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Highlights

- The School Department accounted for 50% of 1,050 operating fund cuts between January 2009 and January 2011 and 63% of the 1,222 position increase between January 2004 and January 2009
- State pension reform and reduced Quinn Bill funding led to a higher retirement rate for firefighters and police officers between January 2009 and January 2010
- Growing health insurance costs continue to absorb a disproportionate share of the limited budget increases. Of the total increase in the City's FY11 \$2.3B budget, 52% is due solely to the increase in health insurance costs.

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Employee Drop Enables Boston to Meet Tight Budgets

The slow economic recovery, three consecutive years of local aid cuts and growing personnel costs have caused the City of Boston to reduce its city-funded workforce by 1,050 positions or 6.1% in calendar years 2009 and 2010. Employee reductions are expected to continue in fiscal 2012, even if at a slower pace, as Boston faces a fourth year of local aid cuts and the loss of federal stimulus funds used to support operations. Employee cuts are made because employee spending represents 70% of the City's total fiscal 2011 operating budget and Boston's state aid, net of teacher pensions, has decreased by \$81 million in the last three fiscal years. This report primarily focuses on the variance in city-funded positions, and employee numbers are presented in full-time equivalencies (FTEs).

- Boston has shed 1,050 positions, a 6.1% drop between January 2009 and January 2011. The calendar 2009 reduction was 790 positions or 4.6% followed by 260 positions or 1.6% in calendar 2010. Between January 2004 and January 2009, city-funded positions increased by 1,222 or 7.6%.
- The School, Police and Fire Departments accounted for 70% of the personnel reduction of 1,050 between January 2009 and January 2011. The cuts were achieved through attrition, retirements and some layoffs.
- Boston's spending for employee salaries and benefits increased slightly by .04% or \$686,751 in fiscal 2010 even though employee levels were decreasing by 790 positions in calendar 2009. Growing costs for pension benefits and employee health insurance, which continue to drive spending, contributed to this situation.

Employee Levels and Personnel Spending 2004-2011

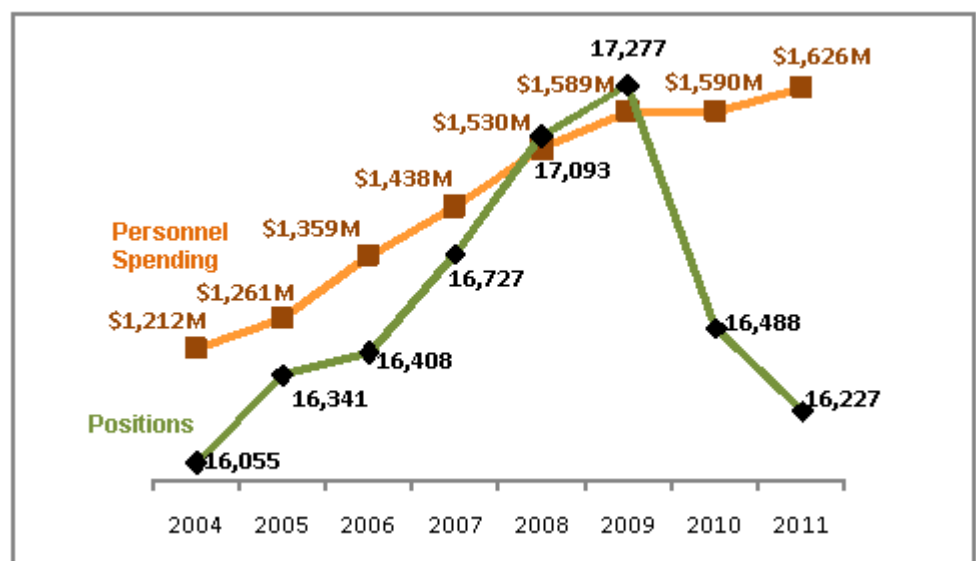


Table 1
City of Boston Personnel Summary

	2004	2009	Change 1/04-1/09	2010	2011	Change 1/09-1/10	Change 1/10-1/11	Change 1/09-1/11
School Department	7,799.0	8,572.2	773.2	8,210.5	8,047.2	(361.7)	(163.3)	(525.0)
Police Department	2,782.4	3,042.3	259.9	2,870.3	2,903.7	(172.0)	33.4	(138.6)
Fire Department	1,610.5	1,643.2	32.7	1,560.2	1,572.2	(83.0)	12.0	(71.0)
Sub-Total	12,191.9	13,257.7	1,065.8	12,641.1	12,523.2	(616.6)	(117.9)	(734.6)
All Other Total	3,863.2	4,019.6	156.5	3,846.4	3,704.1	(173.2)	(142.3)	(315.5)
General Fund Total	16,055.1	17,277.3	1,222.3	16,487.5	16,227.3	(789.8)	(260.2)	(1,050.1)
Percent Change			7.6%	-4.6%	-1.6%	-4.6%	-1.6%	-6.1%
Grant Fund Total	1,650.2	1,426.9	(223.3)	1,452.2	1,421.5	25.3	(30.8)	(5.4)
All Funds Total	17,705.3	18,704.2	999.0	17,939.7	17,648.8	(764.5)	(291.0)	(1,055.5)

Personnel Since 2004

Between January 2004 and January 2009, Boston experienced two distinct periods of personnel growth and decline related to changing economic conditions. The recession that started in late 2001 led to a reduction of 1,514 positions or 8.6% in 2002 and 2003. Between January 2004 and January 2009, Boston's workforce increased by 1,222 or 7.6%. The School and Police Departments accounted for 1,033 or 84.5% of the citywide personnel gains over those five years. Both departments grew through the City's efforts to expand school programming and community policing. The Public Health Commission added 92 positions, including EMTs and health development specialists. Boston Centers for Youth and Families also added 54 positions during this time due to additional street workers and the filling of budgeted positions.

As a consequence of the recent recession, the City of Boston could not sustain the personnel levels that had been built up over the past five years. Therefore, between January 2009 and January 2011, Boston reduced its city-funded personnel by 1,050 positions or 6.1%. The School, Police and Fire Departments cut 735 positions or 70% of the citywide employee drop mostly through attrition and retirements. The other 45 city departments together reduced their positions by 316 or 7.9% of the January 2009 level. Boston's total layoff count in 2009 and 2010 is 487 positions, but in reality this figure is lower due to attrition and retirements that enabled employees who had been laid off to be recalled or rehired.

External Funding

As Boston reduced general fund positions by 790 in 2009, the number of state and federal grant positions increased by 25. In 2010, general fund positions fell by 260, and grant-funded positions decreased by 31.

The Police and Library Departments sustained the most grant position losses between January 2010 and January 2011. The Library Department lost 45 grant positions during this time as a result of state library funding cuts. The Police Department transferred 43 uniform positions from grant to general fund positions in calendar 2010 due to an expired federal grant.

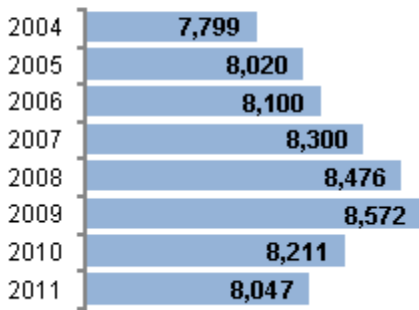
However, in 2010, the Public Health Commission (14) and School Department (38) experienced net increases in grant positions. This overall change is net of the fiscal 2010 transfer of 1,078 positions to the state payroll due to the Commonwealth's assumption of the Suffolk County Sheriff's Department.

ARRA Funds—Beginning in 2009, Boston has utilized federal ARRA stimulus funds to support operations and invest in community-based initiatives, causing the net increase in grant positions that year. A Byrne Justice Assistance Grant of \$3.9 million supported 50 police officers in fiscal 2010. That year, a portion of the \$20.9 million in Title 1 ARRA funding supported 61 teaching positions. The Public Health Commission received two competitive ARRA grants for fiscal 2011 which are also associated with the grant position increase.

School Department

The School Department accounts for 8,047 employees, representing 49.6% of Boston’s city-funded workforce as of January 2011. The net reduction between January 2009 and January 2011 was 525 positions or 50% of the citywide cuts, with a decrease of 362 in 2009 and 163 in 2010. The recent School Department reductions come on the heels of a 773 position or 10% increase between January 2004 and January 2009. This growth was driven by school district reforms such as expanded full-day kindergarten for four-year-olds and conversion of comprehensive high schools into smaller learning centers that require increased staffing levels.

Figure 1
School Department Personnel
CY 2004-2011
(in FTEs)



The School Department’s personnel drop of 525 between January 2009 and January 2011 includes teachers (153), instructional support staff (95), administrators (54), professional support staff (46) and non-academic staff (157). The reductions were the result of school closings in 2009 and across-the-board spending cuts at the school level to close the fiscal 2011 budget gap. The staffing reductions were achieved through a combination of attrition and layoffs with the funding of 61 positions transferred to federal ARRA dollars.

Further school employee reductions are expected

in 2011. With the closing and merging of schools and efforts to increase class sizes within contract maximums to achieve higher efficiency and a balanced budget, the Superintendent’s recommended fiscal 2012 budget estimates a reduction of 250 positions.

Public Safety

The Police and Fire Departments account for 27.6% of the city workforce as of January 2011 and absorbed 20% of total city personnel reductions between January 2009 and January 2011. Police officer and firefighter retirements increased 34.1% between January 2008 and January 2011.

Police Department—The Police Department supports 2,904 positions or 17.9% of the city workforce as of January 2011. Between January 2004 and January 2009, the Police Department grew by 260 positions or 9.3%. The net department drop was 139 between January 2009 and January 2011 with 172 positions shed in 2009 and a net gain of 33 police officers in 2010.

Many Police Department reductions in 2009 came from retirements, but 54 layoffs occurred for cadets (43) and civilians (11) that year. Some of these layoffs were achieved through disbanding the mounted police unit, where civilian positions associated with caring for the horses were eliminated and uniformed officers were reassigned to other divisions. Some cadets were placed within the Transportation Department to fill parking enforcement officer positions, contributing to a lower number of citywide general fund layoffs.

The Police Department experienced a larger number of retirements than usual in 2009 (63) and 2010 (78). The significant cut in state funding for the Quinn Bill, which reduced the highest three years salary for pension calculations, contributed to the high rate of retirements.

Table 2
City of Boston
Public Safety Uniform Officer
Retirements

Year	Fire	Police
2007	46	45
2008	82	37
2009	90	63
2010	44	78

Fire Department—The Fire Department supports 1,572 positions or 9.7% of the general fund workforce as of January 2011. Between January 2004 and January 2009, the Fire Department grew by 33 positions or 2%. The Department experienced a net loss of 71 positions or 4.3% between January 2009 and January 2011. In 2009 there was a net reduction of 83 positions due to 90 firefighter retirements, several which were precipitated by the passage of pension reform legislation. The drop in force contributed to an overtime deficit of \$296,000 in fiscal 2010, which is low compared to past years. In 2010, a net 12 positions were added with a new class of 50 firefighters.

Other Departments

Forty-five other city departments account for 3,704 positions or 22.8% of the city workforce as of January 2011. Between January 2004 and January 2009, these departments grew collectively by 157 positions or 4.3%. Between January 2009 and January 2011, these 45 departments together shed 316 positions or 30% of the total two-year reduction, with 173 cut in calendar 2009 and 142 in calendar 2010. The Boston Public Library reduced its workforce by a net 52 positions between January 2009 and January 2011. The restructuring of the Library’s central branch was the source of the Department’s employee drop.

Employee Spending

Boston’s operating budget increased by \$33.4

million or 1.5% in fiscal 2011 for a total budget of \$2.3 billion, net of an extraordinary one-time pension payment of \$82 million. Spending for personnel, which grew by \$35.8 million or 2.3% in fiscal 2011, represents 69.8% of Boston’s fiscal 2011 operating budget. All employee spending is represented net of teacher pensions. Employee spending increased at a slower rate in fiscal 2010 at \$686,751 or 0.04% compared with a \$58.7 million or 3.8% increase in fiscal 2009. Personnel spending grows even during years in which employee reductions are made due to higher growth in health insurance, pension benefits, and salaries. Boston slowed employee spending in fiscal 2010 through a combination of strategies including: reducing positions, a wage deferral for 24 unions, wage cuts for senior staff, and a reduction in the appropriation for post retirement benefits.

Health insurance and pension spending continue to drive personnel costs. Employee health insurance, which includes the School Department Health and Welfare fund, grew by \$17.3 million or 6.1% in fiscal 2011. The increase in health insurance spending for fiscal 2011 represents 52% of the total general fund increase. Spending for health benefits rose by \$11.1 million or 4.1% in fiscal 2010. The pension budget in fiscal 2011 increased by \$1.5 million or 1.4%. The City’s fiscal 2010 pension payment increased by \$14.1 million or 14.9%.

Conclusion

The City of Boston is headed for a difficult period in fiscal 2012 due to the region’s slow economic growth, a fourth year of state aid cuts, and the loss of federal ARRA funds for operations. Departmental spending has fallen by \$54.9 million since fiscal 2009 while pension and health insurance costs grew at a faster pace than revenue. In this context Boston reduced its city-funded payroll by 790 positions in 2009 and by 260 in 2010 for a total cut of 1,050 positions or 6.1%.

More City workforce reductions are necessary in fiscal 2012. The four largest departments (School, Police, Fire and Public Works) represent 81% of

the total departmental budget this year, and therefore cannot escape the need to absorb an above average share of personnel, contract and inflationary cost increases within their budgets.

Boston must also create greater efficiencies in its \$2.3 billion operating budget and identify other options for service consolidation or elimination. Competitive service delivery should also be embraced to achieve greater service efficiencies. The City should change its position and require eligible retirees and employees to enroll in Medicare to achieve maximum savings. Greater efficiencies in administering employee health care services should be exercised by the City.

At the state level, the Governor and legislature should approve legislation that would provide the City with the same level of flexibility in managing the escalating cost of employee health insurance as the Commonwealth currently has.

The Legislature should also act on comprehensive pension reform to provide long-term benefits in controlling costs in Massachusetts. Pension changes in 2009 addressed the most egregious pension abuses but did little to control overall costs. New legislation should address issues such as widening the salary averaging period from three to five years, capping the maximum pension, and increasing the minimum retirement age.

Click on the links below for more detailed data on:

[City of Boston Personnel Levels](#)

[Boston Public School Personnel Levels](#)

[Boston Spending for Personnel](#)