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Testimony of the Boston Municipal Research Bureau

Before the Boston City Council's Ways and Means Committee

February 22, 2016

Regarding: Docket #0162 and Docket #0163 - Funding the JLMC Arbitration Award related to the Boston Police Detectives Benevolent Society for Fiscal 2016

Mr. Chairman, I am Samuel R. Tyler, President of the Boston Municipal Research Bureau, and I am here to speak in opposition to Docket #0162 and Docket #0163 regarding the funding of the JLMC Arbitration Award related to the Boston Police Detectives Benevolent Society for fiscal 2016. Promoting the City of Boston's financial health is a priority of the Research Bureau and for that reason we bring a whole-city perspective to every financial matter. We oppose this award for the following reasons:

- The long-term financial consequences of continuing the cycle of binding arbitration awards that build off each other to justify ever-increasing compensation benefits which are unsustainable.
- The impact a 28.7% salary increase will have on the next round of public safety contract negotiations this year and practically all city and school contracts that expire this year. This contract will also influence the firefighters' contract that will not expire until 2017.
- The relative level funding of state aid, the City's second largest revenue source, and the fact that Boston's net state aid for operations has been declining as a share of the City's General Fund budget to only 6.5% this year.
- The effect higher compensation for public safety officers has had on resources available for the delivery of other city services and that reducing employee levels in non-public safety departments is usually the City's first option to manage its spending.
- The award provides for a salary increase of 28.7% over six years which is twice the civilian rate of 12.6% and even higher than the 26.1% negotiated with the Superior Detectives.

The Detectives' arbitration award is based on provisions in the highly expensive arbitration award for the Boston Police Patrolmen's Association (BPPA) in 2013 and continues the cycle of public safety arbitration awards that raise public safety costs and impact resources available for the delivery of other city services. The long-term financial impact of this award and its influence in the current round of negotiations for all the City's union contracts that expire this June or August are what the members of the City Council will need to consider carefully as they evaluate the funding of this award.

Escalating Arbitration Awards

The Detectives' binding arbitration award is the product of a series of public safety binding arbitration awards that have built off each other resulting in increasingly expensive compensation costs far above the increases in the City's civilian contracts. The 2010 binding arbitration award for the firefighters defined parity as total compensation including overtime and paid detail which resulted in a significant wage advantage over Boston's patrolmen. The 2010 award led to the very expensive 2013 BPPA binding arbitration award that sought to achieve pensionable earnings parity with firefighters. The economic elements of the 2013 BBPA award were applied to the Detectives' contract in this December 2015 arbitration award. **This cycle of public safety binding arbitration awards building off of each other to justify even greater compensation benefits is a trend that is fiscally unsustainable by the City.**

Funding the Award –The Administration will fund the fiscal 2016 and final cost of this award with a supplemental appropriation of \$9,035,582. The source of revenue for this award is the budgeted collective bargaining reserve from which the full \$9,035,582 will be transferred to the Police Department's fiscal 2016 operating budget. The cost of the prior five years of the contract will be funded from the annual collective bargaining reserve appropriated for each of the five years.

What Did the City Receive? – The payment of \$22.8 million to the approximately 280 members of the Detectives Benevolent Society should provide some important benefits to the City and its taxpayers beyond added compensation for the members. The provisions of the Detectives' arbitration award consists of those items unresolved in negotiations that were submitted separately by both parties and were approved by the arbitration panel. As such the items focus on compensation issues such as wages, one-time parity adjustment, Quinn Bill increase, longevity pay, and hazardous duty pay. Language regarding compensatory time was included. No decision was rendered regarding installing GPS technology in the detectives' police vehicles. The City Council is deciding on the arbitration award, but what management and operational improvements are included in the full contract in return for the added compensation provided in the award and do they justify 28.7%?

Other Financial Considerations

Beyond the direct costs of this award, the City Council should evaluate the factors below that will be influenced by this award.

Impact on Departmental Spending – The higher personnel costs in the Police and Fire Departments have contributed to a greater growth in the spending of these two departments than have occurred in the civilian departments in aggregate, not including the School Department. Over the past five years (FY11-FY16), spending for the Police and Fire Departments together grew by 18.4%. Spending by the School Department rose by 25%. However, the increase in spending for all the remaining city departments and offices in aggregate was 12.7%. Other budget drivers that grew at a higher pace over this period included pensions (+68%), state assessments (+59%) and debt service (+30%). With spending for employees representing almost 70% of the total operational budget, the City's first option to control spending is to reduce non-public safety employee levels.

Impact on Other Contracts - The City Council must give consideration to how the funding of this arbitration award at 28.7% will influence the final agreements negotiated with practically all the other union contacts that will expire on June 30, 2016 or August 31, 2016, including all four police contracts. The ripple effect will carry over to other contracts beyond the City's public safety contracts. The wide disparity of compensation between the police officers and civilian employees in other unions will incentivize the non-public safety unions to demand higher salaries and more benefits in the next round of negotiations. The Boston Teachers Union (BTU), the City's largest employee union, usually receives a salary increase above the regular civilian rate, but for the current six-year agreement, the BTU accepted the City's standard salary package of 12.6% for the six years. The BTU can now be expected to demand higher salaries to make up ground in negotiations for a new contract now underway.

State Aid Trends – State aid is Boston's second largest revenue source for operations, but total state aid has been relatively flat over the past five years increasing by only 6.3%. Net state aid available for operations (total Cherry Sheet state aid less assessments for the MBTA and charter school tuitions) has become a smaller share of the total operating budget. In the past ten years, available net state aid for Boston has decreased from 16.2% of total operating revenues in fiscal 2006 to 6.5% in the fiscal 2016 budget. Thus, the City's second largest revenue source will not be a reliable source to help fund the increasing costs of collective bargaining.

Federal Fund Loss – The decline of federal funds for city operations, especially in the School Department, is a factor the City Council should include in its calculations. The School Department is projecting a loss of \$14 million in external grants in its fiscal 2016 budget, most of which were federal funds for schools with low student performance and/or serving a high percentage of students in poverty. Increased city appropriations for the School Department this year helped mitigate the cuts, but reduced budget flexibility elsewhere.

Conclusion

The Research Bureau believes these collective factors are sufficient reason to recommend that the City Council not approve Docket #0162 and Docket #0163 and require the parties to return to the bargaining table to negotiate a more affordable contract consistent with the City's financial position.