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Highlights

- In the four years from FY04-FY08, spending for personnel has grown by 25%. Pension and health insurance costs jumped by 47%.
- Of the 1,026 positions added since January 2004, 98% were in the departments of School, Police and Fire. The other 42 departments increased by 24 positions in total.
- The City's workforce increased by 365 positions this past year (Jan. 07-Jan. 08) of which 168 were school positions

A special thank you to the Research Bureau's Cabinet Members for their generous support.

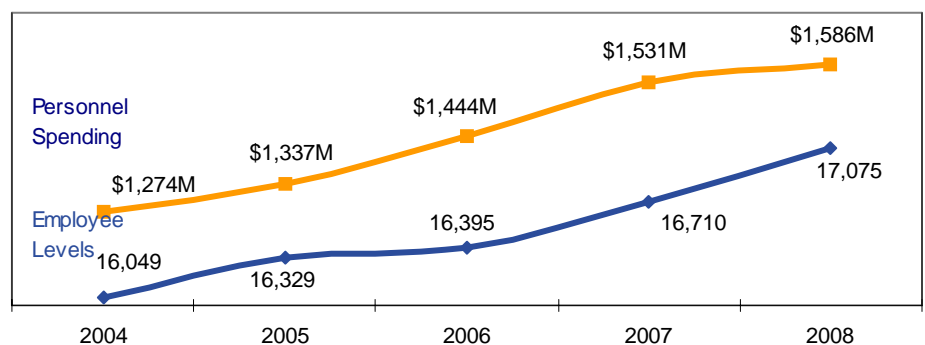
Blue Cross Blue Shield of Massachusetts
Citizens Bank
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Rising Personnel Costs are Cause for Concern

The City of Boston has increased its spending for personnel by 24.5% over the past four years. Taking into account the projected increases for fiscal 2009, the number is even more sobering with a 30.6% increase since 2004. This increase is attributable to contract salary increases, rising employee levels, and the growing cost of employee benefits. Spending for health insurance and pension benefits has risen 47.3% since fiscal 2004. The escalating costs for employee benefits and expected future benefit costs are why any increase in the City's workforce should be managed very carefully. All employee numbers in this report are stated in full-time equivalencies (FTEs).

- Over the past four years, personnel spending grew to \$1.6 billion, an increase of \$312.5 million or 24.5% for an average increase of over \$78 million per year.
- Since January 2004, the number of city-funded positions for the City of Boston has jumped from 16,049 to 17,075, an increase of 1,026 positions or 6.4%. Last year alone the City added 365 positions.
- The School Department's increase of 658 positions since 2004 accounted for 64.1% of the four-year total of 1,026. School, police and fire employees made up 98% of the total payroll growth.
- Boston's employee levels are 496 below its 2002 level of 17,571. The School Department is just 58 positions below its 2002 level while its enrollment has dropped by 10.4% from 2002 to 2008.

Employee Levels vs. Personnel Spending 2004—2008



Spending for Employees

Over the last four years, personnel spending as a percentage of the total budget increased from 67.4% to 68.7%. Personnel spending overall is increasing as a result of growing employee levels, contract salary increases and the rising costs of employee benefits. Since fiscal 2004, health insurance costs have increased from \$177.7 million

to \$263.4 million or 48.3% while spending on pensions grew 46.0% from \$141.9 million in fiscal 2004 to \$207.1 million in fiscal 2008. Salaries have increased from \$916.7 million to \$1.079 billion, an increase of 17.7%.

Two-Phase Personnel Trend

The personnel increase over four years is of two parts. Over two-thirds of the growth occurred in the last two years and was concentrated in the three departments of School, Police and Fire. Indeed, the total increase of 365 positions in 2007 represented the single largest annual increase, followed by the growth of 315 positions in 2006. That contrasted with an increase of 346 positions from 2004 to 2006.

Department Comparison 2004 - 2008						
Department	1/04	1/05	1/06	1/07	1/08	% of Total Change 04-08
School	7,793	8,009	8,087	8,283	8,451	64%
Police	2,782	2,843	2,818	2,922	3,048	26%
Fire	1,611	1,609	1,603	1,632	1,689	8%
Subtotal	12,186	12,461	12,508	12,837	13,188	98%
Change	-	275	47	329	351	-
All Others (42)	3,863	3,868	3,887	3,873	3,887	2%
Change	-	5	19	(14)	14	-
Grand Total	16,049	16,329	16,395	16,710	17,075	100%
Change since 04	280	346	661	1,026	-	-

Personnel increases in the departments of School, Police and Fire accounted for 98% of the four-year increase. The remaining 42 departments registered an aggregate increase of only 24 positions during the same period.

Public Safety

One-third of the four-year personnel increase was due to the increase of 266 uniform and civilian positions in the Police Department and 78 positions in the Fire Department. These increases primarily occurred in 2006 and 2007 as new classes were budgeted to reach target levels intended to provide improved deployment and help reduce overtime costs. The Police Department's uniform increase is due to new classes of recruits, the lateral transfer of 55 police officers from other municipalities and the transfer of 33 Municipal Police officers. The Fire Department increased its personnel by 57 positions in the last year alone.

School Department

The BPS accounted for the largest personnel increase from 2004 to 2008, a jump of 658 employees or 64.1% of the citywide total. The largest increases were for kindergarten and special education teachers (105), professional support (98), and instructional aides (96). Efforts to increase student achievement and close the achievement gap contributed to the increase. Restoration in the budget of positions cut due to loss of external grants also was a factor. A few of the efforts include:

- Establishing more classrooms offering full-day kindergarten for 4-year olds
- Adding family and outreach coordinators to support active school engagement
- Expanding the K-8 model and converting large comprehensive high schools into smaller schools
- Moving some academic coaches for teachers to the operating budget to offset grant fund losses

External Funds

City positions funded by external grants totaled 2,626 as of January 2008, bringing the total all-funds payroll to 19,701 positions. In 2007, grant funded positions overall decreased by 107, or 3.9%. Of note is the decrease in the School Department (-51), Public Health Commission (-17), and Suffolk County (-16). The decrease of 42 regular education teachers is attributable to cuts in Title 1 funds and expiration of other school grants.

Conclusion

The escalating growth of Boston's employee health insurance and pensions costs and projected future benefit expenses are reasons enough to be especially concerned about an increase of 680 positions over the past two years. Necessary increases in public safety positions should be countered by strategies to manage more effectively in these departments and other departments. Creative initiatives, such as greater use of technology and competitive service delivery, should be adopted. The School Department will need to streamline operational spending for the FY10 budget to create savings to support effective educational programs as this year's use of one-time revenue ends.