article says that the plan to raid the health insurance fund "is shaping up to be the most realistic alternative put forth to avoid the layoffs" (the city has raided the fund before, to the tune of $117 million in 2009).

But even if the plan is politically realistic (or convenient) to city and union officials alike — one union official is quoted as saying that, "This is money that's not really being used. Why let it go to waste?" — it provides a useful window into how threats to the stability and viability of health benefit plans (and pension benefit plans, too) can emerge for reasons other than plans being "overly generous."

City officials — neither the "education" mayor, nor the backbone-free City Council — are just not prepared to pay for vital services (no one, after all, is saying that the city's children don't need the teachers who are currently on the chopping block).

Indeed, as has become the norm across much of the country, city officials won't even evaluate alternatives. For example, Remapping Debate has reported on an alternative budgeting exercise outlined by the city's Independent Budget Office that, by means of a modest increase in the marginal income tax rate paid by wealthier New Yorkers, would wind up raising more revenue than is needed to keep the 4,000 teachers in place, but it's a non-starter as far as the mayor and Christine Quinn, the City Council Speaker, are concerned.

So what happens when you cut into health fund reserves instead? In general, time passes, people forget how underfunding came to be, and demagogues have an easy time pretending that health and pension benefit crises were caused by “too generous” benefit packages and thus had to happen.

Now, it may be that the raid on the Health Insurance Stabilization Fund turns out to be temporary (I don’t know if the money taken in 2009 has been put back). And it could be that union members feel that the deal will be sweet enough if it contains a no-layoffs pledge (although, if I were a union worker, I’d be concerned that a promise from the city lasts only until the city says it needs to break the promise). And it could be that the city is in such bad shape that this is really an emergency measure (well, not really: how on earth could the mayor promise no layoffs in that kind of environment?).

Whatever the ultimate outcome here, my bet is that a very substantial part of health and benefit plan problems in the U.S. stems from decisions like the one New York City is about to make: robbing Peter to pay Paul again and again — and then blaming workers for the result. Ironically (in New York City at least), there appear to be plenty of union leaders willing to collaborate in their own destruction.

This content originally appeared at http://remappingdebate.org/article/caught-act