

Special Report

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Highlights

- Employee costs account for 68% of Boston's FY15 budget and 70% of the City's total spending increase this year
- The city-funded workforce of 17,116 in January 2015 is only 161 less than 17,277 in January 2009, the highest point over the past 12 years
- Employees funded by external funds totaled 1,183 as of January 2015, a cut of 10% in 2014, with further reductions expected

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Boston Employee Levels Increase for Third Year

Growth contained almost entirely in the School Department

During the first year of the Walsh Administration, from January 2014 to January 2015, the number of Boston city-funded employees increased by 134 to 17,116. Of that increase, the School Department accounted for an increase of 125 employees and all other city departments, in aggregate, added nine employees. Reductions in federal and state grants caused a cut of 132 employees, including 97 in the School Department. The increase in School Department personnel was a result of factors such as the growing number of special education students and policy decisions including the improved teacher assignment initiative. This is the third consecutive year of increases in city-funded employees totaling 943 following three years of workforce reductions which totaled 1,105 employees due to the economic downturn (January 2009-January 2012). This report focuses primarily on the changes in city-funded employees and employee spending. All employee numbers are represented in full-time equivalencies (FTEs). Other highlights include:

- Spending for employee salaries and benefits totaled \$1.9 billion or 68% of the \$2.7 billion fiscal 2015 operating budget. Over the past three years, spending for personnel increased by \$193.1 million or 11.6% with salaries representing 82.4% of that total increase and benefits 17.6%.
- The 44 city departments, other than the big three of School, Police and Fire, comprise 22% of the city-funded workforce as of January 2015, down from 25% in 2002.
- The growth in salary and health insurance costs and spending for unfunded liabilities for pensions and retiree health insurance demand that caution be exercised in future employee decisions regarding salaries, benefits and workforce numbers.

Figure 1
Employee Levels vs. Personnel Spending: 2004-2015



Table 1
FTE Personnel Summary

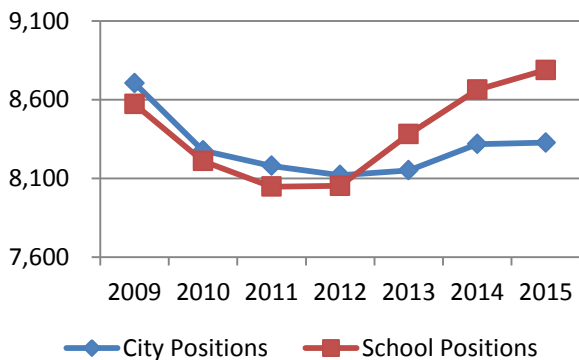
	2012	2013	2014	2015	Change	
					'12-'15	'14-'15
School Department	8,052	8,381	8,664	8,789	737	125
Police Department	2,875	2,853	2,922	2,902	27	-20
Fire Department	1,571	1,560	1,619	1,625	54	6
Sub-Total	12,499	12,794	13,205	13,316	818	112
All Other Total (44)	3,674	3,738	3,777	3,799	125	22
General Fund Total	16,173	16,532	16,982	17,116	943	134
Percent Change	-0.30%	2.20%	2.7%	0.80%	5.8%	0.8%
External Funds	1,393	1,438	1,314	1,183	-210	-131
All Funds Total	17,566	17,970	18,296	18,298	732	2

*Some totals may not add due to rounding

Longer Term Employee Trend

In the three years from January 2012 to January 2015, total city-funded employee levels increased by 943 employees or 5.8%. The three largest city departments, School, Police and Fire, represented 77.8% of the total city-funded workforce in January 2015, but accounted for 818 employees or 86.7% of this increase. While Police (0.9%) and Fire (3.4%) Departments experienced modest increases in line with other departments; the School Department added 737 employees or 9.1%. This growth in School Department personnel represents 78.1% of all employee growth in this period, despite the School Department representing only 51.4% of the city-funded workforce as of January 2015. As seen below, since 2012 the School Department has dominated increases in the city-funded workforce.

Figure 2
FTE Positions Since 2009



The other 44 departments constitute 22.2% of the workforce, but accounted for only 125 employees or 13.3% of the increase.

January 2014 to January 2015

In the first year of the Walsh Administration, city-funded personnel levels increased by 134, or 0.8%, to 17,116 employees. The net increase of the big three departments was 112 or 83.6% of the total, while the net increase of the remaining 44 departments was 22 or 16.4% of the total.

The School Department - Over the past year from January 2014 to January 2015, the School Department increased its city-funded [employees](#) by 125 to 8,789 or 51.4% of the city total. The increase is due to a combination of factors such as the increasing numbers of students with special needs, the retention of some services previously funded by federal funds, and policy decisions such as the retention of teachers as part of a Human Capital initiative and the expansion of Inclusion Special Education classrooms. As a group, teachers represented the largest increase (+86) primarily for Regular Education, and either Substantially Separate or Inclusion Special Education teachers, which was somewhat offset by decreases of Kindergarten and Special Education Resource teachers.

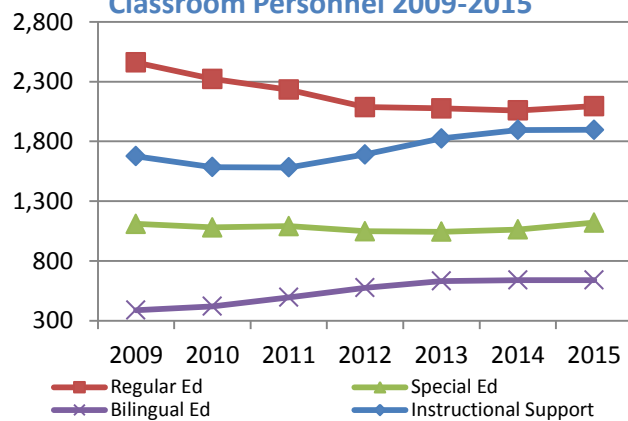
In order to improve teacher quality in classrooms and eliminate forced placement of teachers in schools, the BPS has undertaken a Human Capital Initiative to give all schools the ability to hire their teachers early from inside and outside the BPS. As a result, 73 teachers who were not selected have been placed in a “suitable professional capacity” as required by contract which has increased the overall number of teachers. Many of these teachers are placed in the classrooms of a mentor teacher to gain experience and take advantage of professional development to be in a better position to be selected by a school for the next school year.

The largest increases outside of the teaching force were in Program Support (+28), which is made up mostly of school-based workers assigned to a specific academic program, and Professional Support (+72) which primarily consists of central

office position in areas such as Special Education, Information Technologies and Human Resources. Much of this increase in professional support is due to a decline in externally-funded positions. The reduction in Bilingual Education Aides (-40) was a result of a reduction in the number and size of Sheltered English Instruction classrooms, which prepare English language learners to transition to English language classrooms.

Figure 3

Classroom Personnel 2009-2015



The growth in BPS workforce occurred despite a projected decrease of 69 city-funded positions as the BPS consolidated central office services to decrease personnel costs in fiscal 2015. While the BPS did reduce central office position by 106, the majority of the reduction (-100) came from the external funds budget, leaving a reduction of only 6 city-funded central office positions. As central office positions declined, school based positions grew by 131 employees, in good part, due to the Human Capital initiative, the expansion of special education programs and the decline in external funds.

Police - The Police Department’s city-funded staff totaled 2,902 employees, or 17% of the City’s total personnel as of January 2015. In calendar 2014, the Department lost 20 city-funded positions. However this decrease in positions is due to the timing between new recruits and retirements and is not permanent. There are currently 42 recruits in the Academy, while 29 officers retired last year.

Fire - The Fire Department’s staff totaled 1,625 employees, or 9.5% of the city-funded workforce as of January 2015, an increase of 6 positions or 0.4%

over the past year. As with the Police Department, much of this increase is due to the timing of recruit classes and retirements. A class of 53 recruits graduated from training in January of 2015 compared to 42 retirements in calendar 2014.

Other Departments – Outside of the major three departments, there was an increase of 22 employees in the other 44 departments due to normal fluctuation of employee levels. Additionally, the Walsh Administration reorganized some departments in an attempt to more efficiently provide city services. The most notable change was the creation of the Office of Economic Development and The Office of Arts & Culture. Additionally, the responsibilities for code enforcement were transferred from Inspectional Services to Public Works. These changes impacted the delivery of service but did not have an impact on the number of employees.

External Funds

Employees funded through federal or state grants totaled 1,183 as of January 2015, which represented a reduction of 132 employees or 10% from the prior year. The largest cuts occurred in the School Department (-97) and the Public Health Commission (-35). In the three years from January 2012 to January 2015, grant funded positions decreased by a net of 211, or 15.1%. The School Department (-158) accounted for 74.9% of this three year decline, followed by Neighborhood Development (-32), and the Public Health Commission (-27).

Employee Spending

Government is labor intensive and for the City of Boston, [spending](#) for employee salaries and benefits accounted for \$1.9 billion or 68% of the budgeted operational expenditures of \$2.7 billion in fiscal 2015. Of the \$1.9 billion, salaries constituted the largest share at 70.9% followed by health insurance at 15.4%, pensions at 9.1% and other costs at 4.6%. The increase in employee spending in fiscal 2015 was \$62.6 million, which accounted for 70.1% of the total operational expenditure increase.

Spending for salaries has increased by 3% between fiscal 2014 and fiscal 2015 due to negotiated salary increases and additional employees. Health

insurance costs decreased in fiscal 2015 by \$2.3 million, or 0.8%, to \$285.7 million. Previously, health insurance had been one of the fastest growing segments of personnel spending, but the City has had success in limiting the growth of health insurances costs through negotiations with the unions and insurance providers and by requiring eligible retirees to enroll in Medicare. As explained in a recent [Bureau Update](#), the current agreement expires after this fiscal year and the Administration has negotiated a new five-year agreement which will achieve further savings.

Table 2
Personnel Spending Summary (millions)

	FY12	FY15	Change	%
Salaries	\$1,159	\$1,318	\$159	13.7%
Health Insurance	\$302	\$286	(\$17)	-5.5%
Pensions	\$126	\$170	\$43	34.2%
Other**	\$78	\$85	\$7	9.5%
Total	\$1,665	\$1,858	\$193	11.6%

**Includes Other Post Employment Benefits, Unemployment Insurance, Workers Compensation, Medicare Pensions and Annuities and BPS Health & Welfare Fund.

In the three years between fiscal 2012 and the fiscal 2015 budget, personnel spending increased by \$193.1 million, or 11.6%. This increase makes up 58% of the total expenditures growth in that period, showing the importance of managing personnel levels to maintain a balanced budget. By year end, fiscal 2015 salary expenditures will likely increase due to overtime in the Police and Fire Departments, increasing the percentage of overall growth attributed to personnel expenditures. The growth in employee spending over the three years was driven by salary expenditures (82.4% of total) and pensions payments (22.4%), while the decline in health insurance costs (-8.6%) helped contain personnel cost growth. However, the City's health insurance budget in fiscal 2016 is projected to grow up to 3.5%

Pension payments in fiscal 2015 are budgeted at \$169.6 million, an increase of \$16.7 million or 10.9% over fiscal 2014. The net pension share of total personnel spending has increased from 7.6% in fiscal 2012 to 9.1% in the current fiscal 2015 budget, due

to an aggressive annual payment schedule to reach full funding of the City's pension liability by 2025.

The City has increased its annual payments for its \$2.1 billion retiree health insurance liability (OPEB) from \$35 million in fiscal 2012 to \$40 million in fiscal 2015. At \$40 million, the City's annual payment is still below the City's normal cost, which is the annual amount the OPEB liability grows each year for active employees.

Conclusion

The Walsh Administration showed a commitment to maintaining non-school departmental employee levels in its first year. The task of managing school employee numbers requires achieving greater balance in maintaining basic services with state aid that does not keep pace with school spending, declining federal funds for key services and adding new educational initiatives, such as extended time and additional K1 seats.

A balanced budget remains a challenge with solid personnel management being critical to achieving success. Once again, the City will rely primarily on the growth of property taxes, excise and departmental revenues to fund most of the budget increase as the share of revenue from state and federal sources is expected to continue to decline. The growth in salary and health insurance costs and spending for unfunded liabilities for pensions and retiree health insurance demand that caution be exercised with future employee decisions regarding salaries, benefits and workforce numbers.