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THE REGIONAL AND URBAN IMPACTS OF THE ADMINISTRATION'S BUDGET AND TAX PROPOSALS

A STUDY

PREPARED FOR THE USE OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

JULY 31, 1981

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LETTERS OF TRANSMITTAL

JULY 28, 1981.

To the Members of the Joint Economic Committee:

Transmitted herewith for the use of the members of the Joint Economic Committee and other Members of the Congress is a study entitled "The Regional and Urban Impacts of the Administration's Budget and Tax Proposals."

This study was conducted by Marshall Kaplan, dean of the University of Colorado Graduate School of Public Affairs; Robyn Swaim Phillips, instructor, Harvard University; and Franklin James, associate, The Urban Institute.

The study is based on an evaluation of available secondary data as well as the completion of case studies in seven cities: Albuquerque, Baltimore, Boston, Dallas, Denver, Detroit, and Milwaukee.

The views expressed in this study are those of the authors and do not necessarily reflect the views of the Joint Economic Committee or any of its members.

Sincerely,

HENRY S. REUSS,
Chairman, Joint Economic Committee.

JULY 23, 1981.

Hon. HENRY S. REUSS,
Chairman, Joint Economic Committee,
Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a study entitled "The Regional and Urban Impacts of the Administration's Budget and Tax Proposals."

The study was directed and edited by Deborah Matz of the committee staff.

The committee wishes to thank the many individuals who contributed to this report, and in particular, the staffs of the respective city governments and public interest groups who were so generous with their time and expertise.

Sincerely,

JAMES K. GALBRAITH,
Executive Director, Joint Economic Committee.

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For their help in compiling the city case studies the authors thank the following: (Albuquerque) John O'Donnell and Karon Brashares of the Washington, D.C., office; Mark Bloomingfeldt, Director of Budget and Finance; Anne Yegge of the Finance Office; Richard Brusuelas of the New Mexico Health Systems Agency; and Sally McCabe of the Social Services Office; (Baltimore) Mark Wasserman of the Mayor's office; (Boston) Shelley Metzenbaum, Darrell Harmer and Faye Farrington of the Office of Intergovernmental Relations; and Jeff Lines of the Boston Housing Authority; (Dallas) Winston Evans, Director of Budget; and Bill Studer and Theda Malaso of the Mayor's office; (Denver) Erroll Stevens of the Mayor's staff; Dick Clark, Finance Director; Alan Canter, Director of Planning; and Andy Whiteman, of the Budget Office; (Detroit) Dorothy Brodie of the Mayor's staff; and Corrine Gilb, Director of Planning; (Milwaukee) Kevin Conlon of the Office of Fiscal Liaison; and Bill Drew of the Milwaukee Housing Authority.

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CONTENTS

THE REGIONAL AND URBAN IMPACTS OF THE ADMINISTRATION'S BUDGET AND TAX PROPOSALS

By Marshall Kaplan,* Robyn Swaim Phillips, and Franklin James*****

EXECUTIVE SUMMARY

Reducing the pace of inflation and stimulating sustained private sector productivity and investment are crucial domestic and urban policy priorities. Many cities, particularly those that are distressed, have been hurt by the slow and uneven growth of the national economy and by the rising cost of providing public services.

The Administration's economic program proposes to slow inflation, spur sluggish business investment, and raise productivity by simultaneously reducing federal outlays and taxes. These proposals reflect a major departure from conventional economic wisdom. They have stimulated a long-overdue debate on the appropriate role of federal, state, and local governments and a needed evaluation of the effectiveness of many federal assistance programs.

If the Administration's economic policies are successful in generating a healthier, more stable national economy, all of the nation's regions and cities will benefit, some of them significantly. Although the Administration's proposals are bold, given the absence of historical precedents, predictions with respect to their impact must rest more on faith than fact at this juncture. In this context, a non-partisan review of the effect of proposed reductions in federal expenditures and taxes on national commitments to regional congruence, the quality of urban life, and the opportunities open to the urban poor is in order. This review is consistent with the Administration's articulated concern that the benefits and costs of proposed policies and programs be distributed in an efficient and equitable manner. It will help the Administration and the Congress to both choose among possibly competing, but equally legitimate national commitments, and to optimize the use of limited public resources.

This study provides an initial assessment of the likely direct urban and regional impacts of the Administration's proposed budget and tax policies. Other recent studies completed by the Congressional Budget Office, the Office of Management and Budget, the U.S. Conference of Mayors, the Northeast-Midwest Institute and the Center for Political Studies at the University of Michigan, are reviewed and evaluated against case studies of the local impact of reduced federal spending in seven cities.

Respecting the limitations of the data and the difficulty in accurately projecting short-term local impacts of federal fiscal policies,

*Mr. Kaplan is dean of the Graduate School of Public Affairs, University of Colorado.
**Ms. Phillips is an instructor at Harvard University.
***Mr. James is an associate with the Urban Institute.

the evidence suggest that on the positive side, the proposed budget and tax cuts will legitimately shift some functions from the federal government to state and local governments and from the public to the private sector. The extent and sweep of the budget reductions will also reinforce already initiated efforts by many cities to improve management practices.

At the same time, the proposed cuts in federal domestic assistance will have immediate and sometimes substantial negative impact on some cities, particularly those with distressed economies and fiscal strain. Just how negative and how sustained will depend on the city's dependence on federal assistance, local fiscal and administrative capacity, and the resilience of the local economy.

While the regional implications of proposed spending cuts differ from program to program, the aggregate effect of the total budget package outlined in the President's program for economic recovery will likely be disproportionately felt in older cities of the Northeast and Midwest. However, cities with distressed economies in all parts of the country will face cutbacks in federal assistance. The variations among regions may not be as important as the variations among types of cities.

Because many cities lack the fiscal capacity to provide alternative funding, some services will likely be cut and some economic development programs may be terminated. The effect of direct revenue losses to local government will be compounded in distressed cities by federal cutbacks in income transfer programs to low income and elderly residents, such as AFDC, Food Stamps and Social Security. Proposed revisions to the federal tax code may accentuate these impacts by reinforcing investment in growing areas relative to declining older areas, and by tilting a disproportionate share of the absolute tax savings to more affluent households.

I. INTRODUCTION

The Administration's budget proposes to reduce non-defense spending in fiscal 1982 by $48.6 billion below the level proposed by the previous administration and to reduce individual and business taxes by $53.9 billion.[1] Sharp reductions in federal domestic spending and lower taxes are key components of the Administration's program for economic recovery, designed to slow inflation and promote economic growth by reducing the federal deficit and stimulating business investment.

The Administration's commitment to reverse the growth in government spending has stimulated a healthy debate over the appropriate role of the federal government. It has prompted a critical examination of the effectiveness of various federal programs and has fostered the political resolve to eliminate those not found to be effective or that involve the federal government in functions better left to state and local governments or to the private sector.

While most Americans recognize the need to limit federal spending, the far-reaching budget cuts proposed by the Administration have raised strong objections from supporters of various programs slated for budget reductions. In many cases, these objections reflect little more than particular interest groups protecting narrowly based programs. In other cases, the objections raised may be of critical importance to the wider national interest and to historical commitments to reduce poverty and improve the quality of urban life. Unfortunately it is very difficult to sort out one from the other.

The urban and regional impact of the Administration's proposed budget has been the subject of considerable controversy. Some critics have charged that the budget cuts are disproportionately targeted at the cities and at the Northeast and Midwestern regions. The Conference of Mayors has called the budget a "disaster for cities" that threatens to reduce services, terminate benefits to needy families and increase local property taxes. Others assert that the spending cuts will widen the gap between growing parts of the country and regions suffering from chronic underemployment and industrial decline. The Administration has responded that the proposed budget cuts are distributed equitably across the nation and that the gains from economic recovery will exceed the losses from budget reductions in all places.

Overview of the Study

This study attempts to provide an objective assessment of the likely urban and regional impacts of the Administration's budget proposals laid out in *A Program for Economic Recovery* (February 18, 1981) and amplified in subsequent publications from the Office of Management and Budget.[2]

[1] These budget figures and the spending reductions and tax proposals considered in the analysis reflect budget revisions proposed through April 1981. Subsequent budget revisions, most prominently those affecting Social Security payments to individuals and modifications of the tax plan, are not considered by this report.

[2] Executive Office of the President, Office of Management and Budget, *Fiscal Year 1982 Budget Revisions* (March 10, 1981) and *Additional Details on Budget Savings* (April 1981).

Several complex issues impede the ready assessment of even the direct effect of the budget proposals on the nation's cities and regions. Among them:

Differences between budget authority and outlays.—The impact of budget cuts can be measured either in terms of changes in outlays—that is, actual expenditures in a given year—or in terms of changes in budget authority—the funds available for expenditure. Because disbursement of expenditures, particularly for capital investment programs, often takes place over several years, focusing on changes in outlays for a single year will not capture the full impact of budget increases or decreases. On the other hand, focusing on changes in budget authority will tend to over-estimate the immediate impact of budget changes that will be played out over a longer period.

Difficulty in allocating jurisdictional benefits and costs.—The usual method for estimating the geographic distribution of changes in federal spending is to allocate the dollar increase in proportion to the share of total federal spending that each jurisdiction received in previous years.[3] Hence, a jurisdiction that received 1 percent of total federal spending for a particular program is assumed to suffer 1 percent of the total national reduction for that program. This method of allocation has several shortcomings. The available data on the geographic distribution of federal spending is neither complete nor wholly accurate.[4] Further, the geographic distribution of funds is almost certain to change as block grants replace categorical grants. Until the allocation formula for these new grants are specified, it is difficult to know the net loss or gain a particular jurisdiction can expect.

Possible substitution of local funds for federal aid.—Because local governments may substitute local or state funds for federal aid, it is difficult to assess the impact of proposed reductions in federal spending on local service levels. Some communities may decide to continue federally supported programs from their own revenue sources, while other fiscally-presssed communities may be forced to curtail services as federal aid is cut back. Reduced service levels may reflect ether local determination that a particular program is "not worth" the cost to provide it, or may result from a lack of alternative revenue sources.

Difficulty in assessing the effect of federal procurement, credits and taxes.—The geographic implications of changes in federal procurement of goods and services, of reduced credit outlays, and of changes in income tax codes are even more difficult to evaluate with certainty than grants-in-aid. These benefits are distributed largely to individuals or private enterprise rather than to local units of government, and are allocated by criteria that only coincidentally have locational dimensions.

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[3] This general approach is used both by OMB and the University of Michigan. See: Office of Management and Budget, *A Regional Analysis of the President's Economic Recovery Program* (April 1981) and James Fawcett et al., *An Estimate of the Fiscal Impact of President Reagan's Budget Proposal* (Center for Political Studies, University of Michigan, April 27, 1981).

[4] Despite considerable effort, OMB staff analysts were unable to fully reconcile total outlays shown in the budget with total obligations by state as reported in the *Geographic Distribution of Federal Funds*, published by the Community Services Administration, even though this is generally regarded as the best information on the geographic distribution of federal spending. See Office of Management and Budget, *A Regional Analysis of the President's Economic Recovery Program* (April 1981), p. 18.

This study draws upon secondary data available from published sources and upon interviews with budget experts and spokespersons for various government agencies and interest groups. In addition, case studies on the local impact of the federal budget proposals are presented for seven cities, selected to be broadly representative of the regional and urban diversity of the nation's cities. These are:

Albuquerque,
Baltimore,
Boston,
Dallas,
Denver,
Detroit, and
Milwaukee.

The case studies focus on the anticipated effect of federal budget cuts on local revenues and the possible impact of program reductions on local service levels.

Part II of the report places the Administration's budget proposals within the historical context of the growth of federal aid to local jurisdictions since 1960, focusing on the urban and regional dimension of this growth. Part III presents a brief overview of the Administration's budget proposal. Part IV considers the regional effects of the proposed budget, drawing upon regional impact analyses recently completed by the Office of Management and Budget, the Northeast-Midwest Institute and the University of Michigan. Part V assesses the urban impact of the budget, focusing on case studies in seven cities. Part VI examines, to the extent data are available, the spatial effect of proposed changes in tax policies. Part VII summarizes the findings from the study regarding the regional and urban impact of the Administration's proposed cuts in federal spending and tax policy.

II. THE GROWTH OF FEDERAL ASSISTANCE: 1960–1980

Federal assistance to states and local governments has grown sharply over the past two decades. Between 1965 and 1970, as the Great Society programs of President Johnson were put into operation, federal domestic grants-in-aid increased by $13.1 billion, largely in the form of categorical grants with an urban emphasis. Between 1970 and 1976, during the Ford and Nixon Administrations, total grants increased by $35.1 billion to finance a new general revenue sharing program, greatly expanded environmental protection aid, some anti-recession programs and rapidly expanding Medicaid. From 1976 to 1979, aid increased another $23.8 billion as anti-recessionary programs were expanded significantly by the Carter Administration, thereby raising the amount of direct federal aid to local governments, and particularly distressed cities. Federal assistance to state and local governments increased at an average annual rate of 14.9 percent between 1955 and 1978.

In recent years, the rate of increase in federal assistance to states and localities has slowed. Since 1979, few new programs have been established and counter-cyclical assistance has been phased out. Federal outlays have increased at an average annual rate of 7 percent, while inflation has run at double-digit rates. In real terms, the purchasing power of federal domestic aid declined 2.7 percent in fiscal 1980 and an anticipated 8.3 percent in fiscal 1981.[1]

Federal aid to states and localities amounted to $88.9 billion in fiscal 1980. About two-fifths of this total was for payments to individuals, amounting to an estimated $33.5 billion for provision of benefits, and another $6.9 billion for social services programs including Medicaid, AFDC, subsidized housing, and nutrition programs. Place-oriented programs for the construction and rehabilitation of physical assets totalled $20 billion, and another $16 billion was provided to state and local governments for education and job training. General purpose fiscal assistance—primarily revenue sharing—amounted to $9 billion, or about one-tenth of all federal grants-in-aid. Assistance for agriculture, commerce, and transportation accounted for the remaining 30 percent.[2]

The Distribution of Federal Grants

Some federal grants-in-aid are targeted to distressed localities while others are broadly distributed. People-oriented programs, including AFDC, Medicaid and unemployment compensation, are directed to the eligible population without regard to their location. To the extent that low-income families are increasingly concentrated in central cities, federal assistance for income support programs are allocated

[1] Based on data compiled by the Advisory Commission on Intergovernmental Relations and summarized in ACIR, *Intergovernmental Perspective*, vol. 6, No. 3 (Summer 1980), p. 19.

[2] U.S. Executive Office of the President, Office of Management and Budget, *Special Analyses, Budget of the United States, Fiscal Year 1981.*

disproportionately to urban areas. Recent data show that although only 30 percent of U.S. households live in central cities, they account for 42.1 percent of all food stamp recipients, 54.7 percent of those receiving housing subsidies, 41.2 percent of Medicaid recipients, and 37.2 percent of students receiving free school lunches.[3]

Place-oriented programs are distributed in geographically diverse patterns. All general purpose governments are eligible for general revenue sharing, while anti-recessionary fiscal assistance was directed primarily to areas of high unemployment. The various block grant programs growing out of the New Federalism of the early 1970's, tend to spread federal assistance more widely among jurisdictions than categorical grants-in-aid, thereby directing a smaller proportion of funds to large cities.[4] The most extreme case is Title XX social service grants which are distributed to states on a per capita basis. However, CETA allocation formulas target funds to jurisdictions with high unemployment, and revised CDBG allocation criteria consider local poverty rates, the age of the housing stock, and population growth, directing approximately 55 percent of total CDBG funds to central cities.[5] Two categorical assistance programs initiated under the previous administration—HUD Urban Development Action Grants and EDA Local Public Works Grants—are primarily targeted at distressed areas. Other federal assistance programs, including EPA Wastewater Treatment Grants and Federal Highway Aid, are disproportionately allocated to growing areas.[6]

Federal tax, regulatory and procurement policies also affect urban areas. Tax incentives for investment in new plant and equipment tend to favor growing cities and regions where new investment is concentrated. Federal facilities are increasingly located outside of central cities and federal procurement policies, as well, favor newer, growing parts of the country where production costs are often lower. Defense outlays, in particular, are lowest per capita in distressed cities.[7]

On a regional basis, the South and West have historically received more federal expenditures than they have paid in federal revenues, although this advantage has diminished in recent years as real incomes and tax revenues in these regions have risen. In particular, the South and West have enjoyed a disproportionate share of federal expenditures for salaries for federal employees and for other military outlays.[8] The Northeast and Midwest have fared better in terms of direct federal grants, although even here when welfare grants are excluded, the West and South, at least through the mid-seventies, receive higher

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[3] Joel Haveman, "In Search of the Truly Needy," *National Journal*, vol. 13, No. 12 (March 21, 1981), pp. 492–493.

[4] Richard P. Nathan and Paul. R. Dommel, "The Cities," in *Setting National Priorities: The 1978 Budget*, Joseph A. Pechman, ed. (The Brookings Institution, 1977).

[5] Harold L. Bunce and Norman J. Glickman, "The Spatial Dimensions of the Community Development Block Grant Program: Targeting and Urban Impact," in *The Urban Impact of Federal Policies*, Norman J. Glickman, ed. (Johns Hopkins University, 1980).

[6] Roger J. Vaughn, *The Urban Impact of Federal Policies; Volume 2, Economic Development* (Rand Corporation, June 1977); Stephen H. Putnam, "Urban (Metropolitan) Impacts of Highway Systems," in *The Urban Impacts of Federal Policies*, Norman J. Glickman, ed. (Johns Hopkins University, 1980).

[7] Analyses of the urban impacts of federal tax, regulatory and procurement policies are found in the following: Diane Devaul, "The Procurement Targeting Program: A Key Urban Initiative in Transition," (Northeast-Midwest Institute, March 1979); Kathy Jean Hayes and David L. Puryear, "The Urban Impacts of the Revenue Act of 1978," in *The Urban Impacts of Federal Policies*, Norman J. Glickman, ed. (Johns Hopkins University, 1980); George Vernez, "Overview of the Spatial Dimensions of the Federal Budget," in *The Urban Impacts of Federal Policies*, Norman J. Glickman, ed. (Johns Hopkins University, 1980).

[8] I. M. Labowitz, "Federal Expenditures and Revenues in Regions and States," ACIR, *Intergovernmental Perspective* (Fall 1978).

per capita federal aid than the frost belt states.[9] However, no region of the country is systematically favored by all federal programs. For example, the Northeast receives a disproportionate share of assistance for welfare programs, general revenue sharing and economic development. Further, the variations among states within the same region is frequently greater than inter-regional differences.

Recent efforts have been made to concentrate federal assistance upon jurisdictions in greatest need, to target benefits to low and moderate income people, and to consider the urban impacts of a broad range of federal actions. Federal spending for place-oriented programs increased by 35 percent between 1977 and 1979, with 41.6 percent of these funds directed toward central cities. Distressed cities receive an especially high proportion of federal spending on employment and economic development under CETA, UDAG, and EDA programs.[10]

Local Dependence on Federal Aid

The surge in federal assistance has enabled cities to meet the rising cost of providing municipal services and to provide a wider range of programs at a time when their own revenue base was dwindling or growing slowly. At the same time, cities have become far more dependent upon revenue sources outside their control. A recent report on city finances notes that 45 cents of every dollar of increased local spending over the past decade came from non-local revenues.[11] Between 1967 and 1977, the proportion of total local revenues generated from own sources (primarily local property taxes) fell from 72 percent to 60 percent, as total intergovernmental revenues to cities over 50,000 population increased more than four-fold.[12] By 1978, 28 of the nation's 45 largest cities received more than 20 percent of their general revenue from federal sources and ten cities relied on federal aid for more than 30 percent of their general funds.

More recent data indicate that local dependency on federal aid peaked in 1978 and has declined slightly since then. A survey of local fiscal conditions in 300 cities by the Joint Economic Committee, U.S. Congress, found that federal aid declined from 6.4 percent of total current general revenues in 1978 to 5.4 percent in 1980 for small cities, from 10.4 to 7.6 percent for medium cities, from 10.6 to 8.2 percent for large cities, and from 16.2 to 14.0 percent for cities larger than 250,000 population (see columns 1–3 of Table 1). The most recent data available indicate federal aid ranges from a low of $14 per resident in cities under 50,000 population to a high of $74 per resident in the largest cities.[13]

Since 1978, federal assistance to cities has declined moderately in real dollar terms, due to the phase-out of counter-cyclical revenue sharing and slow growth in budget authority for domestic programs. The 1982 budget proposed by the previous administration continued

[9] Charles Vehorn, *The Regional Distribution of Federal Grants in Aid* (Academy for Contemporary Problems, November 1977.)

[10] Anthony Downs, "Urban Policy," *Setting National Priorities: The 1976 Budget*, Joseph A. Pechman, ed. (Brookings Institution, 1978).

[11] John E. Petersen, *Big City Finances: Part III, Dependence on Intergovernmental Assistance*, First Boston Corporation Special Report, 1980.

[12] U.S. Bureau of the Census, *Government Finances*, 1967 and 1977.

[13] U.S. Congress, Joint Economic Committee, *Trends in the Fiscal Condition of Cities: 1978–1980* (April 20, 1980) and *Trends in the Fiscal Condition of Cities: 1979–1981* (May 18, 1981).

this gradual decline. In contrast, the current administration's budget proposes an immediate 20 percent real decline in federal grants to states and localities for fiscal 1982, to be accomplished by deep cuts in grants-in-aid and program consolidation. Cuts of this magnitude will have immediate implications for cities that have come to rely on federal assistance to finance basic municipal services.

TABLE 1.—COMPOSITION OF CURRENT GENERAL REVENUES FOR CITIES OF VARIOUS SIZES: 1978–80

	Percentage of total current general revenue				Per capita current general revenue			
	1978 [1]	1979 [1]	1980 [1]	1980 [2]	1978 [1]	1979 [1]	1980 [1]	1980 [2]
Small cities (10,000–50,000)	100.0	100.0	100.0	100.0	$270.11	$281.03	$292.07	$287.22
Locally generated revenues	79.6	79.2	79.6	79.4	215.03	222.61	232.57	228.10
State aid	14.0	15.0	15.0	15.7	37.72	42.18	43.67	45.14
Federal aid	6.4	5.8	5.4	4.9	17.36	16.24	15.83	13.98
Medium cities (50,000–100,000)	100.0	100.0	100.0	100.0	284.17	293.02	300.79	341.80
Locally generated revenues	76.5	76.4	77.7	76.2	217.39	223.85	236.86	260.53
State aid	13.1	14.6	14.7	15.2	37.11	42.83	41.14	51.88
Federal aid	10.4	9.0	7.6	8.6	29.67	26.34	22.79	29.39
Large cities (100,000–250,000)	100.0	100.0	100.0	100.0	332.94	352.32	365.76	354.48
Locally generated revenues	75.2	74.2	75.3	74.5	250.50	261.52	275.58	264.27
State aid	14.2	16.0	16.5	14.4	47.28	56.30	60.21	51.02
Federal aid	10.6	9.8	8.2	11.1	35.16	34.50	29.97	39.19
Largest cities (over 250,000)	100.0	100.0	100.0	100.0	424.15	444.32	459.35	506.71
Locally generated revenues	69.7	68.2	71.2	67.9	295.67	303.17	326.89	344.22
State aid	14.1	16.2	14.8	17.6	59.83	72.00	68.16	88.99
Federal aid	16.2	15.6	14.0	14.5	68.65	69.15	64.30	73.50

[1] Based on a survey of 300 cities conducted in 1980. The 1980 budget figures are estimates.
[2] Based on a survey of 236 cities conducted in 1981. Because the sample differs somewhat from the other years, the data are not strictly comparable.

Source: U.S. Congress, Joint Economic Committee, "Trends in the Fiscal Conditions of Cities: 1978–1980" (Apr. 20, 1980) and "Trends in the Fiscal Conditions of Cities: 1979–1981" (May 18, 1981).

81-426 O - 81 - 2

III. THE ADMINISTRATION'S BUDGET PROPOSAL

The budget proposed by the present Administration reduces nondefense spending in fiscal 1982 by $48.6 billion below the level proposed by the previous Administration. The budget includes reductions of $4.6 billion in outlays for employment and training, $3.9 billion in energy programs, $3.5 billion in food stamps and other food and nutrition programs, $3.0 billion in social security benefits, $2.4 billion in health programs, $1.7 billion in transportation subsidies, $1.1 billion in support for elementary and secondary education, substantial cuts in obligational authority for housing programs, and many other cuts. Table 2 briefly describes the major domestic programs designated for funding cutbacks.

TABLE 2.—*Summary of major Federal program cuts proposed by the administration*

Function	*Proposed cutbacks*
Local community and economic development.	Consolidate a wide range of HUD community development programs, including Urban Development Action Grants, under the Community Development Block Grant; terminate the Economic Development Administration.
Employment and job training.	Eliminate public service employment programs under Titles II–D and VI of the Comprehensive Employment and Training Act; phase out youth employment programs.
Transportation	Reduce mass transit capital and operating subsidies, highway assistance, and federal support for for airports and railroads.
Housing	Reduce budget authority for additional subsidized housing by one-third; reduce operating subsidies paid to local housing authorities by requiring larger tenant rent contributions; curtail public housing modernization; and eliminate subsidized mortgages under "tandem" programs.
Health and social services	Cap federal grants to states for Medicaid and combine about forty health and social service programs into four block grants to states at 25 percent reduced aggregate funding.
Education	Consolidate 44 categorical grant programs into two block grants (one for states and one for local school districts) and cut combined outlays by 25 percent; reduce the availability of student loans.
Welfare	Tighten eligibility criteria for benefit programs such as AFDC and Food Stamps; consolidate low income energy assistance and other emergency assistance into one hardship assistance block grant to states.
Environment and natural resources.	Curtail outlays for water resource development; cut federal grants for construction of sewage treatment plants by half; eliminate programs for land and water conservation and urban parks.
Energy	Reduce federal support for new forms of energy supply and for conservation.
Unemployment compensation.	Curtail benefits paid to unemployed workers by raising the unemployment rate necessary to "trigger" extended benefits and strengthening eligibility provisions for receipt of benefits under trade-adjustment assistance.

Function	Proposed cutbacks
Pay for federal workers__	Revise pay comparability standards to reduce federal employee wages relative to the private sector.
Foreign economic assistance.	Cut budget authority for foreign economic development by $1.7 billion.

Source: Based on *1982 Budget Revisions* (March 1981) and *Additional Details on Budget Savings* (April 1981), published by the Office of Management and Budget.

Reflecting the Administration's commitment to strengthen national security, sharp increases are proposed for defense spending. The Administration requests budget authority of $180.7 billion for fiscal year 1981 and $226.3 billion for fiscal year 1982—an increase of $45.6 billion. This represents a 13 percent real growth in defense expenditures. The shift in budget priorities away from domestic spending means that the proportion of federal outlays going to defense will rise from 24.1 percent in 1981 to 32.4 percent by 1984.[1]

Reductions in federal spending are one part of a comprehensive strategy for national economic recovery designed to stimulate investment and slow inflation. The other key components are:

Tax reform.—Administration proposals call for a 30 percent reduction in personal income tax rates to be phased in over a three-year period, and faster tax write-offs for new factories and equipment to promote investment in production and job creation.

Deregulation.—The Administration proposes to reduce government regulations that act as barriers to investment, production and employment.

Tight monetary policy.—In coordination with conservative fiscal policy, the Administration has called for tight monetary policy to slow the growth of the money supply.

Under Administration proposals, federal grants-in-aid to state and local governments will be about $86.4 billion in fiscal 1982.[2] This is 13 percent below the amount proposed by the previous Administration and $8 billion less than the revised outlays for fiscal 1981. In real dollar terms this represents a decline in federal aid of about 20 percent relative to the January budget. About one-fourth of the $13.4 million reduction affects grants that pay cash or in-kind benefits to individuals; the remainder involves grants for community development, education, environment, energy and transportation. In addition to sharp cutbacks in funding, the budget proposes to consolidate many categorical grants into block grants to be allocated to state and local governments.

The urban and regional impacts of the Administration's proposed budget are the subject of considerable controversy. Some critics have charged that the budget cuts are disproprotionately targeted at the Northeast and Midwestern regions. In testimony before the House Budget Committee, Congressmen Dewey and Pursell asserted that the budget "promises devastating impacts" for the Northeast and Midwest and that proposed spending cuts "threaten to widen the gap between growing parts of the country and regions suffering from chronic unemployment and industrial decline" (April 3, 1981). In

[1] Executive Office of the President, *A Program for Economic Recovery* (February 18, 1981), p. 11.

[2] This amount includes both direct federal grants to state and local governments and payments to individuals that are administered at the state or local government level.

a similar vein, others have charged that the budget cuts impose a disproportionate burden on cities.

The following sections evaluate the evidence for these charges, taking into consideration recent studies by the Congressional Budget Office, the Office of Management and Budget, the Northeast-Midwest Institute and the University of Michigan, and the findings from case studies in seven cities.

IV. THE REGIONAL IMPACTS

The difficulty in accurately determining the direct regional impact of the budget cuts proposed by the Administration is evidenced by the conflicting conclusions reached by several recent studies. A report issued by the Office of Management and Budget (OMB) in April found proposed budget outlay reductions to be spread evenly across regions. An earlier study by the Congressional Budget Office (CBO) also failed to find evidence of a systematic regional bias, but argued that regional assessments were not possible for most programs. In contrast, budget analyses published by the Northeast-Midwest Institute conclude that the budget is unfairly targeted at older regions, and a study by the University of Michigan found greater budget impact in states experiencing the slowest rates of economic growth.

These conflicting conclusions largely reflect methodological differences among the studies and the different programs they consider. For example, the Office of Management and Budget focuses on current year outlays for 1982, while the University of Michigan examines changes in budget authority, and the Northeast-Midwest Institute draws heavily upon experience with key programs and anecdotal evidence. The latter two reports consider the geographic impact of increased defense spending, while OMB restricts its analysis to budget reductions. On the other hand, the OMB and CBO reports include the geographic impact of proposed reforms for federal pay comparability standards while the others do not.

THE EVIDENCE FOR REGIONAL PARITY

A report issued by the Office of Management and Budget represents the major statement by the Administration of the regional distribution of proposed tax cuts.[1] As shown in Table 3, per capita outlay reductions for human resource programs affecting education, job training and employment, social service, health, income security, and veteran benefits are found to be larger in aggregate in the Northeast ($113) and Midwest ($108) than the South ($97) or West ($93). However, these are balanced against larger per capita spending cuts in the South and West for physical resources (including transportation, community and regional development, housing credit, energy, and natural resources), for government operations, and for "other" programs. Total per capita outlay reductions are found to be virtually the same for the Northeast, South and West, and only slightly lower in the Midwest. The OMB report concludes that while some individual program cuts affect one region more than another, when considered in aggregate, the outlay reductions are distributed on an equitable basis regionally. In addition, reductions in income taxes are shown to be greater per capita in the Northeast and Midwest than in the South

[1] Office of Management and Budget, *A Regional Analysis of the President's Economic Recovery Program* (April 1981).

and West, and the benefits of economic recovery are shown to exceed outlay reductions for all regions.

TABLE 3.—PER CAPITA REGIONAL DISTRIBUTION: DISTRIBUTABLE OUTLAY REDUCTIONS REPORTED BY OMB

	United States	Northeast	Midwest	South	West
Human resources	$102	$113	$108	$97	$93
Physical resources	36	35	34	37	38
Government operations	14	10	10	20	15
Other	14	12	6	16	23
Total	166	170	158	169	169

Source: Office of Management and Budget, "A Regional Analysis of the President's Economic Recovery Program" (April 1981), p. 4.

A preliminary budget analysis issued by the Congressional Budget Office in March also failed to find evidence of a systematic regional bias.[2] While several specific proposed reductions in spending for transportation programs are shown to adversely affect some cities and regions more than others, overall, they are found to achieve rough geographic balance. Similarly, aggregate cuts in energy related programs are found to be broadly distributed across the country. However, CBO refrains from making any assessment of the geographic distribution of spending cuts for human service programs, which represent nearly two-thirds of all reductions, due to data limitations.

Methodological Problems

While regional impacts are difficult to assess with certainty, a careful examination of available information suggests that the budget impacts are probably less equitably distributed than these studies suggest. In particular, OMB's use of aggregate per capita impacts that are measured in terms of outlay reductions tends to underestimate the regional dimensions of proposed federal budget cuts.

(1) *Reliance on aggregated impacts.*—OMB bases its argument that all regions will be affected evenly in terms of the total outlay reductions shown in the bottom row of Table 3. A closer look at the body of the table shows a diverse spatial pattern for the various components:

The Northeast and Midwest regions face substantially greater cuts in programs for human resources than the South and West.

Outlay reductions for physical resources are relatively equal across regions. However, this category groups together a diverse collection of programs, some of which are directed at the Northeast and Midwest (particularly programs for economic and community development and mass transit) and others with greater impact in the growing regions (including federal highway aid and assistance for energy and other natural resources).

A large proportion of the offsetting losses to the South and West are due to greater reductions in government operations and "other" programs. This is not surprising as most of these reductions involve revised pay comparability standards for federal employees and for civilian personnel in the Department of Defense

[2] Congressional Budget Office, *An Analysis of President Reagan's Budget Revisions for Fiscal Year 1982* (March 1981).

which are disproportionately concentrated in the South and West. Indeed, 21 percent of all civilian federal employees are located in Washington, D.C., alone.

Focusing attention on the bottom-line aggregate dollar totals obscures a variety of obviously different regional effects from varied types of budget cuts. While a sometimes useful summary, aggregate measures suffer from the difficulty associated with adding "apples and oranges." It is not easy to compare the net impact of the loss of a dam or a UDAG project, or to measure the efficiency and equity of programs that reinforce growth relative to those that ameliorate distress.

The table also makes apparent the importance of those programs that are included. For example, including federal pay comparability reforms (an item given only slight attention in OMB's text or in the general debate on regional impacts) clearly tips the balance in favor of the South and West. However, if offsetting gains in defense related employment (also concentrated in the South and West) were included, greater aggregate inter-regional disparities would appear.

(2) *Use of per capita impacts.*—Measuring impacts on a per capita basis is only one of several available criteria; dollar losses could equally well be compared in terms of personal income, in terms of the proportion of federal tax revenues paid, or simply in terms of absolute dollars. The choice of criteria will influence the results. A study conducted by the Academy for Contemporary Problems found that the regional distribution of federal grants-in-aid varied markedly depending on which criteria were used. For example, total federal grants flowing to the South were found to be low on a per capita basis, but to be quite high per $100 of personal income, reflecting below average incomes in that region.[3]

Per capita figures do not give an accurate picture of the regional distribution of *total* dollar losses since they mimimize the total magnitude of the loss accruing in the more populated states of the Northeast and Midwest and emphasize the importance of much smaller losses in less populated places. This is particularly misleading in the case of capital assistance grants included in the "physical resources" category.

(3) *Focus on outlay reductions.*—The use of outlay reductions as the measure of impact underestimates the regional dimensions of the budget cuts. First, by examining only fiscal 1982 outlays, the OMB study fails to consider the longer-term regional impact of reductions in budget authority. The difference between changes in outlays and changes in budget authority can be dramatic in the case of capital investment programs. For example, the proposed $366 million reduction in fiscal 1981 budget authority for the Economic Development Administration will result in an outlay reduction of only $19 million that year.

Second, OMB does not consider the regional impact of proposed increases in defense spending that will have a positive effect in those regions where military installations are located and where military goods are produced. Available data on the geographic distribution of defense outlays suggest that the South and West will dispro-

[3] Charles L. Vehorn, *The Regional Distribution of Federal Grants-in-Aid*, Academy for Contemporary Problems (November 1977).

portionately benefit from increased defense spending.[4] Researchers at the University of Michigan project that 55 percent of the 1982 increase in defense spending will accrue to the South and West.[5]

(4) *Fiscal capacity and real impact.*—By focusing on dollar losses in federal aid, OMB does not consider the differential capacity of local governments to respond to the loss of federal assistance. Reduced federal aid may or may not translate into service cuts, depending on whether local governments are able to absorb the loss either by substituting alternate funds or by improving management. Because state and local governments in the South and West tend to have lower tax efforts and a greater tax capacity,[6] the impact on service levels from equal dollar losses will be less here than in the more fiscally pressed jurisdictions of the Northeast and Midwest. This would seem to be an appropriate consideration from the perspective of concerns about inter-regional equity.

The Evidence for Regional Differences

Budget analyses published by the Northeast-Midwest Institute argue that the already hard-pressed states of the Northeast and Midwest are being asked to "bear the burden at a time when their economies can least afford it." [7] These studies highlight a number of specific proposals that will likely affect these regions disproportionately, either because they presently receive a large share of the aid or because they have less fiscal capacity to respond to cutbacks:

Proposed reduction in unemployment benefits and elimination of public service employment programs will have serious implications for the Northeast and Midwest regions where unemployment rates are highest and the local economy most vulnerable.

Proposed elimination of EDA and UDAG will mean the loss of valuable tools for economic development and for leveraging private investment for job creation in the older regions.

Proposed cuts in energy conservation and low income energy assistance will exact the greatest toll in the colder northern states which are most dependent on foreign oil.

Proposed cutbacks in subsidized housing programs will pose greater hardship in those areas of the country where housing costs are highest and where rental turnover is most prevalent.

Proposed elimination of General Revenue Sharing Funds for states will have the most serious consequences in the Northeast and Midwest where the states have less fiscal capacity to absorb revenue losses.

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[4] The disproportionate share of defense spending for personnel, military installations and procurement that flows to the South and West is documented by a number of sources. See, for instance, Department of Defense, "Estimated Expenditures by States FY-1982," Washington, D.C., 1981; I. M. Labowitz, "Federal Expenditures and Revenues by Regions and States" in *Intergovernmental Perspectives*, Advisory Commission on Intergovernmental Relations, fall 1978; Employment Research Associates, "The Pentagon Tax: Where it Comes From and Where it Goes," 1981.

[5] James Fossett et al., *An Estimate of the Fiscal Impact of President Reagan's Budget Proposals* (Center for Political Studies, University of Michigan, April 27, 1981).

[6] Kent Halstead, *Tax Wealth in Fifty States: 1977 Supplement* (National Institute of Education, 1977).

[7] Northeast-Midwest Institute, *A Regional Analysis of President Reagan's February 18 Economic Recovery Program* (February 20, 1981); *A Summary of President Reagan's March 10 Budget Proposal* (March 12, 1981); and *A Review of the Office of Management and Budget's "Regional Analysis of the President's Economic Recovery Program"* (April 24, 1981).

Proposed cuts in federal assistance for mass transit are disproportionately directed at the cities of the north and east which more often operate such systems.

Proposed reductions in federal grants for waste water treatment will be most damaging in the older states where the demonstrated need for sewer investment is greatest and the fiscal capacity to provide it is weakest.

An analysis of the regional impact of the budget proposals completed by the University of Michigan that considers changes in budget authority and increased defense spending as well as budget cuts, also finds evidence of regional inequalities from the budget proposals.[8] Researchers at the Center for Political Studies find that rather than being evenly distributed, the total dollar impact of the budget reductions will be twice as great for states with declining economies as for more rapidly growing states. The authors conclude that since slow growth states are concentrated in the Northeast and Midwest, the budget proposals have "a clear and severe regional bias." Of the approximately $53.6 billion in net reductions in federal spending (increased defense outlays minus cuts for domestic programs), $18.4 billion, or 34 percent, are concentrated in the ten states with the slowest rate of economic growth. By contrast, only about $8 billion, or 14 percent of the total, will reduce spending in the most rapidly growing states.

While OMB and CBO understate the regional impact of federal budget proposals, the Northeast-Midwest Institute and the University of Michigan reports probably overstate the importance of the regional dimension. Methodologically the Northeast-Midwest Institute can be faulted for its anecdotal approach, selectively focusing on those proposals most likely to impact older regions, and drawing upon supportive evidence from a wide variety of sources. The University of Michigan analysis is more directly comparable to OMB's report in its effort to estimate comprehensive dollar impacts from a consistent data base. However, reliance upon the change in budget authority as the measure of impact tends to overstate the immediate impact of decreases in capital assistance programs that will be played out over a several year period.

A closer look at the University of Michigan findings also reveals that differences in local budget impacts are much sharper between states than among regions. The greatest dollar losses in budget authority occur in the states with slowest economic growth and most fiscal strain: Michigan, New York, Pennsylvania, Indiana, Ohio, New Jersey and Illinois. While these most severely impacted states are all located in the Northeast or Midwest, other states in these same regions with stronger economies and more stable fiscal conditions face much smaller cuts in federal budget authority. Some sunbelt states such as Texas, Florida, California and North Carolina, face quite large losses in federal aid, and some proposed cutbacks will be disproportionately targeted on growing states: federal lending and loan guarantees for commerce and housing credit, subsidies for expansion of sewer facilities for low density growth, and federal aid for highways.

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[8] James Fossett et al., *An Estimate of the Fiscal Impact of President Reagan's Budget Proposals* (Center for Political Studies, University of Michigan, April 27, 1981).

THE IMPORTANCE OF THE REGIONAL DIMENSION

The controversy surrounding the regional effects of federal budget proposals emphasizes the difficulty in making accurate assessments of likely regional impacts. The allocation formulas for proposed block grants are not yet known. In many cases, good data do not exist on the geographic distribution of present programs and spending patterns. Moreover, it is apparent from the conflicting conclusions of the several regional budget impact analyses that have been completed, that the measured regional impact will differ, depending on which aspects of the budget are considered—particularly, whether increased military spending as well as expenditure reductions for domestic programs are allocated geographically, and whether proposed changes in federal pay comparability standards are included—and which measure of impact is used—changes in current year outlays, changes in budget authority, or likely changes in local service levels.

Based on the best available evidence, it appears fair to say that all parts of the country will be affected by cuts in federal spending, and indeed some programs will generate greater losses in the South and West. Yet, on balance, the proposed reductions in federal spending will probably have a greater aggregate impact in the Northeast and Midwest. Many of the programs proposed for cutbacks were initiated to strategically address the problems of economic decline and fiscal strain prevalent in these regions; many distressed communities within them do not have local resources to compensate for federal dollars, and the resulting gap will likely be difficult to fill from private sector activity. However, places with distressed economies in all parts of the country will face cutbacks in federal assistance for providing basic services and for local economic development.

V. THE URBAN IMPACTS

Many critics have focused on the impact of the budget cuts on the nation's cities. Although state and local grants represent only 14.2 percent of the federal budget, fully two-thirds of the total cuts in budget authority proposed by the Administration fall on these programs. Federal grants to state and local governments (excluding payments to individuals channeled through these governments) are projected to decline from $54.9 billion in fiscal 1981 to $47.2 billion in fiscal 1982. This represents a drop of over 14 percent, and nearly 25 percent after accounting for inflation. Intergovernmental aid is projected to decline even further in the future, from 8.4 percent of the federal budget in 1981 to 4.9 percent in 1986.

Because federal aid represents an important share of local revenues, these cuts will have a significant impact on city budgets, particularly for large cities. Table 4 shows that a 25 percent reduction in real dollar federal assistance translates into a 1.2 percent average loss in current general revenues for small cities, or about $3.50 per resident. Because dependence on federal revenues typically increases with city size, even greater losses are expected for larger cities. For those with population in excess of 250,000, a 25 percent cutback in federal aid will on average mean a 3.6 percent decline in total current general revenues, or a loss of $18 per resident. For distressed cities the loss will probably exceed 5 percent of current general revenues. To the extent that Administration economic policies successfully slow inflation, the real dollar impacts will be somewhat smaller, more closely corresponding to the estimates in the first and third columns of Table 4.[1]

TABLE 4.—ESTIMATED IMPACT OF PROPOSED FEDERAL BUDGET CUTS ON 1982 CURRENT GENERAL REVENUES FOR CITIES

[Estimated average decline in current general revenues resulting from proposed federal budget cuts: 1981–82]

City type	Percent decline		Per capita dollar decline	
	Current dollar	Adjusted for inflation	Current dollar	Adjusted for inflation
Small (10,000–50,000)	0.7	1.2	1.96	3.50
Medium (50,000–100,000)	1.2	2.2	4.11	7.35
Large (100,000–250,000)	1.6	2.8	5.49	9.80
Largest (250,000+)	2.0	3.6	10.29	18.38
Distressed cities [1]	2.8	5.0	NA	NA

[1] The proportion of municipal funds from federal sources is estimated at 20 percent, based on current data from Baltimore, Boston, and Detroit.

Source: Based on general revenue received from direct federal funds in 1980, reported in U.S. Congress, Joint Economic Committee, "Trends in the Fiscal Condition of Cities: 1979–1981," May 18, 1981. (See table 1 of this report.) The estimated losses are calculated at 14 percent in current dollar terms and 25 percent in real dollar terms for all city size categories. The estimated impacts do not consider potential losses of indirect federal aid from state-administered programs, or from proposed cuts for functions that are outside city general revenue funds, such as programs administered by independent city or non-city agencies or reduced income transfers to low-income households.

[1] These estimated losses should be viewed as rough approximations. They are premised on a 14 percent across-the-board cut in federal aid for all city-size categories and an 11 percent annual rate of inflation. The assumption that all cities will experience cutbacks equal to the national average probably overstates the impact for small cities and understates the actual losses for larger cities and those that are distressed. The estimated impacts also do not consider potential losses of indirect federal aid from state pass-throughs or from proposed cuts for functions that are outside city general revenue funds.

The Conference of Mayors has called the budget a "disaster for cities." It asserts that because many cities do not have the resources to offset the decline in federal assistance, the proposed cuts will reduce service levels, terminate benefits to millions of needy families and increase local property taxes:

> Reductions of this magnitude in urban programs threaten the redevelopment and viability of our cities and the economic well-being and health of city residents.[2]

Citing evidence from a survey of 100 cities, the Conference of Mayors predicts serious fiscal problems and major reductions in a wide range of city programs from the Administration budget proposals. For example, 82 percent of the cities surveyed state that the budget would have a negative effect on their low income residents; 68 percent anticipate service cuts; 58 percent say they plan to lay off workers; and 41 percent predict tax increases. The adverse effects of the Administration proposals were found by the Conference to be widespread, not confined to any one geographic region or type of city.[3]

Given the magnitude of the proposed cuts in federal aid for state and local governments and the already strained fiscal condition of many cities, the urban impacts may indeed be significant. A recent Joint Economic Committee, U.S. Congress, survey of 300 cities with population of 10,000 or more, found that many face tight fiscal conditions. For all cities, current expenditures have risen faster than current revenues. Nearly 80 percent of the cities participating in the study projected operating deficits in 1981, and all but four of the 29 largest cities expect to be in the red. In the face of a stern fiscal outlook, cities have begun to retrench; city work forces are getting leaner and cities are attempting to hold the line on expenditures, as they begin the process of adjusting to less federal assistance.[4] A sudden sharp decline in overall federal aid will clearly intensify local fiscal pressures.

The City Case Studies

To better understand the local impact of the proposed federal budget, case studies were undertaken in the following cities:

Albuquerque,
Baltimore,
Boston,
Dallas,
Denver,
Detroit, and
Milwaukee.

These seven are broadly representative of the diversity of United States cities: they include sunbelt cities as well as frostbelt cities; cities with growing economies and others that have loss population and economic activity; cities with a strong economic base and others under fiscal strain. Table 5 summarizes the population size and growth of these seven cities, the federal aid they presently receive, and their measured level of community need (an indicator of urban

[2] The United States Conference of Mayors, *The Federal Budget and the Cities* (March 1981).
[3] The United States Conference of Mayors, *The FY 1982 Budget and the Cities: A Hundred City Survey* (May 1, 1981).
[4] Joint Economic Committee of the U.S. Congress, *Trends in the Fiscal Conditions of Cities: 1979-1981* (May 18, 1981).

distress). Although not representative in the statistical sense, the diversity of these cities offers suggestive insight into the implications of the proposed budget for the nation's urban areas and of the regional dimensions of the budget impacts.

TABLE 5.—CITY CHARACTERISTICS

City	1980 population [1]		Total Federal aid, fiscal year 1981 [2] (millions)	Dependency ratio [3] (percent)	Community need [4]
	City	SMSA			
Albuquerque	332,000 (+35%)	420,000 (+31%)	$36	20	Low (45).
Baltimore	787,000 (−13%)	2,174,000 (+5%)	283	20	High (3).
Boston	563,000 (−12%)	2,763,000 (−5%)	175	18	High (13).
Dallas	904,000 (+7%)	2,964,000 (+25%)	50	5	Low (46).
Denver	491,000 (−5%)	2,800,000 (+33%)	114	11	Low (48).
Detroit	1,203,000 (−20%)	4,353,000 (−2%)	336	23	High (2).
Milwaukee	636,000 (−11%)	1,279,000 (−9%)	73	13	Moderate (30).

[1] Number in parentheses is percent change in population 1970–1980.
[2] Includes federal aid flowing directly to the city budget. In most cases, aid for the public housing authority, transit authority, and income transfer programs are excluded.
[3] Calculated as the fraction of total city general revenues coming from federal sources in fiscal 1981.
[4] Community need reflects the poverty rate, growth in per capita income, and unemployment level. The number in parentheses indicates the rank among 57 large central cities, ordered from most to least needy.

Source: "The 1980 National Urban Policy Report," U.S. Department of Housing and Community Development, 1980, table 2–3.

The case studies are based upon materials provided by local officials, including budget impact assessments, where these had been undertaken. Interviews were conducted with members of mayors' staffs, with budget and finance directors, with other city and county administrators, and with directors of autonomous agencies—such as the public housing authorities and regional transit districts—that provide services to city residents. An effort was made to consider all aspects of the cutbacks felt at the local level, including reductions in various income support programs that impact city residents directly and those flowing through other public and private agencies, in addition to those funded through city general revenues. Given the complex manner in which federal funds are channeled to cities and their residents, and the difficulty in projecting future impacts, the data, while reasonably comprehensive, are not always complete nor always consistent across cities.

The case studies reflect local perceptions of the likely impact of proposed cutbacks in federal spending. Because the effects have not yet been felt, this is not an impact analysis in the usual sense, but an assessment of possible effects. In come cases, local officials do not have a good sense of how the flow of federal aid to their city will be affected. Often it is difficult to estimate either the amount of federal aid that will be received if existing categorical programs are continued or to accurately project the likely amount under proposed block grants whose allocation formulas are not yet set Projecting the impact on service levels is even more problematic since it is difficult to know in advance if programs will be funded from other local sources.

The dollar estimates presented here typically measure losses for operating assistance as the difference between amounts currently received and the amounts expected if aid were reduced proportionate with national cutbacks. For instance, the dollar loss for social service programs was usually estimated as 25 percent of current aid received. For categorical grants—particularly those for capital assistance—losses were frequently measured in terms of the dollar value of pending or planned grant proposals, or were based on current year funding levels. The link between anticipated dollar losses and actual services provided are based on subjective judgments of the city's capacity to substitute non-federal public or private funds for federal assistance.

The impacts expected by local officials may tend to overstate the losses that would actually occur, should the federal cutbacks be implemented. For example, measured dollar losses are often based on the assumption that all local grant applications would be funded under current federal funding levels, but that all would be lost under proposed cutbacks. Other estimates assume that programs would be entirely lost even though their assisted activities would be eligible for funding under new block grants.

It is also useful to differentiate between those reductions in federal spending that will impose direct costs on city budgets and those that are more in the nature of "foregone opportunities." Reduced federal operating assistance for city transit systems or public housing, for instance, will probably result in some direct local costs that must be offset with local revenues.[5] Other cuts will mean that some programs might be postponed or end without federal support. Elimination of EDA, for instance, will mean fewer urban economic development projects; however, no immediate direct cost will necessarily be absorbed by city budgets since cities may choose not to continue economic development programs with their own funds. Although both types of impacts are real, those that have a direct effect on city operating budgets will have more critical and immediate consequences for local fiscal conditions.

Recognizing these caveats, the case studies present local judgments of the overall impact of the budget cuts for each city, taking into consideration fiscal conditions and the availability of alternative revenue. The projected impacts from cuts in specific programs are examined as well, focusing on proposed cutbacks that local officials perceive to most directly impact their city. The effect of federal program cuts are measured both in terms of the dollar loss in federal revenues and in terms of anticipated changes in service levels. A detailed accounting of local impacts for 34 specific programs proposed for reduction is presented for each city in the Appendix.

Albuquerque

Profile.—Although still small by metropolitan standards, Albuquerque has gained population and employment at a rapid rate in recent years as national growth patterns have shifted from the older areas of the North to the sunbelt states. Since 1970, Albuquerque's population has increased by better than one-third, rising from 244,500 to

[5] The net effect is difficult to discern; in some instances, services may be scaled back, maintenance postponed or user charges initiated.

331,800 in 1980. Total metropolitan population is projected to reach a half million over the next 10 years, as the city continues to grow at twice the national rate.

Albuquerque's economy has prospered as the regional support center for the growing energy industries in New Mexico. It has made steady job gains in transportation, finance and insurance, wholesaling and retailing, health, and higher education. In addition, Albuquerque has recently begun to attract high technology light industry as well. Five national firms are presently building new plants that are expected to provide 10,000 new jobs over the next five years. Projections from a 1981 study of economic growth in the southwest by Chase Manhattan Bank show employment in Albuquerque growing 2.9 percent annually over the next decade, compared to a nationwide average of 2 percent, raising total employment from 192,400 to 256,000 by 1990. Many of the new jobs are expected to be in the manufacturing sector, particularly for aircraft engines and parts, communications equipment and non-electrical machinery. Real income growth is expected to exceed the national average.

Despite recent economic growth, low incomes and unemployment are persistent problems. Speaking before the Joint Economic Committee, U.S. Congress, Mayor David Rusk pointed out that the typical Albuquerque family earns 20 percent less in real dollar terms than the typical Ohio family, and that per capita incomes in New Mexico are among the lowest in the nation. Albuquerque also has a large, unskilled Hispanic population, and the unemployment rate, at 8.4 percent, is above the national average.

Revenue shortfalls of $10 million during the current fiscal year arising from slower than projected growth in sales tax receipts have necessitated fiscal belt tightening in Albuquerque. The 1982 budget currently before the city council therefore calls for economy measures: service cutbacks, increases in user fees, and layoffs of city employees. At the same time, the underlying fiscal condition of the city is quite strong: cash reserves equal 8 to 10 percent of the annual municipal budget, city utilities are self-supporting at moderate rates, and municipal bonds are AA-rated. Through the ability to annex suburban areas, Albuquerque has been able to secure an expanding revenue base—80 percent of the urbanized population lives within the city limits—and to avoid the balkanization that constrains many older central cities. Testifying before the Joint Economic Committee, U.S. Congress, on January 29, 1981, Mayor Rusk noted that "by any measure of comparison, in terms of fiscal finance we are one of the nation's most fortunate cities."

Albuquerque will receive an estimated $36.4 million in direct federal grants in fiscal 1981. Federal assistance amounts to 20 percent of total city revenues, and state aid contributes another 20 percent, with the majority (58 percent) of the city revenues coming from local sources. The city, however, has been gradually reducing its reliance on federal revenues. Federal aid made up 33 percent of the city's capital budget in 1979–80; for 1981–82 it will be just 9 percent. In 1978, there were 1,200 people in public service jobs; today there are 500.

Budget impacts.—Proposed federal budget cuts will require the city to carefully weigh its priorities. Some programs that are reliant on federal support will be lost or cut back. However, relative to many other cities, the direct effects will be manageable. In a recent interview with the press the Mayor stated: "We have the capacity to pay for locally what we feel is important to us without extensive federal aid and grants" (Albuquerque Journal, February 20, 1981).

Probably the most important federal cuts from the city's perspective are those affecting mass transit subsidies, airport construction grants, and the Department of Interior's Land and Water Conservation Fund:

Federal grants paid 80 percent of the cost of Albuquerque's 82 buses and provide about 35 percent of their operating cost. Plans for an additional 25 buses may be scrapped, and the phase-out of 2.2 million in annual operating subsidies threatens either higher fares or higher taxes.

The construction of a $40 million airport for general aviation aircraft may be delayed for several years if airport construction grants are phased out. Similarly, plans to resurface part of the main runway and build a new ramp and taxiway at Albuquerque International Airport may require local financing if $2 million in federal aid is lost.

Federal budget cuts may prevent purchase of 8,100 acres of wilderness in the Sandia Mountains that the city had hoped to keep out of developer's hands. The city had planned to purchase the land with $5.7 million in city funds and $18.8 million in federal Land and Water Conservation Funds. Unless other funding sources are found, the city may not only lose the land, but could also be force to forfeit a $1.6 million parking garage signed over to the owners of the land to obtain the purchase option at a fixed price.

The loss of other capital grants will be felt as well:

Without an anticipated $50 million in federal matching grants over the next seven years, the expansion and upgrading of the sewer system to accommodate expected growth may be delayed.

Without EDA funds the renovation of Albuquerque's Kimo Theater may be halted and a new downtown mall will have to look for other funding.

Proposed cutbacks in federal aid for social services and health will cause other short term adjustments:

School officials note that block grants for education assistance could reduce support for compensatory education. Bilingual education programs for the many Spanish-speaking students could suffer.

The loss of 485 CETA workers, mostly employed for various non-profit agencies, will affect many social services. For example, the YMCA may have to raise the price of swimming lessons and Catholic Social Services may cut back on programs to help immigrants, despite a long waiting list.

Cuts in Title XX funds threaten the future of two daycare programs, a group home for adolescents, and a women's shelter, that officials say are already underfunded.

Community and neighborhood centers and transportation programs for elderly citizens administered by the Community Services Administration may end if that agency folds.

The director of the New Mexico Health Systems Agency predicts a 50 percent effective cut in funds for health care programs if current grants are replaced by a state administered block grant.

A number of other federal cuts will affect Albuquerque's low income and elderly residents:

The more than 600 low income families now waiting for subsidized housing will have to wait even longer if federal housing programs are cut back. Those occupying subsidized units operated by the city will pay higher rents that the Housing Authority director says will pose a significant hardship for many tenants.

An estimated 18,000 low income households living in Bernalillo county will receive reduced food stamps and another 1,200 will lose their benefits entirely.

Many of the city's 17,000 AFDC recipients will receive lower benefits.

42,000 students may pay up to 40 percent more for school lunches.

While Albuquerque, and particularly its low income residents, will feel the effects of federal budget cutting, the city stands to benefit from proposed tax incentives for new business investment and from increased defense spending. The Defense Department, through Kirtland Air Force Base, which houses the Air Force Weapons Center and the Air Force Evaluation and Testing Center, plus Sandia Labs, currently puts more than $1 billion annually into the community. The net impact on Albuquerque is probably best summarized by Mayor Rusk in a comment to local reporters:

> If I were the Mayor of Newark I would be worried. But it's different being the Mayor of Albuquerque. In the short term, the lack of money is going to be very painful. But our community has a capacity to replace federal intervention and funds, if we have the will to do so.

Baltimore

Profile.—Although the Census Bureau classifies Baltimore as a Southern city, it more closely resembles the declining industrial centers of the north than the growing cities of the sunbelt. The 1980 Census reports 787,000 residents in the city of Baltimore, down 13 percent from 1970. Over the same decade the entire metropolitan area grew moderately from 2.1 to 2.2 million.

Baltimore ranks high by most measures of urban distress.[6] The loss of middle income residents has left a city population that is relatively poor (21 percent are below the federal poverty level) and predominately black (56 percent are non-white). The unemployment rate currently exceeds 10 percent. Baltimore's economic base—a mix of port-centered activities, diversified manufacturing, and business, institutional and government services—has grown more slowly than the national average and has suffered absolute decline in some sectors. The city's housing stock is old, and in some areas shows signs of deterioration. Despite visible signs of revitalization, many downtown

[6] Baltimore is rated as the third most distressed central city after Newark and Detroit on the index of community need reported in Table 5. Similar indices of urban distress compiled by the U.S. Department of Housing and Urban Development and the Brookings Institution rank Baltimore as the 6th and 13th most distressed city, respectively.

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areas are blighted and much of the public infrastructure, such as roads and bridges, is in need of repair.

Declining population, per capita income, employment, and economic activity has strained local fiscal capacity. On the revenue side, Baltimore's property tax base has grown only one-half percent a year since 1970, far below the statewide average. To compensate, city property tax rates have increased 26 percent over the last 10 years and are generally twice that found in surrounding counties. City residents pay a local income tax in addition to high property taxes. Despite a high tax effort and improved governmental management, local revenues have not kept pace with the cost of providing services for a growing dependent population and an aging urban infrastructure. As a result, Baltimore has become increasingly dependent upon state and federal funds to finance basic municipal functions. For the current fiscal year, Baltimore anticipates receiving approximately $258 million in federal grants, $25 million in general revenue sharing funds and an additional $503 million in state funds.[7] Combined intergovernmental sources account for more than half (53.3 percent) of total city general revenues.

Budget impact.—Because Baltimore receives so much federal assistance, the proposed spending cuts will have a sharp impact. City officials are particularly concerned that the cuts will stall economic development initiatives and weaken the safety net of income supports and social service programs provided for low income residents. Baltimore's mass transit system, schools, health care facilities, job training, parks, and community development will also be adversely affected. In all. Baltimore anticipates losing an estimated $350 million in direct federal assistance.

Since 1978, Baltimore has received Urban Development Action Grants totalling more than $37 million for economic development, including a $10 million grant for downtown revitalization (The Hyatt Regency Hotel) a $9.1 million grant for industrial expansion (General Motors), and a number of small grants for neighborhood commercial revitalization. City officials estimate that UDAG grants have leveraged $250 million in private investment, created 1,750 new jobs, and added to the city tax base. Proposals to collapse UDAG into Community Development Block Grant funds could mean the loss of up to $12 million in 1982 for redevelopment projects, including plans for 800 units of housing, several harbor parks and neighborhood commercial revitalization. The city feels it will also lose the $60 million in private investment these projects are expected to leverage.

Grants totaling nearly $50 million from the Economic Development Administration (EDA) have financed seven major industrial projects in Baltimore, including a 170-acre industrial park and port improvements, and provided $26 million for local public works, $1.5 million for the new National Aquarium, and support for economic development planning staff. If the EDA is terminated, Baltimore stands to lose about $5 million in 1982, in addition to possible recissions for projects authorized in 1982. Threatened projects include:

$1.2 million for site improvements for a new 35-acre industrial park projected to generate 2,500 new jobs.

[7] These figures exclude federal assistance to the regional transit authority, the public housing authority and direct income transfers to low income and elderly Baltimore residents.

$1.2 million to renovate an open-air produce and seafood market that is a keystone to downtown revitalization.

$900,000 to renovate two industrial buildings.

$1.5 million to complete site improvements for the Holabird Industrial Park.

Local public and private sector leaders say that these projects will not occur without federal assistance.

In addition to slowing economic development, local officials expect proposed cuts in federal expenditures to curtail city programs for community development and job training:

Baltimore's highly successful weatherization program that winterized 800 homes last year, faces possible elimination due to federal cutbacks. Currently, public service employees paid under the Comprehensive Employment and Training Act (CETA) provide the labor while materials are paid for from a $1.5 million grant from the Department of Energy. Since both federal programs are proposed for termination, the weatherization program must compete for Community Development Block Grant (CDBG) funds in order to continue.

Baltimore will lose $1.5 million for low interest loans to help city homeowners rehab their homes.

The city's $32 million Community Development Block Grant will be stretched thinner to fund a wider range of community development functions. Sidewalk and street paving currently funded with CDBG money are among the programs likely to be eliminated for lack of funds.

Baltimore may lose $1.6 million for renovating existing city parks and for a new waterfront park if the Urban Parks program and the Land and Water Conservation Fund are terminated.

Cuts in federal support for waste water treatment may cost the city $50 million in 1982 and delay construction of the Bank River Wastewater Treatment plant.

City officials say that 3,000 CETA trainees who now work for the city or non-profit agencies will be laid off and 7,000 federally funded jobs for youth will be eliminated due to CETA cutbacks.

Proposed federal cuts in transportation programs will also have a large impact in Baltimore:

According to the Mayor's office, public transit fares could more than double, rising from 50 cents to $1.30 by 1985, to compensate for loss of federal operating subsidies if greater state assistance is not forthcoming. Currently the Mass Transit Administration receives $15.3 million from the U.S. Department of Transportation which covers about 20 percent of annual operating costs. Under the proposals being considered federal assistance would remain unchanged in 1982 but then drop to $11.5 million in 1983, $5.7 million in 1984, and be entirely eliminated by 1985.

Plans already approved by the U.S. Department of Transportation to extend a surface rail line six miles to Owings Mills in the northeast suburbs will not receive funding under federal cutbacks in fixed rail transit systems. The Urban Mass Transit Administration has informed the city that the $150 million extension will be delayed "until the economy improves," even though the first phase of the line is already complete.

Baltimore may also lose a $1 million design grant under the Urban Initiative program for a downtown transportation center.

The City may also lose $4.5 million annually for maintenance and repair of city streets and bridges.

Baltimore's low income and elderly population will also face the consequence of proposed federal cuts directed at a wide range of social service, health and welfare programs:

A 25 percent cut in health services currently offered to city residents will likely mean the loss of $34.4 million in 1982 and fewer services for the medically indigent at the city hospital. The Veterans' Administration Hospital may also close.

Proposed reductions in federal support for social service programs are estimated to cost Baltimore about $24 million a year. As a result, programs administered by the Community Service Administration totaling $3.5 million and currently serving 214,000 people may be terminated; 12,000 low-income children will no longer benefit from the school lunch programs; 6,000 fewer low income and elderly households will receive fuel assistance; the number of social workers available for public housing will be cut in half; and legal service programs serving low income residents may end.

An estimated 34,500 Baltimore families will have their benefits from AFDC, food stamps and other federal income support programs reduced or eliminated under federal proposals. The total loss is expected to amount to $60 million.

Cuts in federal housing programs may mean 110 fewer subsidized housing units under the Section 8 program. The Public Housing Authority also expects to receive $1.5 million less for operating subsidies and to lose $4 million previously anticipated for modernization funds in 1982. Without funding, the modernization program will slow down and maintenance will be deferred.

Baltimore public schools will lose an estimated $4.2 million in federal aid for programs for disadvantaged and handicapped students.

Several planned market-rate residential developments important to the city's strategy to attract middle income households to the downtown retail district, may be scrapped if the GNMA tandem mortgage assistance program is eliminated.

Proposed federal cuts will mean large losses to the city of Baltimore, both in absolute dollar terms and relative total local expenditures. Because fiscal capacity is already strained, alternative funds are generally not available to offset the loss of federal aid. City officials are pessimistic that national economic recovery will be as successful as economic development programs in bolstering Baltimore's sagging economy.

Boston

Profile.—After a long decline, Boston has recently enjoyed an economic resurgence evidenced by new downtown high rise office buildings, condominiums, and revitalization of many older city neighborhoods. An active redevelopment program has contributed to the renaissance with projects that include the highly successful commercial and residential redevelopment in Fanueil Hall and along the Waterfront. At the same time, Boston continues to rank among the most distressed central cities, reflecting the age of the housing stock (three-quarters of Boston's housing stock was built before 1940), the large number of low income residents living in the city (city officials estimate that more than one-quarter of the population is low income [8]), and population decline (between 1970 and 1980, city population fell by 12 percent from 640,000 to 563,000). Nearly one-third of city residents are non-white.

In recent years, Boston has re-established itself as a center for insurance, medicine, publishing and finance. Tourism has also contributed to the city's economy, with about 7 million visiting the city annually. Unemployment rates are relatively low, although the loss of older manufacturing employment has left many blue collar workers jobless or underemployed.

Boston's fiscal situation is less bright than its overall economic condition. A combination of over-reliance on the property tax, deficit spending and poor management have culminated in acute fiscal problems in the wake of a recent property tax cap. Last fall, in an effort to cut back one of the highest tax burdens in the nation, Massachusetts voters approved Proposition 2½, which will eventually limit property taxes to 2½ percent of fair market value and limit spending increases to 2½ percent of the prior year's revenues. Since Boston relies upon property taxes for 80 percent of local revenues, the effect on city finances will be dramatic: general revenues will decline by 15 percent in each of the next five years. To meet this decline, city spending, which totaled $878 million in fiscal 1981, must be cut by at least $97 million next year. This translates into a one-third reduction in the city operating budget, since more than 70 percent of total expenditures are earmarked for debt service or pensions and cannot be reduced. City workers and services for such essential functions as police, fire, public works, schools, libraries, and parks are already being cut. The city's municipal bond rating has been suspended due to Proposition 2½.

Budget impacts.—From the city's perspective, cutbacks in federal spending could not come at a worse time. As one Boston official observed:

> The federal budget cuts would be bad enough alone, but when you factor in Proposition 2½, the combination of the two is almost a disaster.

In fiscal 1981, Boston will receive between $170 million and $180 million in federal assistance. This represents about 18 percent of the city's total revenues of $1 billion. Officials estimate that Boston will lose between $39 million and $56 million, depending on the action Congress takes.

Probably the greatest loss from the city government's perspective will result from cutbacks in federal assistance for community and economic development. Boston has made active use of UDAG, CDBG, and EDA grants to fund a wide variety of job creation and community redevelopment projects:

Since 1979 Boston has received more than $42 million from the Urban Development Action Grant program. These funds

[8] Officially, Boston's poverty rate was 11.9 percent in 1978, slightly above the national rate of 11.4 percent; however, many families have incomes just above the official poverty level. A survey conducted by the Boston Redevelopment Authority in 1979 found half of all households have incomes below $10,700.

have leveraged an estimated $500 million in private investment for commercial and industrial development projects and created about 11,000 new permanent jobs. City officials estimate that Boston will receive about $5 million less for UDAG grants in 1982 than in 1981 under the proposed cutbacks.

Federal cuts will also curtail funding for neighborhood commercial revitalization, home weatherization and housing rehabilitation funded under the Community Development Block Grant program. Boston received $26.1 million in CDBG funds in 1981, and expects about $3.4 million less in 1982.

Since 1969, Boston has received about $18 million in grants from the Economic Development Administration to help reverse industrial decline. If EDA is terminated, Boston stands to lose $7.5 million in pending projects in fiscal 1981 and an additional $6.5 million the following year. These include a proposed revolving loan fund and three other projects expected to bring several new businesses to Boston.

Elimination of the Section 312 Rehabilitation Loan program will mean the loss of $1.2 million annually for low interest loans for Boston homeowners.

Termination of the Urban Parks and Recreation Recovery Program and the Land and Water Conservation Fund will mean the loss of $2.8 million anticipated in 1982 for improvements to the city's waterfront recreational facilities.

Boston officials are concerned that reduced federal support for these programs will significantly curtail the city's ability to promote private sector investment and job creation. Some projects will be delayed and other projects eliminated entirely without federal support. Testifying before the House Budget Committee, Mayor Kevin White emphasized the importance of these programs to Boston and the dramatic impact their loss will mean:

> Boston would not be a thriving urban center today without federal assistanse to enable economic development projects to move forward. . . . Reductions of the scale recommended by the Administration will not simply end waste, fraud, or duplication. They will dramatically reduce the city's ability to stimulate private investment, increase private employment and assist disadvantaged individuals to obtain private jobs.

Cutbacks in a number of other federal programs will affect Boston as well:

Ending the municipal wastewater treatment program may result in a loss of $12 million, contribute to higher rates for water and sewer service and threaten service cutbacks.

Federal cuts in CETA will mean loss of about $12 million to Boston in 1982, including $3 million for youth employment programs. Without federal assistance, 450 CETA employees presently working for the city and non-profit organizations will lose their jobs.

Phase-out of operating subsidies for mass transit will mean a loss of $2.6 million in 1982 and larger amounts in following years for the MBTA. Fares may need to rise by 35 percent to compensate. A $3 million Urban Initiatives grant awarded to the MBTA for a transportation center at South Station is also jeopardized by the budget cuts.

Boston is anticipating a $2 million loss for subsidized housing programs, down from $11 million in 1981. This will mean that 500–600 fewer low income households will receive housing assistance. In addition, Boston Public Housing Authority officials say that cutbacks in federal support for public housing operating subsidies and modernization mean continued operating deficits and further deterioration of the public housing stock despite the great need for subsidized units in the city.

A 25 percent reduction in federal support for health and social service programs will mean fewer city programs for preventative health care, weatherization, low income energy assistance and a wide range of other services for low income and elderly households. City officials are also concerned that the Medicaid cap may place an enormous burden on city hospitals and community health centers if private medical providers become less willing to provide service to low income persons.

A 25 percent cut in federal aid for education will mean a loss of $4 million at a time when the Boston Public Schools already face a severe financial crisis.

Although no dollar estimates are available, proposed reductions in payments to individuals for AFDC, Food Stamps and Unemployment Insurance will affect many low income households living in Boston. For example, proposals to lower the income eligibility for Food Stamps from $14,000 to $11,000 for a family of four will disqualify many residents whose income is below the poverty line of $13,623 from receiving assistance.

Coming at the same time as Proposition 2½, the proposed federal budget cuts will further strain Boston's fiscal condition. Together, reductions in local and federal revenues will reduce city revenues by 20 percent in 1982. Because Boston has pursued a policy of active grantsmanship, the total dollar loss from federal budget cuts will be quite large. Furthermore, because alternative revenue sources are not readily available, lost federal dollars will probably translate directly into service cuts. From a more positive perspective, given Boston's current fiscal management crises, federal cutbacks may serve to reinforce the need for the city to restructure its revenue sources and to control expenditures by implementing sound fiscal management.

Dallas

Profile.—In the 10 years between 1970 and 1980, the Dallas-Fort Worth metropolitan area grew by 25 percent, with the population rising from 2.4 million to nearly 3 million. Unlike most other central cities of its size, Dallas has continued to gain population as well, although at a less rapid rate than the metropolitan area. The 1980 Census counted 904,100 residents living in the city of Dallas, up from 844,400 a decade earlier. Nearly 30 percent of city residents are black, and about 55 percent are Spanish. Due to the strong local economy, Dallas ranks low on most indicators of urban distress. The 5 percent rate of unemployment is well below the national average. The local economy is characteristic of sunbelt cities, centering around high technology firms—the three largest employers are Texas Instruments, Braniff Airlines and Ling Temco Vought (an aerospace firm)—and a strong finance, insurance and real estate sector. In the past 25 years, Dallas has become the corporate headquarters for many national firms.

A growing tax base and good management practices contribute to the city's fiscal strength. Dallas officials point with pride to a balanced city budget, a decreasing reliance on ad valorem taxes, and an AAA credit rating for general obligation bonds. Municipal revenues are predominantly from local sources. With less than 5 percent of total city revenues (about $50 million) coming from federal funds, Dallas is among the least federally-dependent large cities in the country.

In addition to maintaining public infrastructure such as streets, bridges and public buildings, and providing for the protection and safety of Dallas citizens, the transit system and city hospital are also supported from general revenues. However, the Dallas Independent School District, the Dallas Housing Authority, and the Dallas-Fort Worth Airport are autonomous agencies. Hospital and health care, welfare, and most social services are administered by the county. Aside from the $17 million received annually from federal Community Development Block Grant funds, which are directed toward improvements for low and moderate income areas, Dallas spends relatively little on community and economic development. The city received one Urban Development Action Grant for $4.1 million to support a $20 million public-private development of an industrial distribution center in West Dallas, but does not plan any future projects of this sort.

Budget impact.—Because Dallas, for its size, receives relatively little federal aid, the proposed cutbacks in federal spending will have a relatively small impact, both in terms of dollars lost and in terms of the proportion of total city revenue this represents. City officials estimate that the proposed federal cuts will cost Dallas about $15 million from a total operating budget of over $500 million. This includes losses for transportation, urban development, employment, and environmental and energy grants that are paid directly to the city budget. It does not consider other cutbacks to the schools, public housing authority or social service and welfare programs administered by the county.

The largest dollar loss to the city will be in the areas of employment and transportation, where the city expects to lose $10 million in federal assistance. However, because the local economy is strong and fiscal conditions are sound, the impact on service levels, according to local officials, will be relatively small:

Proposed cutbacks in CETA employment and job training programs will mean the loss of $6.2 million and the gradual phaseout of 150 temporary employment positions with the city and private non-profit agencies.

The city may delay replacing older buses if the $2.7 million anticipated for purchasing new buses next year is lost to federal cutbacks.

Bus fares will probably increase moderately as federal operating subsidies are phased out. The $5 million that Dallas currently receives annually for operating subsidies from UMTA is expected to be reduced by about $.5 million in 1982. Since the city's transit system is largely self-supporting, the impacts are not expected to be great.

A half million dollars that had been anticipated to reimburse the city for airport construction is threatened by federal cuts. However, current service levels will not be affected since the improvements have already been completed.

Reduced federal support for wastewater treatment and community development may cost the city—

$1.4 million in EPA grants for construction of wastewater treatment facilities;

$2 million for community development activities funded under Community Development Block Grants; and

$1.2 million in low interest loans for residential rehabilitation.

However, these losses are not expected to have a significant impact on services provided The Budget Director believes that much of the loss in federal assistance can be made up from savings in administrative costs, although all community development programs will experience some impact. Because Dallas does not receive funding from EDA and does not plan any future UDAG projects, terminating these programs will have no local effect.

Other federal cuts that are outside the city budget will be felt by city residents, particularly those with low incomes. These include reduced federal support for education, health, social services, and welfare:

Federal cuts for subsidized housing will mean fewer Section 8 units. About 1,000 families now living in subsidized housing will also pay higher rents.

The Dallas Independent School District will lose an estimated $7.5 million or $37.8 in federal aid presently received. The biggest cuts will be for Title I programs for educationally disadvantaged students and the School Lunch program. Spokespersons for the district say that either services must be cut or school taxes raised.

A 25 percent cut in social service and health programs administered by the state will affect many low income and elderly households in Dallas.

Officials from the State Department of Human Services say that federal cuts for AFDC and Food Stamps will put "tremendous pressure" on the city's low income population unless the state increases its support for income assistance programs. Proposed cuts in unemployment compensation will have little impact given the low rate of unemployment.

While federal cuts will mean the loss of some revenue to Dallas city agencies, because the dollar amounts are relatively small and because alternative funding sources are available, the impact on service levels will not be great. City officials express strong support for cutbacks in federal spending and, unlike their colleagues in many distressed cities, favor the shift from categorical to block grants. They expect that national economic recovery will have a favorable impact upon the local economy.

Denver

Profile.—Located in a growing region and endowed with a generally healthy economy, the city of Denver has not entirely escaped many of the urban problems found in older cities of the Northeast and

Midwest. The Denver-Boulder metropolitan area grew at a rapid rate in recent years, increasing in population by one-third from 2.1 million to 2.8 million between 1970 and 1980. During the same period, the city of Denver lost 6.4 percent of its population, declining from 514,000 to 491,000. The economic boom of the mountain states has led to a growing number of energy related firms in Denver and an office construction boom in the downtown business district. A low unemployment level (currently 5.6 percent) attests to the strength of the local economy. Still, Denver's poverty rate is relatively high, with nearly 14 percent of city residents below the official poverty level. Denver's minority population in particular—30 percent of city residents are non-white—have not fully participated in the region's economic prosperity. Relative to other large central cities in the nation, Denver has a moderate level of community need as measured by various indicators of urban distress.

Although the city and county of Denver are financially sound, inflation has produced a degree of fiscal strain, forcing some service cutbacks for health care and cultural programs and an increase in the tax rate in 1981 to balance the city budget. Mayor William H. McNichols characterized the 1981 budget as a "holding action. . . to gain the equitable revenue capacities necessary to allow Denver to. . . avoid the blighted future that has overtaken so many core cities across the nation."

The total budget for the city and county of Denver for fiscal 1981 was $334 million. In addition to providing the usual municipal functions of public safety and protection, public works, parks and libraries, the unified city-county budget also finances social services, welfare, hospitals and health care, and the airport. Public transit is administered by a regional authority, while both the school district and the public housing authority are independent.

Seventy-seven percent of total city revenues are generated from local sources—primarily from sales, use and property taxes. The remaining 23 percent is from intergovernmental revenues. Most federal assistance received by the city is either for welfare and health care, for other special enterprise funds such as the airport, or is in in the form of general revenue sharing.

Budget impacts.—Denver expects to receive about $114 million in federal aid in 1981, plus federal assistance for the Denver School District, Denver Housing Authority and the Regional Transit District. While local officials do not have estimates of the total dollar loss expected from the proposed reductions in federal aid, most agree that a number of specific programs will feel the effects. The Director of Planning noted that "although Denver is not as reliant on federal funds as many Northeastern cities and the magnitude of the seriousness will therefore be less, the city will face some real needs." Other city officials are less concerned, pointing to the growing economy as a source of alternate city revenues and continued opportunities for Denver residents and business.

In the short run, cutbacks in federal dollars will necessitate belt tightening and some additional cutbacks in local services. The Mayor's commitment to avoid further tax increases means that few programs currently reliant on federal money will be assumed by the city. The state of Colorado is also not likely to raise state aid to offset federal losses. However, from a longer-term perspective, the growing regional economy will provide additional city revenues as well as higher incomes and greater opportunities for city residents. For the most part, the adverse budgetary impacts will be relatively short-term.

From the perspective of the city budget, the most worrisome federal cuts are those affecting hospital and health care. Medical care accounts for $34 million, or more than 10 percent, of total annual city expenditures. As state and federal assistance for health care for the medically indigent has fallen behind the cost of providing this care, the City has had to dig deeper into general funds to meet these costs. Reductions in health care programs and staff are already underway. City officials fear that proposals to cap Medicaid payments and to reduce other health care funding by 25 percent will require sharp cutbacks in the extensive health care programs that Denver provides to its residents.

Reduced federal support for airport construction will also have a major impact in Denver. The eighth busiest airport in the nation and badly in need of expansion, Stapleton Airport received $4 million in federal grants in 1981. If the nation's largest airports are made ineligible for federal assistance, future expansion will have to be financed from local revenues.

Other reductions in federal spending proposed by the Administration may curtail economic and neighborhood redevelopment, raise transit fares and charges for water and sewer, cut back a number of social services, employment and housing programs provided for low income and elderly residents, and reduce educational programs for disadvantaged students:

Elimination of the Economic Development Administration will jeopardize a pending $2 million grant for the Northeast Denver Industrial Park. City officials expect that without EDA funding the project will be scrapped. In addition, other neighborhood revitalization, job development and economic planning activities funded with EDA planning assistance grants will likely be terminated.

A proposed 25 percent reduction in federal funding for community development activities will result in cutbacks for city programs for neighborhood commercial revitalization, low interest loans for rehabilitation of deteriorated housing, and other public improvements, as a larger number of community development programs must compete for fewer dollars. Currently Denver receives about $13 million under the Community Development Block Grant program.

Federal assistance needed to complete the Lincoln Park Neighborhood Revitalization project, which includes 740 units of mixed income housing and other neighborhood improvements, may be lost if the Urban Development Action Grant program is cut. The city was awarded a four-year $13.5 million UDAG grant in 1979, but the second phase of the project has not yet been approved.

Phase-out of federal operating subsidies for the Regional Transportation District may result in higher fares, a higher sales tax, and service cuts for the city's public transit system.

Cuts in EPA grants for construction of wastewater treatment facilities will not impact the city budget since Denver does not receive EPA funds and existing treatment facilities already meet federal standards. However, city residents and business will likely face higher water and sewage rates to help pay the cost of building facilities to accommodate growth in suburban areas served by the metropolitan sewage district.

Federal cuts in housing programs will mean fewer subsidized housing units for low income households, and higher rents for those living in subsidized units.

A 25 percent cut in federal support for social services will cost Denver an estimated $16 million annually, affecting a wide range of programs for low income households, the elderly and other disadvantaged groups.

Federal cuts in CETA funding will result in a loss of about $3 million in 1981 and $6 million in 1982 for employment and training programs for Denver residents. More than 250 workers currently employed with the city or with community organizations will be phased out by early summer. Youth employment programs will also be cut back.

School officials say that a 25 percent reduction in federal aid for the Denver schools will require a cutback in programs for disadvantaged students.

Cuts in income support programs such as AFDC, food stamps, and unemployment, will reduce the benefits received by many marginally poor Denver households, while others will lose their benefits altogether.

Aside from reductions in some social service programs, relatively few of the proposed federal cuts will have a direct impact on the city operating budget. This is because the city has, for the most part, kept grant money separate from operating funds. Hence, while cutbacks in grants may eliminate a particular program or service, city general revenue funds will not be significantly affected unless the city decides to provide alternative funding. Denver officials are concerned about proposals to consolidate categorical grants for health and social services into block grants administered by the state. They fear that state distribution criteria will mean less funds for Denver.

Detroit

Profile.—Detroit is a distressed city in a distressed region. Both the city of Detroit (population 1.2 million) and the metropolitan area (population 4.4 million) lost population between 1970 and 1980, although the loss was far more dramatic in the central city (down 20 percent) than for the SMSA (down 2 percent). During this period, the composition of Detroit's population shifted from predominantly white to predominantly black. Already suffering from the long-term erosion of an aging industrial economic base, the local economy is now reeling from the crisis in the American automobile industry. General Motors and Chrysler are the two largest employers in Detroit, and probably one in every three city workers is employed in an auto related industry. The Department of Labor reports an unemployment rate of 16 percent; however, city officials say that the actual figure is probably closer to 20 percent, since many workers have given up looking for work.

The loss of population and economic activity has had severe implications for the city's fiscal condition. Despite sharp increases in the property tax rate, the value of real property and city revenues have not kept pace with inflation. Detroit has increasingly turned to state and federal assistance to finance essential services. City revenues for 1980–81 include $336 million from federal sources and $250 million from the state of Michigan. General revenue sharing and other federal grants account for 23 percent of total city revenues of $1.5 billion. Local revenues account for only 60 percent of total city expenditures, despite a high tax effort.

In 1980–81, Detroit received $105.8 million from Comprehensive Employment Training grants, $68.5 million from Community Development Block Grants, $57.8 million in General Revenue Sharing, and $104.1 million in other direct federal grants. Aside from revenue sharing and direct federal grants-in-aid, millions of additional federal dollars flow to Detroit in the form of aid to the public school system, the airport and other non-city agencies, and in the form of welfare payments and unemployment compensation to Detroit residents.

Even with extensive federal assistance, the city presently faces a $110 million operating deficit. To recoup this loss, the 1981–82 budget calls for the issuance of a deficit financing bond, wage freezes and rollbacks for city employees, and further increase in city taxes on income, property and utilities. Still, Detroit faces the threat of receivership if it is not able to meet its fixed obligations and defaults on its bonds. Because the state of Michigan is in severe financial difficulty itself, it is in no position to help.

Budget impacts.—Because Detroit receives extensive federal aid for entitlement and categorical grants, and because the city lacks alternative sources of funding to which it can turn, the proposed reductions in federal spending will likely have a dramatic impact. Mayor Coleman Young has predicted that the cities and the poor will carry the "major burden" of the cutbacks. In a more blunt statement, the Director of Planning described the budget cuts as a "disaster" for Detroit.

The direct impacts on the city budget will be greatest for proposed cutbacks in CETA public service employment, those targeted for various economic development programs, and cuts in EPA funding for wastewater treatment.

Detroit will lose $54.1 million if Title II–D and Title VI programs for public service employment under the Comprehensive Employment and Training Act are terminated. These funds currently pay the salaries for 2,440 city workers providing such essential services as police, fire, public works and recreation. The cost of paying these workers from general revenues is estimated at $7 million for 1981 and $28 million for 1982. In addition, 1,739 PSE slots will be lost for community organizations and 557 for the schools, causing both service cutbacks and higher unemployment.

Detroit has made active use of federal categorical grants for community and economic development. Since 1975 the city has received more than $80 million in EDA grants or loan guarantees and has been awarded $76 million in HUD Urban Development Action Grants, making it the number one UDAG recipient nationally. Termination of EDA and sharp cutbacks in UDAG funding may jeopardize a number of planned economic development projects:

Anticipated EDA grants of $10 million for the Cadillac Center will probably be lost. The city had previously received $5 million from EDA for acquisition and site preparation.

Financing for Central Industrial Park is contingent upon $15 million pledged by EDA.

Without EDA loan guarantees a hotel planned for Millender Center is threatened.

EDA planning funds totaling $105,000 used to support two economic development corporations and planning staff will likely be lost.

Three pending UDAG proposals are jeopardized, and future large-scale redevelopment projects will have to compete with other community development functions for CDBG funding.

Other proposed federal cutbacks will mean loss of a $12 million commitment from the Department of Transportation for the People Mover that was seen by some local public and private leaders as the keystone for downtown revitalization. City officials say that without federal funding, this project will be abandoned. Detroit will also lose $1.2 million in federal support for Section 312 low interest loans for revitalizing neighborhoods. Cutbacks in EPA construction grants for wastewater treatment may mean the loss of up to $100 million that Detroit had been counting on for upgrading sewer facilities. Without this support, officials fear that the city will not be able to meet a court order to comply with federal clean water standards. City officials fear that other cutbacks will—

Mean higher transit fares as federal operating subsidies are cut;

End plans for a riverfront park and halt rehabilitation of city recreation centers if the Urban Parks program is eliminated;

Jeopardize 258 units of Section 8 subsidized housing that is contingent upon GNMA financing;

Eliminate a program that weatherized the homes of 17,000 low income city residents; and

Curtail school programs for remedial, handicapped, and bilingual education.

The city's low income residents will face additional cuts in a wide variety of programs serving them:

A 25 percent cut in health care will curtail services now provided at 16 neighborhood health centers.

Neighborhood Services programs will be eliminated.

The price of school lunches will rise for low income students.

Fewer families will receive emergency fuel assistance that helped 26,500 households last winter.

Juvenile justice and legal service programs may be terminated.

Stricter eligibility criteria for AFDC and food stamps will affect many of the 246,000 Detroit residents who currently receive ADFC benefits and the 320,464 who receive food stamps. Proposals to reduce unemployment benefits paid to workers who lose their jobs due to foreign competition will impact some 285,000 laid off auto workers in Michigan, many of whom reside in Detroit. However, Administration proposals to reduce extended unemployment benefits will not affect jobless Detroit residents, since Michigan's unemployment rate (8.4 percent) still exceeds the revised 6 percent "trigger" rate.

In sum, because Detroit does not have alternative sources to fund programs, the loss of federal aid will likely bring a rapid halt to urban revitalization and economic development projects that relied on federal support. Low income Detroit residents will receive less direct federal assistance and find fewer social services available. In addition, city officials say that business tax credits for accelerated depreciation will not help investment in Detroit, because the credits do not apply to rehabilitation of existing plant and equipment.

Milwaukee

Profile.—Milwaukee is a mid-sized manufacturing city of 636,000 residents. The central city lost about 10 percent of its population over the past decade, while the four-county metropolitan area grew from 1.4 million in 1970 to about 1.5 million in 1980. The city population is about 23 percent non-white. Median household income in 1979 was relatively high at $15,824 although nearly 23 percent of the population was below the poverty level.

While Milwaukee's economic base has traditionally been manufacturing, the service sector has grown most rapidly in recent years. Still, nearly one-third of the work force is employed in manufacturing, with the largest employers producing non-electrical machinery and malt beverages. Like other older industrial cities, Milwaukee has experienced economic decline over recent decades, although a vigorous economic development policy on the part of the city has slowed the loss. A 20 percent increase in manufacturing employment is projected by 1985. The unemployment rate currently stands at 7.5 percent.

The city of Milwaukee faces a tight fiscal situation due to inflation and declining intergovernmental revenues. In addition to proposed federal cuts, the Wisconsin legislature is reducing local aid to help meet operating deficits at the state level. An 11.5 percent increase in the city tax rate in fiscal 1981 enabled Milwaukee to maintain effective service levels, but cutbacks are likely if state and federal revenues continue to decline. Milwaukee received about $73 million in federal revenue sharing and other direct federal grants in fiscal 1981, amounting to about 13 percent of total general revenues. Just under half of total revenues were generated from own sources and an additional 40 percent from state aid.

Milwaukee County also received substantial federal assistance for welfare, health, and other social services, for public transit, and for operation of the airport. Federal funds also went to the Milwaukee Public Housing Authority and the Public School System.

Budget impact.—Proposed federal cuts will likely have a relatively small direct effect on the Milwaukee city budget. However, significant impacts are anticipated for the metropolitan sewerage district, for the transit authority and for social service and health programs administered by the county.

From the city's perspective, proposed cuts in domestic spending will mean fewer opportunities for economic development. Milwaukee has received more than $16.5 million in EDA grants for various economic development and public works projects, and four UDAG grants totaling over $19 million for downtown renewal, community redevelopment and housing improvement. Three pending grant applications may not be funded under proposed federal cutbacks:

$1.6 million to establish a revolving loan fund under EDA Title I.

$3.6 million for a sewer extension and other public improvements to facilitate private investment in a 140-acre office-industrial complex in the northwest part of the city that is projected to create 8,000 new jobs. (UDAG)

$2 million in second mortgage financing for investment in new plant and equipment at the Maynard Steel Casting Company. (UDAG)

Lacking other funding, the revolving loan fund will likely be dropped if the Economic Development Administration is terminated, while the two UDAG proposals will face greater competition for the reduced funds earmarked for UDAG projects in fiscal 1982. Future economic and community development projects will rely increasingly upon Community Development Block Grant funds if EDA is terminated and UDAG funds are cut back. Other Milwaukee community development programs currently funded under Section 312 Rehabilitation Loans, Urban Homesteading, and Neighborhood Self Help Grants—all programs slated for elimination—will have to seek alalternative financing sources in order to continue.

Milwaukee may also lose a pending application for an $840,000 Urban Parks grant to rehabilitate eight playground swimming pools and $12 million in pending federal assistance for street improvements under the urban aid program of the Federal Highways Construction Grants. The loss of 452 CETA workers currently employed by city agencies and the school district is not expected to have a great impact on service levels, but will add to local unemployment.

Potentially, the cuts most threatening to Milwaukee's fiscal situation pertain to federal assistance for wastewater treatment facilities. Milwaukee is under a court order to upgrade sewage treatment to comply with standards established in the Clean Water Act. The metropolitan sewerage district estimates that $1.36 billion in capital expenditures will be required over the 1981–1990 period to obtain compliance. The district had anticipated receiving about $219 million in assistance from EPA Section 201 grants to help meet this need. Under the funding levels and priorities proposed by the current Administration, this may be reduced to about $116 million, meaning that 91.8 percent of the total cost for upgrading wastewater treatment facilities will have to be paid from local sources. Sharp increases in property taxes may be necessary to finance this large capital expenditure. Officials of the metropolitan sewerage district single out the elimination of funding for sewer rehabilitation and relief sewer construction as having particularly acute implications for Milwaukee and other older cities in the Northeast and Midwest.

The phase-out of transit operating subsidies by 1985 will also have a direct impact on the Milwaukee County transit system which currently receives $8.7 million in operating subsidies. County officials anticipate a 30¢ increase in fares to compensate; service cutbacks and increases in property taxes are also a possibility. Transit authority administrators do not expect significant decreases in capital assistance for mass transit. However, the $1.8 million in airport construction grants received in recent years will be eliminated if the 41 largest airports are made ineligible for capital assistance, since Milwaukee is the 38th largest airport.

The Milwaukee Public Housing Authority has a $.5 million operating deficit in the current fiscal year and faces even greater deficits in 1982 unless federal operating subsidies increase, since higher tenant rents will not be sufficient to meet rising utility costs. The Housing Authority Director expects to receive only about $1 million in modernization funds in 1982, an amount he characterizes as "a drop in the budget" relative to the $30 million needed for capital improvements to the 5,500 existing units.

Reduced federal assistance for social services and income support programs is expected to have a marked impact. The Community Relation-Social Development Commission has estimated that the Administration's proposed cuts will result in total losses of over $104 million, and will directly impact more than 200,000 persons in Milwaukee County and threaten higher property taxes. Briefly:

The loss of $5 million in direct federal aid to the Milwaukee School District may cut back Title I, special education and handicapped programs.

A 25 percent cut in aid for health care will curtail health services to 98,100 persons, and may close six community health centers.

14,500 low income households will lose energy assistance.

Legal services will be eliminated for 7,000 low income persons.

5,900 AFDC recipients will have their benefits reduced.

40 percent of food stamp recipients may have their allotments reduced or lose benefits entirely.

26,600 students will pay higher prices for school lunches.

1,600 unemployed county residents each week will lose benefits paid under extended unemployment provisions.

1,000 youth employment positions will be eliminated.

In sum, federal cutbacks will be felt in Milwaukee in terms of reduced funding for social services, economic development, public transit, subsidized housing and wastewater treatment. However, because the aggregate share of federal assistance is not as great as for some cities, the direct effect will also be less. Federal cuts may delay the time needed for Milwaukee to come into compliance with clean water standards and will likely raise transit fares. Fewer economic development projects will likely occur, public housing will continue to operate at a deficit as utility costs outpace federal assistance, and low income households will receive fewer social services. Still, by cutting programs, by raising user fees and by generally tightening the fiscal belt, the city expects to be able to cope.

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VI. THE URBAN AND REGIONAL IMPACT OF PROPOSED TAX CUTS

The Administration has proposed an across-the-board 30 percent reduction in personal income tax rates to be phased in over a three-year period,[1] and a modified version of the Conable-Jones 10–5–3 depreciation allowance, allowing faster tax write-offs for business investment in plant and equipment. Cuts in personal income tax rates are estimated to reduce federal government tax revenues by $44.2 billion in fiscal 1982, while provisions for accelerated depreciation would reduce revenues by $9.7 billion. Administration estimates show federal tax receipts declining from 23 percent of gross national product in 1982 to 19.3 percent in 1985, as a result of the tax cuts.[2]

According to Administration projections, lower personal income tax rates will boost savings and investment, while accelerated depreciation allowances will stimulate demand for capital by private business, thereby raising investment and productivity in the private business sector. Greater productivity, in combination with reduced Federal deficits and tight monetary policy, supporters argue, will alleviate inflationary pressures in the economy.

The Administration's tax proposals have sparked avid debate on whether they are capable of achieving these national economic goals. Some economists such as Joseph Pechman at Brookings, contend that the increase in capital investment projected by the Administration is above historical experience. Critics point out that the target level of business fixed investment relative to GNP exceeds historical levels, and that the projected increases are far greater than those achieved during the Kennedy and Johnson Administrations when similar incentives for business investment were adopted. Other economists, including Martin Feldstein of Harvard and Paul McCracken, chairman of the Council of Economic Advisers under President Nixon, argue that the combination of inflation and corporate tax structures have discouraged capital formation over the past decade and that the proposed business and individual tax cuts will promote capital investment and help restore the vigor of the American economy.[3]

Other critics have questioned whether the tax incentives will spur investment in older cities as well as growing areas, or whether the incentives will promote the out-migration of existing firms to other regions and non-metropolitan locations. The Northeast-Midwest Institute, for example, has expressed this concern:

> [The Administration's tax] proposals could exacerbate existing tendencies in the tax code to promote investment outside the nation's urban areas and reward

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[1] The Department of the Treasury has estimated the actual tax rate reduction to be 27 percent, because the maximum 50 percent tax rate on earned income would remain unchanged. Under the Administration plan, the top tax rate on unearned investment income would drop from 70 percent to 50 percent next January. As a result, the maximum tax rate on capital gains will drop from 28 percent to 20 percent.

[2] Executive Office of the President, *A Program for Economic Recovery* (February 18, 1981).

[3] For a discussion of the conflicting views of economists regarding the probable impact of the proposed cuts, see: Paul W. McCracken, "Reagan's Tax Plan Makes Sense," *Wall Street Journal* (June 10, 1981); "Reagan Plan on Outlays Stirs Skepticism," *Wall Street Journal* (June 16, 1981); Joseph A. Pechman, *The 1982 Budget: Setting National Priorities* (Brookings, 1981).

decisions by firms to build new facilities rather than to invest in the rehabilitation and renewal of existing structures.[4]

Advocates respond that the increase in aggregate national output and productivity that will result from the tax cuts will benefit all regions and cities. They point out that the economic health of distressed areas ultimately depends on the health of the national economy, and that the economic problems of distressed cities and regions are best addressed by national economic recovery. Supporters argue that the tax provisions are neutral with respect to location, encouraging investment in all places, and emphasize that national economic recovery hinges on promoting economic growth wherever private business finds investment to be profitable. Indeed, efforts to channel investment to distressed areas may actually conflict with the goal of revitalizing the national economy.[5]

Although the findings remain speculative at this point, available evidence suggests that several features of the proposed business tax cuts will favor investment in growing cities relative to older communities. Further, although per capita tax reductions from across-the-board cuts in personal income taxes may well be larger in distressed regions because of higher per capita nominal income, the average tax savings for households in older cities will likely be less than for households in surrounding suburban and non-metropolitan communities.

Tax Incentives for Business Investment

There appears to be a broad popular consensus that new tax incentives are needed to stimulate business investment. Arguments for them rest on three propositions:

That tax incentives will stimulate significant new business investment;

That new investment will enhance national productivity; and

That inflation has eroded the effect of current tax incentives.

Economists are in disagreement over each of the three propositions:

Econometric models demonstrate sharp disparities in their estimates of the impact of tax incentives on business investment. Some find business investment to be highly sensitive to varied tax incentives; others find much smaller effects.[6]

There is little hard economic evidence that higher levels of business investment will result in higher productivity growth in the national economy. A recent Brookings study estimates that only about 0.1 percent of the 3.0 percent decline in the rate of annual productivity growth over the 1970's is attributable to reduced rates of capital investment.[7] Other studies attribute somewhat more importance to business investment as a factor inducing high productivity.[8] All economists agree that separating out the key factors contributing to productivity is very difficult.

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[4] The Northeast-Midwest Institute, *A Regional Analysis of President Reagan's February 18 Economic Recovery Program* (February 20, 1981).

[5] This argument is made by the President's Commission for a National Agenda for the Eighties, *Urban America in the Eighties: Perspectives and Prospects* (1980).

[6] Robert C. Chirinko and Robert Eisner, "The Effects of Tax Parameters on the Investment Equations in Macroeconomic Econometric Models" (Washington, D.C.: Office of Tax Analysis, U.S. Department of the Treasury, OTA Paper 47, January 1981).

[7] Edward F. Dension, *Accounting for Slower Economic Growth; The United States in the 1970's* (The Brookings Institution, 1979).

[8] J. R. Norsworthy, Michael Hopper, Kent Kunze, *The Slow-Down to Productivity Growth: Analysis of Some Contributing Factors* (The Brookings Institution, 1979).

Because depreciation allowances are based on the historical value of assets rather than replacement cost, inflation has reduced their value to business. However, inflation has also devalued the real after-tax cost of debt repayment so that high tax-bracket individuals and corporations today often face negative real interest rates. Some economists point out that if these effects counter-balance one another, then inflation cannot fully explain the low level of capital formation

The regional and urban impacts of the tax cuts are even more difficult to assess than the effect on aggregate business investment. However, it is possible to identify a number of features of the tax proposals that may negatively affect private sector economic development in distressed cities and regions relative to places with growing economies. In particular, the proposed business tax incentives tend to favor investment in structures over equipment; they also favor new construction over rehabilitation and maintenance of existing plant and equipment; manufacturing industries over the office and service sector; and large, established firms over new small businesses.

Investment in structures and equipment.—Older central cities are generally built up at relatively high densities and lack the large parcels of vacant land which are available for new business development in growing suburban and non-metropolitan communities. At the same time, they have many existing business structures and facilities. Incentives which favor investment in equipment over plant and office space are more advantageous for cities, since they may be taken advantage of in existing facilities.

The Administration tax proposals shorten the tax life for most classes of investment, but particularly for new business structures. Specifically, the proposals call for—

Ten year accelerated write-off for industrial structures, retail and wholesale distribution facilities used by their owners, and for long-lived public utility property.

Five year accelerated write-off for other machinery and equipment.

Three year accelerated write-off for automobi'es, light trucks and the capital costs for research and development.

Fifteen year write-off for office buildings and for industrial, retail and commercial structures that are leased.

Under existing asset depreciation schedules, business equipment is on average depreciated over 7.6 years; 80 percent of business equipment has a minimum tax life longer than five years and 40 percent exceeds 10 years. Administration proposals would make all business equipment depreciable in five years. The disparity between Administration proposals and current practices may be even greater for business structures. A 1971 survey by the U.S. Department of the Treasury found average tax lives of 40 years for new office buildings, 37 years for new factories and from 20 to 42 years for other types of new structures. More recent data indicate that the average tax life for business structures was 24.7 years in 1978. Under Administration proposals, all business structures would be depreciable in just 10 to 15 years.

Economists Dale Jorgenson and Martin Sullivan estimate that the depreciation proposals of the Administration would increase the value to business of depreciation allowances on structures by 60 percent, compared to an increase of 11 percent for equipment.[9] Because they make investment in business structures more attractive relative to investment in equipment than in the past, the proposed tax revisions could work to the disadvantage of older, urban areas; areas relatively less attractive for new business investment.

Types of industries.—Most major central cities have experienced employment growth and investment in the service and office sectors at the same time that they have suffered relative or absolute declines in manufacturing, utilities and trade. These latter sectors have decentralized in response to technological shifts in communication and transportation, differential labor costs and the absence of suitable sites. Because of these basic economic factors, tax incentives which favor investment in trade, manufacturing, wholesaling and utilities are likely to reinforce and strengthen investment trends outside distressed communities. Smaller incentives for investment in service industries or for high technology will often mean smaller incentives for investment in industries possibly attracted to cities.

The investment incentives proposed by the Administration appear to offer the greatest benefit for investors in manufacturing and the smallest net additional incentive for investment in office, service and high technology industries. For example, the depreciation period for office buildings will be 15 years, versus just 10 years for owner-occupied manufacturing, commercial and utility structures. High technology industry, seen by many as the key to productivity break-throughs, is often labor intensive rather than capital intensive, and will therefore not benefit greatly from proposed depreciation schedules. Other features of the 10–5–3 proposal appear tilted against service and office industries as well.

Charles Hulten and Frank Wykoff in a report for the Urban Institute calculate that under the original 10–5–3 Conable-Jones proposal, which called for 10 year depreciation schedules for all business structures, the effective corporate tax rate would decline most sharply for investment in transportation, communication and utilities. They estimate that the effective corporate tax rate for this sector will decline from 38.1 percent under current provisions to 12.7 percent with 10-year accelerated depreciation—a 26 percent reduction (Table 6). Manufacturers of durable and non-durable products are estimated to experience a 17 to 19 percentage point reduction in their effective tax liability, while the reduction estimated for finance, insurance and services is only 13 to 16 percentage points.

In addition, some industries within the manufacturing sector are likely to benefit more than others under the proposed tax cuts. In particular, many highly troubled industries—such as automobile and steel—which are located primarily in distressed areas, will receive small incentives for new investment relative to those granted to growing industries, such as electronics and aerospace. With marginal or no profits, higher levels of depreciation allowances are of limited economic value.[10] Further, the auto and steel industry already enjoy relatively favorable depreciation allowances.

[9] Dale W. Jorgenson and Martin A. Sullivan, *Inflation and Corporate Capital Recovery* (Cambridge, Mass.: Harvard University Economics Discussion Paper No. 820, May 1981), p. 50.

[10] Depreciation costs may be carried forward and claimed against taxable profits in future years, but the the delayed receipt of tax benefits reduces their present value.

TABLE 6.—COMPARISON OF EFFECTIVE CORPORATE TAX RATES BETWEEN CURRENT TAX LAW AND THE CONABLE-JONES 10-5-3 PROPOSAL [1]

[In percent]

Industry	Current law	Conable-Jones	Difference
Agriculture	29.5	17.4	12.1
Mining	51.9	32.6	19.3
Construction	29.2	19.4	9.8
Nondurable manufacturing	36.9	19.8	17.1
Durable manufacturing	38.7	19.9	18.8
Transportation, communications, and utilities [2]	38.1	12.7	25.4
Trade	39.3	24.6	14.7
Finance and insurance	37.8	24.7	13.1
Services	41.4	25.6	15.8
Total nonresidential business	38.3	19.8	18.5

[1] Effective tax rates are calculated using an assumed 7 percent rate of inflation over the life of the asset, and the maximum 46 percent nominal corporate tax rate.

[2] The net impact upon utilities may be somewhat less than indicated here if public utilities are required to pass through some of the tax savings to consumers.

Source: Charles R. Hulten and Frank C. Wykoff, "Economic Depreciation and Accelerated Depreciation: An Evaluation of the Conable-Jones 10-5-3 Proposal" (Washington, D.C.: The Urban Institute, February 1981, draft).

Types of firm and facilities.—To the extent that the Administration's tax proposals are intended to stimulate new business enterprises, they appear to benefit larger businesses more than smaller ones. For example, to save capital, small businesses more often rent or lease their production facilities than do large, established businesses. Yet, less attractive depreciation provisions are proposed for rented or leased industrial and commercial structures: leased facilities are depreciable over 15 years while similar owner-occupied structures can be written off in just 10 years. Furthermore, because the Administration's tax proposals are not refundable, they may discriminate against newer businesses which often do not earn taxable profits for several years.

The differential treatment of owner-occupied and leased facilities may have an adverse impact on the competitive position of many older communities. High land and development costs combined with difficult site acquisition and uncertain market conditions often make real estate development relatively more risky in distressed urban areas. In this context, it is reasonable to assume that less attractive depreciation allowances for rented or leased space will exacerbate the competitive position of older distressed areas.

New buildings versus older facilities.—Many urban experts have pointed out that incentives which favor new structures and new equipment *vis-a-vis* existing structures and equipment may have a *de facto* bias against distressed cities, since they devalue or hasten abandonment of older capital facilities. Investment incentives offered in the United States have traditionally favored new capital over older capital, first as a result of accelerated depreciation for new structures, then, begining in the 1960's, as a result of the investment tax credit for new equipment.[11] To redress this imbalance, in 1978 Congress extended the investment tax credit to rehabilitation of existing structures as well. This measure has not been effective, however, due in part to the slow pace at which the Internal Revenue Service has implemented this provision.

[11] The investment tax credit is available for investment in used equipment but the amount of investment in used equipment which is eligible for the credit is limited by law.

The depreciation proposals of the Administration eliminate formal distinctions between the rate at which new and existing facilities may be depreciated. While a step forward, they could exacerbate the real economic disadvantages of older facilities. While no detailed studies have been made of this issue, proposals to offer the same tax life for all facilities would mean that an older structure with only 15 years of remaining use would be required to be depreciated over the same period as a new structure with a much longer useful life.

PERSONAL INCOME TAX CUTS

The most direct urban and regional impacts of the personal income tax cuts proposed by the Administration appear to arise from the effects of the cuts on the disposable income of households. A recent analysis by the Office of Management and Budget found that per capita tax relief from reduced federal personal income tax rates is greatest in the Northeast ($212) and Midwest ($209), and least in the South ($163) (Table 7). These differences directly reflect the higher nominal per capita incomes in the Northeast and Midwest relative to the South.

TABLE 7.—REGIONAL INCIDENCE OF PERSONAL INCOME TAX CUTS: 1982

Region	Personal income tax cut per capita	Personal income per capita	Tax cut as a percent of income
Northeast	$212	$11,860	1.78
Midwest	209	11,510	1.82
South	163	10,180	1.60
West	193	11,930	1.62

Source: Office of Management and Budget, "A Regional Analysis of the President's Economic Recovery Program" (April 1981).

Because the Federal income tax schedule is graduated, higher dollar incomes in the North are associated with higher average federal tax rates on personal income. Hence, the across-the-board cut in tax rates proposed by the Administration means that the tax savings are a slightly higher proportion of personal income in the Northeast and Midwest than in either the South or West. However, interregional differences in the tax cuts as a percentage of income are small in absolute terms, ranging from 1.6 percent in the South to 1.8 percent in the Midwest.

Reliable data are not available on the impact of tax cuts on distressed cities versus growing cities. However, indirect indications are that the tax relief proposed by the Administration is unlikely to return as much purchasing power to residents of distressed cities as the cuts in direct aid programs for local governments and individuals will take away.

Because poverty rates are high and growing in distressed central cities, federal personal income taxes are probably lower per capita and as a proportion of income, than for the nation as a whole. Hence the average tax cut received by city residents will be smaller than the national average, both in dollar terms and as a proportion of household income. Furthermore, evidence from the case studies indicates that the cuts in federal grants-in-aid will be greatest in distressed cities, both in total dollar terms and relative to total local expenditures. Hence, distressed cities may experience the least tax relief but the greatest cutbacks in federal aid.

Two other probable effects of the tax proposals should also be acknowledged. First, according to a recent study by the U.S. Department of the Treasury, the tax savings will be allocated to income groups in a reasonable relationship to their present tax contribution.[12] However, tax cuts per household will be much larger on average for upper than lower income groups. As a result, while the proposals may well be efficient in the long run with respect to the Administration's investment objectives, they raise issues of short-term equity. Given the growing concentration of poor households in older central cities, they also raise questions concerning appropriate urban policies. For example, would distressed cities be better off with the certainty of a tax cut which provides immediate tax relief to the poor, or would they be better off with the long-term investment that is anticipated under the Administration's proposals?

In a similar vein, because of current household income distribution patterns, suburban areas will likely benefit more from tax cuts than central cities. Certainly, because of their higher average household incomes, suburban areas will receive a disproportionate share of the total tax savings. As relevant, if the tax cuts stimulate investment, the locational focus of the investment is uncertain.

Conclusion

Administration proposals would lower effective corporate tax rates, especially for large corporations, and increase the proportionate tax burden shouldered by individuals.[13] If they are successful in stimulating business investment, then all parts of the country can expect to benefit, although some places are likely to experience larger gains than others. In particular, several specific features of the business tax proposals appear to favor investment in growing areas relative to older areas and should be reconsidered in this light. Where modifications are available to even out the regional effect without impairing the overriding goal of national economic recovery, these modifications should be considered. In addition, because the budget cuts will have an immediate impact while the benefits from proposed tax policies are uncertain and will not be felt for sime time, attention needs to be given to ways to ease the adjustment for fiscally strained and economically pressed cities.

[12] Individuals earning between $20,000 and $50,000 now pay 51 percent of all federal personal income taxes and would receive 53 percent of the tax relief. Those earning less than $15,000 pay 8.1 percent of federal taxes and will receive 8.8 percent of the total tax cut.

[13] Under the Administration tax plan, the share of total income taxes paid by individuals would increase from 79 percent in 1980 to about 86 percent in 1986. Conversely, the share paid by corporations would decline from 21 percent to 14 percent. See "Reagan Plan on Outlays Stirs Skepticism," Wall Street Journal (June 15, 1981).

VII. CONCLUSION

The 1982 budget proposed by the Administration entails significant reductions in federal grants for state and local governments. To the extent that cities depend upon federal assistance to provide basic municipal services and to finance economic and community development, the proposed cuts will pose the choice of either raising alternative revenues, providing services more efficiently, or curtailing services. Reductions in federal aid come at a time when many cities face slow growth in revenues from own sources due to the loss of population and employment. Some face tax caps that inhibit their ability to generate local revenues from traditional sources. Many states are financially hard-pressed and unable or unwilling to offer significant relief to distressed cities.

Reduced federal assistance will in general encourage a "shrinking" of the state and local sector, as cities drop some services they currently provide and turn others over to the private sector. Maintenance of capital infrastructure is likely to be deferred and a greater variety of user fees instituted. The case studies show that the extent of the loss in federal aid and the impact on local services provided to city residents will vary markedly from place to place. The local impact will be most severe in cities where the dollar loss is large, where fiscal and management capacity to respond to these losses are weak, and where economic conditions are distressed.

For cities like Detroit and Baltimore that are economically distressed, fiscally strained, and visibly dependent upon federal aid to provide some key municipal services, the loss in federal revenue will be large in absolute terms and relative to total city expenditures. Because alternative funds are limited, federal cutbacks will mean increased fiscal strain and fewer services for local citizens. The impacts may be equally severe in cities like Boston where federal cuts come at the same time that locally imposed tax caps restrain local revenues.

Cities with a strong fiscal base and growing economy will be affected much less. The dollar loss in cities like Dallas that receive relatively little federal aid per capita will be small relative to total local expenditures and can be readily offset from local revenues if programs are judged to be worth retaining. Aggregate impacts will be somewhat greater in other growing cities, such as Albuquerque and Denver, where reduced federal assistance will mean short-term fiscal strain; however, a growing economy and sound fiscal base will enable them to absorb the losses over time. Other cities such as Milwaukee will be hurt by cutbacks in anticipated aid to help meet specific capital or operating needs. In all cities, low income households will feel the direct impact of cuts in federal assistance to individuals and the indirect effect of fewer social services.

The proposed cuts with the greatest local impact vary from place to place; however, several are a frequent source of concern to local officials:

Cuts in federal support for *community and economic development* will likely curtail active redevelopment and revitalization programs in many of the nation's most distressed cities. Elimination of EDA and sharp cuts to UDAG will for the most part mean the end of large scale public-private redevelopment projects.

Elimination of *transit operating subsidies* will have a direct and immediate impact in many cities that rely on federal assistance to cover operating losses. Cutbacks in capital grants will also end planned fixed-rail projects in a few cities and defer smaller capital investments elsewhere.

Cuts in federal grants for *wastewater treatment* will impact many growing cities that have relied upon federal assistance to meet expansion needs, as well as older cities needing to modernize existing facilities to meet federal clean water standards.

Termination of *public service employment* programs will have a widespread effect, both on job opportunities for unemployed individuals and upon community services provided by CETA workers.

Reduced federal support for *health, education, and social programs* will lessen the ability of local governments everywhere to provide these services. Where alternative revenue sources or the local commitment to assume funding do not exist, services will be cut.

The precipitous nature of the proposed cuts in federal spending adds to the short-term adjustment problems for cities. Those with distressed economies will face the most severe difficulty in absorbing sudden resource losses. The experience of the mid-1970's suggests that the local impacts from sharp cuts in the federal budget may be severe. When the growth in federal aid to states and local governments slowed abruptly under the Nixon Administration in 1974 and 1975 after a decade of rapid real growth, acute fiscal strain was quickly evidenced in many of the nation's older cities. The fiscal crisis in New York City is best known, but other cities had to grapple with similar difficulties: Detroit's mayor threatened to lay off one-quarter of the municipal employees to balance the budget, Cleveland cut back city garbage collection to twice monthly, and many older industrial cities were closed out of the bond market or forced to pay high interest rates.[1] While the financial crunch of the mid-1970's was aggravated by a simultaneous downturn in the national economy, the cutbacks in federal aid now being considered are substantially larger.

The Administration's budget proposals illustrate regional dimensions. Yet, the variations among regions may not be as important as the variation between types of cities within regions. Proposed cuts in state and local aid appear to impact most heavily on older regions now most dependent upon federal assistance. Increased federal spending for defense related programs will likely entail relative economic and job benefits for growing areas now containing a disproportionate

[1] George Peterson, "The Fiscal Strain on Cities," in *The Urban Predicament*, William Gorham and Nathan Glazer, eds. (The Urban Institute, 1976), pp. 35-118.

share of defense-related activity, Tax proposals to promote new investment will generally reinforce current regional and urban growth trends, since they, on balance, favor new investment over investment in older structures.

Simultaneous cuts in the federal budget and tax rates have not been tried before and the nation cannot be sure that they will work. Some economists argue that given the current state of the national economy, new approaches are needed. Other economists have questioned whether these supply-side economic policies will achieve the increase in real national growth and significant decline in inflation that the Administration projects. A recent analysis by the Brookings Institution cautions:

> Supply side gains of this magnitude are not outside the realm of possibilities, but they are not supported by the econometric evidence on past responses of investment, savings and labor supply to increases in deprecation allowances and cuts in individual income tax rates of the kind proposed.[2]

The Brookings analysis also points out that the interpretation of inflation and how it can be controlled that is implicit in the Administration's economic program differs sharply from the conventional view.

Softening the Local Impact of Federal Budget Cuts

If the Administration's economic policy successfully slows inflation and stimulates investment, then although not all regions and cities will benefit equally, most will enjoy improved economic and fiscal viability in the long-run. Reduced federal aid will require cities to better define their priorities and to improve management practices. Closer relationships may develop between state government and local government and between the public and private sectors. Still, because economic recovery is neither certain nor immediate, it is important that the Administration and Congress acknowledge the short-term impacts posed by federal budget cuts on distressed urban communities and people, and consider ameliorative measures.

Phasing out federal aid to state and local governments over a longer period would give cities more time to adjust to the loss of federal support. This position, advocated by the National League of Cities, would allow adequate transition time for states and localities to adjust to less federal assistance and for economic recovery to begin to take hold:

> The current level of federal support for local services has been built up over several decades; it cannot be so quickly reversed without a dramatic reduction in the public service that our citizens demand. Furthermore, we would caution against such a drastic change in the level of support to local governments before the overall benefits of the President's economic program—higher economic growth, reduced inflation, and reduced mandates and regulatory burdens—are realized, thus strengthening the ability of local governments to assume additional burdens.[3]

Performance criteria that allocate categorical and block grants in accord with national commitments to improve the quality of urban life, and to expand the job, education, health and housing choices of urban residents—particularly the poor—would help assure use of

[2] Joseph A. Pechman, *The 1982 Budget: Setting National Priorities* (The Brookings Institution, 1981), p. 4.
[3] Excerpted from: *Statement of Policy Adopted by the Board of Directors of the National League of Cities With Regard to President Reagan's Economic Recovery Program* (February 28, 1981).

scarce federal resources in a cost-effective and equitable manner. Failure to do so, given fiscal pressures faced by many state and local governments, will probably result in extended use of federal funds to meet conventionally defined state and local obligations. Federal funds will be diverted from national objectives concerning community development, urban revitalization and assisting low income households.

A number of tax measures should be considered as well to mitigate the local impacts of federal budget cuts and to reinforce the benefits from economic recovery. Among them:

. Provisions to allocate relatively greater tax incentives to firms investing in existing plant and equipment.

. Provisions to allocate relatively larger tax benefits to firms investing in distressed areas.

Provisions that extend larger tax incentives to small firms.

Provisions to allow refund of tax deductions to encourage new or expanding firms in distressed areas that may show initial operating losses.

Finally, because of their magnitude and potential importance to the nation's regions and cities, the Administration's key budget and tax proposals should be subjected to brief but definitive urban impact analyses before they are enacted. Such analyses will help identify ways to lessen the local impact of budget proposals and to maximize the gains from economic recovery. These analyses would reinforce the shared goal of the Administration and Congress to initiate equitable, efficient and effective anti-inflationary economic policies that do not place unnecessary burdens on the nation's older cities and regions.

APPENDIX

Summary of Estimated Impacts From 40 Proposed Budget Cuts for Case Study Cities

ALBUQUERQUE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
COMMUNITY AND ECONOMIC DEVELOPMENT				
EDA Title II Loan Guarantees	75% cut in 1981 loan guarantee authority from $425 to $163 million; no funds budgeted for 1982.			Renovation of Kimo Theater and new downtown mall halted pending other funding.
EDA Title IX Economic Adjustment	32% cut in 1981 budget authority from $36 to $24 million; no funds budgeted for 1982.		-$.9 M for Kimo Theater project -$3 M for access road to Ethacon plant	
EDA Title I Public Works	63% cut in 1981 budget authority from $350 to $129 million; no funds budgeted for 1982.	$7-8 M received for counter cyclical public works in late 70s		
EDA Section 302(a) Planning Assistance Grants	73% cut in 1981 budget authority from $40 to $11 million; no funds budgeted for 1982.			
UDAG and CDBG	Combine UDAG program with CDBG at an 1982 authorization level of $4.17 billion; $500 million will be earmarked for UDAG type functions for the transition year, compared to a funding level of $675 million in 1981. Total budget authorizations are about 25% below 1981 appropriation levels.	UDAG: $1.5 M CDBG: $5 M	No pending UDAG proposals	$1.5 M for UDAG is not threatened, but funds will not be available for future projects. Less CDBG money available for neighborhood improvement and service programs.

ALBUQUERQUE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
Section 312 Rehabilitation Loans	Terminate program in 1982 and rescind $111 million in current 1981 appropriations. About $45 million in loan authority already obligated by local governments will be spent, but no new commitments will be extended.	$.35 M	-$.35 M FY 82	Terminate program.
Section 701 Planning Grants	Terminate program in 1981 with a rescission of almost $35 million in appropriations.	$0	None	None
Urban Homesteading	No new appropriations requested for 1982.	$0	None	None
Neighborhood Self-help Grants	Terminate program in 1981 and rescind $8.2 million in unobligated balance.	$0	None	None
EMPLOYMENT AND TRAINING				
Ceta Public Service Employment Titles II-D and VI	Phase out PSE employment by the end of 1981; rescind $149 million in 1981 budget authority.	$5.8 M		Eliminate 485 PSE slots--176 working for city in clerical and laborer jobs and 309 employed with various nonprofit agencies. Some social service cuts are expected, but unemployment should not rise greatly due to expanding economy.
CETA Youth Employment Title IV	Eliminate separate funding for YETP, YCLIP and summer youth employment program ($2.4 billion) in 1982 and fold into Title II-B and C at 20% reduced total spending.			

ALBUQUERQUE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SUBSIDIZED HOUSING				
Public Housing and Section 8	Reduce the number of additional subsidized housing units from 255,000 to 210,000 in 1981 by rescinding $5 billion in long term budget authority already appropriated; 1982 funding will be reduced by more than $9 billion, bringing the number of new commitments down to 175,000 units, 55% of which will be for existing units.	Section 8 allocation = 1272 units		Unable to increase Section 8 allocation to 1600 in 1982 as planned.
Public Housing Operating Subsidies	Cut outlays by about $100 million in 1982 by gradually increasing the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25% to 30% of adjusted income; withdraw Carter supplemental appropriation request for $100 million.			
Public Housing Modernization	Rescind $300 million in budget authority in 1981 and reduce 1982 budget request from $2 billion to $1.5 billion.			
GNMA Tandem Mortgage Assistance Programs	Eliminate program by 1983; $3.6 billion requested to purchase Section 8 and Targeted Tandem commitments with prior commitments. No new commitment will be issued for subsidized mortgages for Section 8 projects.			

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ALBUQUERQUE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
TRANSPORTATION				
Urban Mass Transit Capital Assistance	Reduce budget authority by $250 million in 1981 and $1340 in 1982 by issuing no new commitments for new rail system construction or extensions and eliminating the Urban Initiatives program ($200 million). Grants for improving existing rail systems and for buses will be continued.	$0	-$3 M	May forego planned purchase of 25 new buses.
Urban Mass Transit Operating Subsidies	Phase out federal assistance by 1985 by holding 1982 funds at 1981 level of $1.1 billion and cutting funds by one third in successive years.	$2.2 M		Service cutbacks likely for city bus system; also either higher fares or increased taxes.
Federal Highway Construction Grants	Maintain budget authority at current 1981 level by reducing funding for lower priority projects including secondary systems and urban arterials.	$1.5 M (urban systems)	-$1.5 M (FY 82)	Slow construction of new urban roads and upgrading of existing streets.
Amtrack and Conrail Subsidies	Reduce Amtrack fare subsidies by $380 million in 1982 and phase out all funding for Conrail by the end of 1982.	$0	None	Cutbacks in Southwest Limited may hurt local economy.
Airport Construction Grants	Cut grants by $272 million in 1981 and $300 million in 1982, and eliminate 41 largest airports from eligibility for assistance.	$1.6 M	-$7.2 M for new construction -$2 for runway improvements	Delay construction of new general aviation facility. Local financing will be required for improvements at international airport. A $1.50 passenger facility tax is under consideration.

ALBUQUERQUE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
ENVIRONMENT				
Wastewater Treatment Grants (Section 201)	Rescind $1 billion in unobligated 1981 funds and $700 million from previous years; $2.4 billion will be requested for 1982 (a 35% cut) pending legislative reforms that eliminate funding for projects to serve future growth or that do not significantly improve water quality.	$0	-$50 M in matching grants over next 7 years	Delay expansion and upgrading of municipal sewer system. City faces $76 M in capital expenditures for sewage treatment. Higher sewage rates may be necessary to cover construction costs.
Urban Parks and Recreation Recovery Program	Eliminate grant program in 1982 and rescind $45 million in 1981.	$7000	-$7000 (FY 81)	
Land and Water Conservation Fund	Rescind $145 million in 1981 state grants and terminate all funds in 1982.	$0	-$18.8 M	City acquisition of 8100 acres Elena Gallegos land grant for recreation and conservation is threatened by withdrawal of federal funds; city may also forfeit $1.6 M parking garage put up for collateral.
ENERGY				
Low Income Weatherization Assistance	Eliminate program in 1982.			

ALBUQUERQUE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES				
Elementary and Secondary Education Programs	Consolidate most federal aid for elementary and secondary education - including ESEA Title 1 grant for disadvantaged students and grants for handicapped students - into two block grants. Funding in 1981 would be reduced by 25% relative to levels in the 1981 Continuing Resolution.			Reduced programs for compensatory and bilingual education ar likely.
Vocational Education	Cut 1982 budget by 20% relative to 1980 appropriations and rescind $195 million in 1981 appropriations.			
Student Aid	Budget authority request for Pell grants in 1982 is $2.5 billion, $200 million less than Carter request. Requirements for qualifying for financial assistance will be made more stringent.	$0	No effect on city budget	Adverse effect on moderate income students who no longer qualify for loans.
Health Services	Consolidate 25 federal categorical health service grants into 2 block grants to the states, funded at $1.4 billion, or 75% of the 1981 level.			Anticipate 50% cut in mental health program statewide for alcohol and drug abuse.

ALBUQUERQUE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES (continued)				
Medicaid	Reduce federal payments to states $100 million below current projections in 1981 and limit the increase to 5% in 1982 by means of a cap on future increase in federal outlays.			Impact estimated 26,000 persons statewide.
Title XX Social Services	Consolidated into the Social Service Block Grant with a 25% overall cut in funding.	Social service and health programs are administered by state	25% cut in overall funding	City funded programs include alcohol and drug treatment programs, 2 daycare centers, 2 group homes for adolescents, and a woman's shelter.
Community Services Administration	Terminate agency in 1981, consolidating most functions into the Social Service Block Grant at reduced funding.			Local CAP agency provides community centers, weatherization, energy assistance, etc. to poor.
Child Nutrition	Cut national school lunch and other programs by $1.6 billion in 1982 by restricting eligibility and reducing federal subsidies.			Raise price of school lunch for low income students. Currently district provides 21,000 free lunches and 4,000 at subsidized cost.
Low Income Energy Assistance	Budget authority cut from $1.9 to $1.4 million for an Energy and Emergency Assistance Block Grant to the states.	Administered through CSA agency		Loss of CSA services.
Legal Services Corporation	Consolidate into Social Services Block Grant in 1982.			Eliminate legal services for 17,000 persons statewide.

ALBUQUERQUE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
PAYMENTS TO INDIVIDUALS				
AFDC	Reduce budget authority by $651 million in 1982 by implementing various reforms on eligibility and benefits.	Administered by county--no funds to city budget		Sharp cuts in disposable income for low income families. Currently there are about 17,762 AFDC and 45,570 Food Stamp recipients in Bernalillo county.
Food Stamps	Cut federal 1982 appropriation by $2.3 billion by lowering the income for eligibility and tightening other program requirements.			
Trade Adjustment Assistance	Cut budget authority by $1.1 billion in 1982 by reducing the benefits paid under the program.	$0	No impact	An estimated 18,000 households statewide will receive fewer Food Stamp benefits and 1,200 will become ineligible for assistance.
Unemployment Insurance - Extended Benefits	Reduce budget authority by $400 million in 1981 by eliminating the national trigger, raising the state trigger and strengthening eligibility requirements.			

BOSTON

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
COMMUNITY AND ECONOMIC DEVELOPMENT				
EDA Title II Loan Guarantees	75% cut in 1981 loan guarantee authority from $425 to $163 million; no funds budgeted for 1982.	$3.7 M FY 80	No pending loans	Several pending projects are jeopardized, including a revolving loan fund and three other projects expected to bring in several businesses and to generate jobs. City development activities will be delayed and some projects eliminated.
EDA Title IX Economic Adjustment	32% cut in 1981 budget authority from $36 to $24 million; no funds budgeted for 1982.	$1.8 M FY 80	-$1.3 M in pending funds FY 81 -$1.6 M FY 82	
EDA Title I Public Works	63% cut in 1981 budget authority from $350 to $129 million; no funds budgeted for 1982.	$2.1 M FY 81 $3.7 M FY 80	-$6.3 M in pending projects FY 81 -$4.9 M FY 82	
EDA Section 302(a) Planning Assistance Grants	73% cut in 1981 budget authority from $40 to $11 million; no funds budgeted for 1982.	$.15 M FY 80	-$.15 M annually	
UDAG and CDBG	Combine UDAG program with CDBG at an 1982 authorization level of $4.17 billion; $500 million will be earmarked for UDAG type functions for the transition year, compared to a funding level of $675 million in 1981. Total budget authorizations are about 25% below 1981 appropriation levels.	FY 81: CDBG: $26.1 M UDAG: $19.6 M FY 80: CDBG: $26.1 M UDAG: $22.6 M	-$3.4 M CDBG -$5.5 M UDAG (FY 82)	Major impact; Boston has relied on UDAG programs for new development and job creation. Proposition 2½ has frozen capital spending, eliminating alternative funds for leveraging capital for economic development. Programs for neighborhood development, weatherization, and downtown revitalization will be cut back.

BOSTON

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
Section 312 Rehabilitation Loans	Terminate program in 1982 and rescind $111 million in current 1981 appropriations. About $45 million in loan authority already obligated by local governments will be spent, but no new commitments will be extended.	$1.2 M FY 81 (302 units) $3.2 M FY 80	-$1.2 M annually	Rehabilitation program will be terminated.
Section 701 Planning Grants	Terminate program in 1981 with a rescission of almost $35 million in appropriations.	$0	None	State planning money --none allocated to city.
Urban Homesteading	No new appropriations requested for 1982.	Some		
Neighborhood Self-help Grants	Terminate program in 1981 and rescind $8.2 million in unobligated balance.	$0		Administrated by community groups; none through city.
EMPLOYMENT AND TRAINING				
Ceta Public Service Employment Titles II-D and VI	Phase out PSE employment by the end of 1981; rescind $149 million in 1981 budget authority.	$8.9 M	-$3.6 M FY 81 -$8.9 M FY 82	Eliminate 1400 PSE slots; at least 65% are anticipated to apply for welfare or unemployment compensation.
CETA Youth Employment Title IV	Eliminate separate funding for YETP, YCLIP and summer youth employment program ($2.4 billion) in 1982 and fold into Title II-B and C at 20% reduced total spending.	$5.6 M	-$3.2 M FY 82	Sharp service cutbacks, with 1098 fewer youths served.

BOSTON

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SUBSIDIZED HOUSING				
Public Housing and Section 8	Reduce the number of additional subsidized housing units from 255,000 to 210,000 in 1981 by rescinding $5 billion in long term budget authority already appropriated; 1982 funding will be reduced by more than $9 billion, bringing the number of new commitments down to 175,000 units, 55% of which will be for existing units.	$11.0 M FY 81 (1906 units)	-$2.2 M FY 82	Strong demand for subsidized housing will not be met; 500-600 fewer households will receive Section 8 assistance.
Public Housing Operating Subsidies	Cut outlays by about $100 million in 1982 by gradually increasing the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25% to 30% of adjusted income; withdraw Carter supplemental appropriation request for $100 million.	$31.9 M	-$4.6 M (-14.5%)	Cuts raise serious threat of default of entire Public Housing Authority, which is already operating with a deficit due to underfunding and high utility costs. Further cuts must be made from maintenance and security since fuel costs (53% of operating budget) cannot be reduced.
Public Housing Modernization	Rescind $300 million in budget authority in 1981 and reduce 1982 budget request from $2 billion to $1.5 billion.	$7 M		Housing Authority has capital needs in excess of $100 M; deferred maintenance drives up operating costs and increases vacancies.
GNMA Tandem Mortgage Assistance Programs	Eliminate program by 1983; $3.6 billion requested to purchase Section 8 and Targeted Tandem commitments with prior commitments. No new commitment will be issued for subsidized mortgages for Section 8 projects.			

BOSTON

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
TRANSPORTATION				
Urban Mass Transit Capital Assistance	Reduce budget authority by $250 million in 1981 and $1340 in 1982 by issuing no new commitments for new rail system construction or extensions and eliminating the Urban Initiatives program ($200 million). Grants for improving existing rail systems and for buses will be continued.	$3.0 M (Urban Initiatives)	-$.2 M FY 82	City's share of $39 M award to MBTA for a transportation center at South Station.
Urban Mass Transit Operating Subsidies	Phase out federal assistance by 1985 by holding 1982 funds at 1981 level of $1.1 billion and cutting funds by one third in successive years.	$8.0 M	-$2.6 M FY 82	Fares will rise by about 35% to compensate for loss of federal assistance.
Federal Highway Construction Grants	Maintain budget authority at current 1981 level by reducing funding for lower priority projects including secondary systems and urban arterials.	$5 M/year (FAUS)	No losses anticipated until 1983	$51 M in pending project may be threatened over next several years.
Amtrack and Conrail Subsidies	Reduce Amtrack fare subsidies by $380 million in 1982 and phase out all funding for Conrail by the end of 1982.	$0	No direct effect on city	
Airport Construction Grants	Cut grants by $272 million in 1981 and $300 million in 1982, and eliminate 41 largest airports from eligibility for assistance.			

BOSTON

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
ENVIRONMENT				
Wastewater Treatment Grants (Section 201)	Rescind $1 billion in unobligated 1981 funds and $700 million from previous years; $2.4 billion will be requested for 1982 (a 35% cut) pending legislative reforms that eliminate funding for projects to serve future growth or that do not significantly improve water quality.	$1.85 M	Proposals pending for $12.5 M	Water and sewer rates will probably rise; service cutbacks are not anticipated.
Urban Parks and Recreation Recovery Program	Eliminate grant program in 1982 and rescind $45 million in 1981.	$1.6 M	-$1.5 M FY 82	Waterfront redevelopment will be curtailed.
Land and Water Conservation Fund	Rescind $145 million in 1981 state grants and terminate all funds in 1982.	$1.8 M	-$1.3 M FY 82	
ENERGY				
Low Income Weatherization Assistance	Eliminate program in 1982.			

BOSTON

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES				
Elementary and Secondary Education Programs	Consolidate most federal aid for elementary and secondary education - including ESEA Title 1 grant for disadvantaged students and grants for handicapped students - into two block grants. Funding in 1981 would be reduced by 25% relative to levels in the 1981 Continuing Resolution.	$19.8 M FY 81	-$4.9 M FY 81 -$4.1 M FY 82	Loss of federal support at a time of severe financial crises for the schools could mean one less week of school for Boston students. Largest cut in Title I ESEA programs for deprived students.
Vocational Education	Cut 1982 budget by 20% relative to 1980 appropriations and rescind $195 million in 1981 appropriations.	$1.6 M FY 81	27% cut	
Student Aid	Budget authority request for Pell grants in 1982 is $2.5 billion, $200 million less than Carter request. Requirements for qualifying for financial assistance will be made more stringent.	$0	No direct impact on city budget	Given the large number of public and private colleges, cutbacks could have a depressing effect on local economy.
Health Services	Consolidate 25 federal categorical health service grants into 2 block grants to the states, funded at $1.4 billion, or 75% of the 1981 level.	$1.6 M FY 81	-$0.4 M	Anticipate cuts in health services, particularly for preventative care programs.

BOSTON

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES (continued)				
Medicaid	Reduce federal payments to states $100 million below current projections in 1981 and limit the increase to 5% in 1982 by means of a cap on future increase in federal outlays.	Administered through state for 3rd party reimbursement	Large indirect effect anticipated	Medicaid cap will place enormous burden on 3 city hospitals and 22 community health centers. Cutbacks in service to low income persons.
Title XX Social Services	Consolidated into the Social Service Block Grant with a 25% overall cut in funding.	$3.6 M	-$0.9 M	Service cuts in programs for businesses and elderly residents.
Community Services Administration	Terminate agency in 1981, consolidating most functions into the Social Service Block Grant at reduced funding.			Reduce funding for private nonprofit agencies providing many essential services.
Child Nutrition	Cut national school lunch and other programs by $1.6 billion in 1982 by restricting eligibility and reducing federal subsidies.	$8.6 M	-$3.1 M annually	
Low Income Energy Assistance	Budget authority cut from $1.9 to $1.4 million for an Energy and Emergency Assistance Block Grant to the states.			Loss of fuel assistance to 8000 elderly households.
Legal Services Corporation	Consolidate into Social Services Block Grant in 1982.			Impact Greater Boston Legal Services.

BOSTON

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
PAYMENTS TO INDIVIDUALS				
AFDC	Reduce budget authority by $651 million in 1982 by implementing various reforms on eligibility and benefits.	Massachusetts FY 81 = $532.4 M 124,000 cases	No direct impact on city budget	
Food Stamps	Cut federal 1982 appropriation by $2.3 billion by lowering the income for eligibility and tightening other program requirements.	Massachusetts FY 81 = $170.0 M 168,000 cases	No direct impact on city budget	City will not be able to assume any additional expenditures; cuts will affect many low income city residents.
Trade Adjustment Assistance	Cut budget authority by $1.1 billion in 1982 by reducing the benefits paid under the program.	$0	Not important to Boston area	
Unemployment Insurance - Extended Benefits	Reduce budget authority by $400 million in 1981 by eliminating the national trigger, raising the state trigger and strengthening eligibility requirements.			

BALTIMORE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
COMMUNITY AND ECONOMIC DEVELOPMENT				
EDA Title II Loan Guarantees	75% cut in 1981 loan guarantee authority from $425 to $163 million; no funds budgeted for 1982.			Applications pending for 4 EDA grants totaling $4.8 M; two other projects are waiting for authorization to proceed ($2 M).
EDA Title IX Economic Adjustment	32% cut in 1981 budget authority from $36 to $24 million; no funds budgeted for 1982.		-$4.5 M in FY 82 plus other possible recissions in FY 81	
EDA Title I Public Works	63% cut in 1981 budget authority from $350 to $129 million; no funds budgeted for 1982.	$26 M (76-77)		
EDA Section 302(a) Planning Assistance Grants	73% cut in 1981 budget authority from $40 to $11 million; no funds budgeted for 1982.	$0.16 M		
UDAG and CDBG	Combine UDAG program with CDBG at an 1982 authorization level of $4.17 billion; $500 million will be earmarked for UDAG type functions for the transition year, compared to a funding level of $675 million in 1981. Total budget authorizations are about 25% below 1981 appropriation levels.	UDAG: $18 M CDBG: $32 M	-$12 M FY 82	Reduce programs funded under CDBG, particularly for sidewalk and street paving. Likely defer redevelopment projects for 800 units of housing, commercial revitalization and a major hotel. Absorb many funding requirements previously filled by other federal programs, i.e., 312 loans, EDA, CSA, SBA, direct loans, urban initiatives.

BALTIMORE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
Section 312 Rehabilitation Loans	Terminate program in 1982 and rescind $111 million in current 1981 appropriations. About $45 million in loan authority already obligated by local governments will be spent, but no new commitments will be extended.	$1.5 M FY 81		City will substitute CDBG funds or other funds to complete planned rehabilitation of 300 units in 1981.
Section 701 Planning Grants	Terminate program in 1981 with a rescission of almost $35 million in appropriations.			
Urban Homesteading	No new appropriations requested for 1982.			
Neighborhood Self-help Grants	Terminate program in 1981 and rescind $8.2 million in unobligated balance.			
EMPLOYMENT AND TRAINING				
Ceta Public Service Employment Titles II-D and VI	Phase out PSE employment by the end of 1981; rescind $149 million in 1981 budget authority.	$31 M	-$31 M	Layoff 3000 PSE workers. Many will go on government assistance. Also loss of services provided by CETA through city and nonprofit agencies (e.g., weatherization).
CETA Youth Employment Title IV	Eliminate separate funding for YETP, YCLIP and summer youth employment program ($2.4 billion) in 1982 and fold into Title II-B and C at 20% reduced total spending.		-$20.3 M	Estimate 7000 youth jobs lost.

BALTIMORE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SUBSIDIZED HOUSING				
Public Housing and Section 8	Reduce the number of additional subsidized housing units from 255,000 to 210,000 in 1981 by rescinding $5 billion in long term budget authority already appropriated; 1982 funding will be reduced by more than $9 billion, bringing the number of new commitments down to 175,000 units, 55% of which will be for existing units.	Section 8 allocation: FY 80 720 units FY 81 659 units	FY 81: 61 fewer units FY 82: 110 fewer units will be developed	No alternative funding source.
Public Housing Operating Subsidies	Cut outlays by about $100 million in 1982 by gradually increasing the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25% to 30% of adjusted income; withdraw Carter supplemental appropriation request for $100 million.		$1.5 M	Reduce number of units and/or maintenance.
Public Housing Modernization	Rescind $300 million in budget authority in 1981 and reduce 1982 budget request from $2 billion to $1.5 billion.	$19 M (2 year average)	$4-5 M/year	Slow down modernization. Decrease available units. Keep residents in substandard conditions.
GNMA Tandem Mortgage Assistance Programs	Eliminate program by 1983; $3,6 billion requested to purchase Section 8 and Targeted Tandem commitments with prior commitments. No new commitment will be issued for subsidized mortgages for Section 8 projects.	$25 M in loan commitments on 6 multifamily projects providing 600 units of housing	Contingent on GNMA financing, plans had been made to develop several market rate residential projects in the downtown area. In addition to attracting middle income residents to the city, these projects are important to the revitalization of the retail district.	

BALTIMORE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
TRANSPORTATION				
Urban Mass Transit Capital Assistance	Reduce budget authority by $250 million in 1981 and $1340 in 1982 by issuing no new commitments for new rail system construction or extensions and eliminating the Urban Initiatives program ($200 million). Grants for improving existing rail systems and for buses will be continued.		Expect to lose $150 M anticipated for extension of rapid transit line and $1 M design grant for transit mall.	Loss of UMTA funds for completion of the Section B extension will mean an inefficient line at a time when federal operating subsidies are being withdrawn.
Urban Mass Transit Operating Subsidies	Phase out federal assistance by 1985 by holding 1982 funds at 1981 level of $1.1 billion and cutting funds by one third in successive years.	$15.3 M	Anticipate: FY 82 $15.3 M FY 83 $11.5 M FY 84 $5.7 M FY 85 $0 M	Fares could rise from 50¢ to $1.30 to cover operating costs; service cuts are possible.
Federal Highway Construction Grants	Maintain budget authority at current 1981 level by reducing funding for lower priority projects including secondary systems and urban arterials.	$4.5 M (FAUS) annually		Expect growing inability to maintain street, highway and bridge system due to elimination of FAUS and declining state aid.
Amtrack and Conrail Subsidies	Reduce Amtrack fare subsidies by $380 million in 1982 and phase out all funding for Conrail by the end of 1982.			
Airport Construction Grants	Cut grants by $272 million in 1981 and $300 million in 1982, and eliminate 41 largest airports from eligibility for assistance.	--	--	--

BALTIMORE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
ENVIRONMENT				
Wastewater Treatment Grants (Section 201)	Rescind $1 billion in unobligated 1981 funds and $700 million from previous years; $2.4 billion will be requested for 1982 (a 35% cut) pending legislative reforms that eliminate funding for projects to serve future growth or that do not significantly improve water quality.		-$50 M FY 82 (unless state allocations for FY 81 are carried over)	Delay construction projects, including Bank River Waste Water Treatment Plant.
Urban Parks and Recreation Recovery Program	Eliminate grant program in 1982 and rescind $45 million in 1981.	$2 M to date to rehabilitate six parks.	-$0.85 M/year matched by -$0.15 M from state	Funds have been used to rehabilitate intensively used park land. Deferral of work diminishes potential utilization.
Land and Water Conservation Fund	Rescind $145 million in 1981 state grants and terminate all funds in 1982.	$0.3 M	-$0.3 M/year	Delay the development of the Middle Branch Park, currently a blighted and underutilized shoreline slated to become a major waterfront park.
ENERGY				
Low Income Weatherization Assistance	Eliminate program in 1982.	$1.4 M (FY 80)	-$0.6 M (FY 81)	Only 2500 units, of 5000 planned, will be weatherized in FY 81; future weatherization must be funded from CDBG funds.

BALTIMORE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES				
Elementary and Secondary Education Programs	Consolidate most federal aid for elementary and secondary education - including ESEA Title 1 grant for disadvantaged students and grants for handicapped students - into two block grants. Funding in 1981 would be reduced by 25% relative to levels in the 1981 Continuing Resolution.	$21 M	-$4.2 M	Programs curtailed for disadvantaged and handicapped students.
Vocational Education	Cut 1982 budget by 20% relative to 1980 appropriations and rescind $195 million in 1981 appropriations.			
Student Aid	Budget authority request for Pell grants in 1982 is $2.5 billion, $200 million less than Carter request. Requirements for qualifying for financial assistance will be made more stringent.	$3.5 M	-$0.66 M less available for award	Decline in college enrollment.
Health Services	Consolidate 25 federal categorical health service grants into 2 block grants to the states, funded at $1.4 billion, or 75% of the 1981 level.		-$34.4 M/year	Loss of $100 M to Veterans Hospital plus cuts to other health services.

BALTIMORE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES (continued)				
Medicaid	Reduce federal payments to states $100 million below current projections in 1981 and limit the increase to 5% in 1982 by means of a cap on future increase in federal outlays.			Reduce number of persons eligible and reduce number of services available
Title XX Social Services	Consolidated into the Social Service Block Grant with a 25% overall cut in funding.		$-0.16 M	Reduce social workers for public housing. Ratio would go from 2778:1 to 5556:1 (18 to 9 workers).
Community Services Administration	Terminate agency in 1981, consolidating most functions into the Social Service Block Grant at reduced funding.	$3.5 M		CSA programs serving 214,000 people will be terminated.
Child Nutrition	Cut national school lunch and other programs by $1.6 billion in 1982 by restricting eligibility and reducing federal subsidies.		$-2.11 M	12,000 children cut from school lunch program.
Low Income Energy Assistance	Budget authority cut from $1.9 to $1.4 million for an Energy and Emergency Assistance Block Grant to the states.	$10 M FY 81	$-1.8 M	6,000 fewer households to receive fuel assistance.
Legal Services Corporation	Consolidate into Social Services Block Grant in 1982.	$1.6 M	$-1.6 M	Over 10,000 low income residents without legal assistance.

BALTIMORE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
PAYMENTS TO INDIVIDUALS				
AFDC	Reduce budget authority by $651 million in 1982 by implementing various reforms on eligibility and benefits.		-$60 M for AFDC, Food Stamps, and other income support programs	34,500 families lose full or partial assistance.
Food Stamps	Cut federal 1982 appropriation by $2.3 billion by lowering the income for eligibility and tightening other program requirements.			
Trade Adjustment Assistance	Cut budget authority by $1.1 billion in 1982 by reducing the benefits paid under the program.			
Unemployment Insurance - Extended Benefits	Reduce budget authority by $400 million in 1981 by eliminating the national trigger, raising the state trigger and strengthening eligibility requirements.			

DALLAS

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
COMMUNITY AND ECONOMIC DEVELOPMENT		$0	None	No projects pending
EDA Title II Loan Guarantees	75% cut in 1981 loan guarantee authority from $425 to $163 million; no funds budgeted for 1982.	$0	None	No projects pending
EDA Title IX Economic Adjustment	32% cut in 1981 budget authority from $36 to $24 million; no funds budgeted for 1982.	$0	None	Do not participate.
EDA Title I Public Works	63% cut in 1981 budget authority from $350 to $129 million; no funds budgeted for 1982.	$0	None	No projects pending
EDA Section 302(a) Planning Assistance Grants	73% cut in 1981 budget authority from $40 to $11 million; no funds budgeted for 1982.	$0	None	Do not participate.
UDAG and CDBG	Combine UDAG program with CDBG at an 1982 authorization level of $4.17 billion; $500 million will be earmarked for UDAG type functions for the transition year, compared to a funding level of $675 million in 1981. Total budget authorizations are about 25% below 1981 appropriation levels.	CDBG: $17.1 M UDAG: $4.1 M	-$2.1 M	Anticipate a slight reduction in all community development programs, but expect to make up much of the loss in federal funds with savings from administration. No CD programs are likely to be eliminated, and no UDAG projects are planned.

DALLAS

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
Section 312 Rehabilitation Loans	Terminate program in 1982 and rescind $111 million in current 1981 appropriations. About $45 million in loan authority already obligated by local governments will be spent, but no new commitments will be extended.	25 single family 20 multifamily Total $1.2 M	-$1.2 M	Program may continue with CDBG funds, but must compete with other activities for funding.
Section 701 Planning Grants	Terminate program in 1981 with a rescission of almost $35 million in appropriations.	$0	None	Do not participate.
Urban Homesteading	No new appropriations requested for 1982.	$0	None	Do not participate.
Neighborhood Self-help Grants	Terminate program in 1981 and rescind $8.2 million in unobligated balance.	$0	None	Do not participate.
EMPLOYMENT AND TRAINING				
Ceta Public Service Employment Titles II-D and VI	Phase out PSE employment by the end of 1981; rescind $149 million in 1981 budget authority.	$6.2 M	-$2.6 M for city employees -$3.6 M for private nonprofit agencies	150 PSE slots with city and private nonprofit agencies will be gradually phased out.
CETA Youth Employment Title IV	Eliminate separate funding for YETP, YCLIP and summer youth employment program ($2.4 billion) in 1982 and fold into Title II-B and C at 20% reduced total spending.			Youth employment program will experience minor reduction.

DALLAS

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SUBSIDIZED HOUSING				
Public Housing and Section 8	Reduce the number of additional subsidized housing units from 255,000 to 210,000 in 1981 by rescinding $5 billion in long term budget authority already appropriated; 1982 funding will be reduced by more than $9 billion, bringing the number of new commitments down to 175,000 units, 55% of which will be for existing units.	Section 8 allocation (FY 80): 96 new 0 existing 150 substantial rehabilitation 88 moderate rehabilitation 334 total units		
Public Housing Operating Subsidies	Cut outlays by about $100 million in 1982 by gradually increasing the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25% to 30% of adjusted income; withdraw Carter supplemental appropriation request for $100 million.			About 1000 families will pay a higher percent of income for subsidized housing.
Public Housing Modernization	Rescind $300 million in budget authority in 1981 and reduce 1982 budget request from $2 billion to $1.5 billion.			
GNMA Tandem Mortgage Assistance Programs	Eliminate program by 1983; $3.6 billion requested to purchase Section 8 and Targeted Tandem commitments with prior commitments. No new commitment will be issued for subsidized mortgages for Section 8 projects.			

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DALLAS

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
TRANSPORTATION				
Urban Mass Transit Capital Assistance	Reduce budget authority by $250 million in 1981 and $1340 in 1982 by issuing no new commitments for new rail system construction or extensions and eliminating the Urban Initiatives program ($200 million). Grants for improving existing rail systems and for buses will be continued.	$10.3 M	No immediate impact anticipated.	Delay replacement of new city buses.
Urban Mass Transit Operating Subsidies	Phase out federal assistance by 1985 by holding 1982 funds at 1981 level of $1.1 billion and cutting funds by one third in successive years.	$5.3 M	-$0.5 M	Raise fares, or possibly increase local subsidy, to compensate for loss of federal funds; no service cuts anticipated.
Federal Highway Construction Grants	Maintain budget authority at current 1981 level by reducing funding for lower priority projects including secondary systems and urban arterials.	$0		Cutbacks to state may have adverse effect on local economy.
Amtrack and Conrail Subsidies	Reduce Amtrack fare subsidies by $380 million in 1982 and phase out all funding for Conrail by the end of 1982.	$0	None	None
Airport Construction Grants	Cut grants by $272 million in 1981 and $300 million in 1982, and eliminate 41 largest airports from eligibility for assistance.	$1.6 M	-$0.5 M (reimbursement for funds already spent)	No impact on current service levels.

DALLAS

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
ENVIRONMENT				
Wastewater Treatment Grants (Section 201)	Rescind $1 billion in unobligated 1981 funds and $700 million from previous years; $2.4 billion will be requested for 1982 (a 35% cut) pending legislative reforms that eliminate funding for projects to serve future growth or that do not significantly improve water quality.	$1.4 M	-$1.4 M in FY 82	Not under court order to upgrade facilities. No immediate impact anticipated.
Urban Parks and Recreation Recovery Program	Eliminate grant program in 1982 and rescind $45 million in 1981.	$0		None
Land and Water Conservation Fund	Rescind $145 million in 1981 state grants and terminate all funds in 1982.	$0		None
ENERGY				
Low Income Weatherization Assistance	Eliminate program in 1982.	$0.7 M	None next year	Pick up under CDBG.

DALLAS

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES				
Elementary and Secondary Education Programs	Consolidate most federal aid for elementary and secondary education - including ESEA Title 1 grant for disadvantaged students and grants for handicapped students - into two block grants. Funding in 1981 would be reduced by 25% relative to levels in the 1981 Continuing Resolution.	$32.8 M (FY 80) total federal grants to school district	-$7.5 M (-22.4%)	Curtail expenditures for educational services by 36% due to federal cuts and increase in salaries. Increases will be met by local property tax revenue if necessary.
Vocational Education	Cut 1982 budget by 20% relative to 1980 appropriations and rescind $195 million in 1981 appropriations.	$0.7 M (FY 80)	-$0.2 M	
Student Aid	Budget authority request for Pell grants in 1982 is $2.5 billion, $200 million less than Carter request. Requirements for qualifying for financial assistance will be made more stringent.			Lower student enrollment possible at local universities.
Health Services	Consolidate 25 federal categorical health service grants into 2 block grants to the states, funded at $1.4 billion, or 75% of the 1981 level.	$0	None	State program

DALLAS

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES (continued)				
Medicaid	Reduce federal payments to states $100 million below current projections in 1981 and limit the increase to 5% in 1982 by means of a cap on future increase in federal outlays.			
Title XX Social Services	Consolidated into the Social Service Block Grant with a 25% overall cut in funding.			Program is administered by state.
Community Services Administration	Terminate agency in 1981, consolidating most functions into the Social Service Block Grant at reduced funding.			
Child Nutrition	Cut national school lunch and other programs by $1.6 billion in 1982 by restricting eligibility and reducing federal subsidies.	$15 M (FY 80)	-$2.3 M (FY 81-82)	School lunch program will be curtailed.
Low Income Energy Assistance	Budget authority cut from $1.9 to $1.4 million for an Energy and Emergency Assistance Block Grant to the states.			State program
Legal Services Corporation	Consolidate into Social Services Block Grant in 1982.			

DALLAS

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
PAYMENTS TO INDIVIDUALS				
AFDC	Reduce budget authority by $651 million in 1982 by implementing various reforms on eligibility and benefits.	$0	None	State programs, so no impact on city budget. However, impact on city's low income population could be significant since the level of support provided by Texas is low relative to other states. State is considering increased support for AFDC and Food Stamps to take up the slack
Food Stamps	Cut federal 1982 appropriation by $2.3 billion by lowering the income for eligibility and tightening other program requirements.	$0	None	
Trade Adjustment Assistance	Cut budget authority by $1.1 billion in 1982 by reducing the benefits paid under the program.			
Unemployment Insurance - Extended Benefits	Reduce budget authority by $400 million in 1981 by eliminating the national trigger, raising the state trigger and strengthening eligibility requirements.	$0	None	Impact small since unemployment rate is only 3%.

DENVER

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
COMMUNITY AND ECONOMIC DEVELOPMENT				
EDA Title II Loan Guarantees	75% cut in 1981 loan guarantee authority from $425 to $163 million; no funds budgeted for 1982.	$0	None	All EDA activities will be eliminated, including neighborhood revitalization, job development and economic development planning. A pending $2 M economic development project will be scrapped (Title I) if funds are rescinded. $130,000 for annual planning assistance will be lost (Sec. 302-2).
EDA Title IX Economic Adjustment	32% cut in 1981 budget authority from $36 to $24 million; no funds budgeted for 1982.	$1 M (for revolving loan fund)	Nothing pending	
EDA Title I Public Works	63% cut in 1981 budget authority from $350 to $129 million; no funds budgeted for 1982.		-$2 M frozen	
EDA Section 302(a) Planning Assistance Grants	73% cut in 1981 budget authority from $40 to $11 million; no funds budgeted for 1982.	$.4 M	-$130,000	
UDAG and CDBG	Combine UDAG program with CDBG at an 1982 authorization level of $4.17 billion; $500 million will be earmarked for UDAG type functions for the transition year, compared to a funding level of $675 million in 1981. Total budget authorizations are about 25% below 1981 appropriation levels.	CDBG = $13 M (FY 81) UDAG = $13.5 M (authorized for 1979-83 for Westside Neighborhood Revitalization)		UDAG cuts will curtail city's ability to stabilize and improve housing stock, public improvements and neighborhood commercial areas. Final phase of UDAG has not been approved, jeopardizing completion of low income housing project.
			Increased competition for CDBG funds. Curtail some CD activities, including neighborhood revitalization and social and health services.	

DENVER

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
Section 312 Rehabilitation Loans	Terminate program in 1982 and rescind $111 million in current 1981 appropriations. About $45 million in loan authority already obligated by local governments will be spent, but no new commitments will be extended.	$1.2 M single family $0.5 M multi-family		Six loan packages in HUD pipeline how frozen. Program will be dropped if federal funds are eliminated, since no other funding is available. Large effect on rehabilitation of older housing stock.
Section 701 Planning Grants	Terminate program in 1981 with a rescission of almost $35 million in appropriations.			Planning activities survey curtailed.
Urban Homesteading	No new appropriations requested for 1982.	None		
Neighborhood Self-help Grants	Terminate program in 1981 and rescind $8.2 million in unobligated balance.	Small	No substantial impact	
EMPLOYMENT AND TRAINING				
Ceta Public Service Employment Titles II-D and VI	Phase out PSE employment by the end of 1981; rescind $149 million in 1981 budget authority.	Title IID: $3.7 M Title VI: $1.45 M	(FY 81) Title IID being cut from $3.7 to $2.25 M; Title VI from $1.45 to $.9 M; Total cut FY 82 = $-6 M	254 PSE positions--most with community based organizations--will be eliminated. Expected to raise unemployment and reduce community service levels.
CETA Youth Employment Title IV	Eliminate separate funding for YETP, YCLIP and summer youth employment program ($2.4 billion) in 1982 and fold into Title II-B and C at 20% reduced total spending.	$1.2 M authorized for Title IV Youth Employment Programs (FY 81)		Services to youth will be cut. Current funding provides about 400 training and employment slots for youth.

DENVER

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SUBSIDIZED HOUSING				
Public Housing and Section 8	Reduce the number of additional subsidized housing units from 255,000 to 210,000 in 1981 by rescinding $5 billion in long term budget authority already appropriated; 1982 funding will be reduced by more than $9 billion, bringing the number of new commitments down to 175,000 units, 55% of which will be for existing units.	507 units allocated to SMSA in 1981		Significant impact expected due to strong demand for subsidized housing. Curtail use of DRB for multifamily subsidized housing.
Public Housing Operating Subsidies	Cut outlays by about $100 million in 1982 by gradually increasing the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25% to 30% of adjusted income; withdraw Carter supplemental appropriation request for $100 million.			Housing authority operates 4500 units. Higher rents are expected to force out some low income households.
Public Housing Modernization	Rescind $300 million in budget authority in 1981 and reduce 1982 budget request from $2 billion to $1.5 billion.			
GNMA Tandem Mortgage Assistance Programs	Eliminate program by 1983; $3.6 billion requested to purchase Section 8 and Targeted Tandem commitments with prior commitments. No new commitment will be issued for subsidized mortgages for Section 8 projects.			

DENVER

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
TRANSPORTATION				
Urban Mass Transit Capital Assistance	Reduce budget authority by $250 million in 1981 and $1340 in 1982 by issuing no new commitments for new rail system construction or extensions and eliminating the Urban Initiatives program ($200 million). Grants for improving existing rail systems and for buses will be continued.	$0	No impact on city budget	Federal cuts may cause Regional Transportation District to request additional taxing authority.
Urban Mass Transit Operating Subsidies	Phase out federal assistance by 1985 by holding 1982 funds at 1981 level of $1.1 billion and cutting funds by one third in successive years.			City must either raise supplementary funds via taxes or raise fares by 60%; services may be reduced.
Federal Highway Construction Grants	Maintain budget authority at current 1981 level by reducing funding for lower priority projects including secondary systems and urban arterials.	$2.3 M		Possible impact on public works programming.
Amtrack and Conrail Subsidies	Reduce Amtrack fare subsidies by $380 million in 1982 and phase out all funding for Conrail by the end of 1982.	$0	No effect	
Airport Construction Grants	Cut grants by $272 million in 1981 and $300 million in 1982, and eliminate 41 largest airports from eligibility for assistance.	$4 M		Airport expansion may be curtailed, particularly if Denver is made ineligible for assistance.

DENVER

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

<table>
<tr><th>Federal Program</th><th>Proposed Budget Cut FY 81-82</th><th>Current Federal Allocation to City FY 81</th><th>Anticipated Impact on Local Funding FY 81-82</th><th>Anticipated Impact on Service Level</th></tr>
<tr><td>ENVIRONMENT</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Wastewater Treatment Grants (Section 201)</td><td>Rescind $1 billion in unobligated 1981 funds and $700 million from previous years; $2.4 billion will be requested for 1982 (a 35% cut) pending legislative reforms that eliminate funding for projects to serve future growth or that do not significantly improve water quality.</td><td>$0</td><td>None</td><td>City does not receive EPA wastewater funding (regional sewer facility).</td></tr>
<tr><td>Urban Parks and Recreation Recovery Program</td><td>Eliminate grant program in 1982 and rescind $45 million in 1981.</td><td rowspan="2">$1 M</td><td>Tentative grant totaling: $2.5 M under HCRS and UPRRA</td><td>Department of Parks and Recreation is waiting for reimbursement from HCRS state grant scheduled for elimination.</td></tr>
<tr><td>Land and Water Conservation Fund</td><td>Rescind $145 million in 1981 state grants and terminate all funds in 1982.</td><td></td><td></td></tr>
<tr><td>ENERGY</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Low Income Weatherization Assistance</td><td>Eliminate program in 1982.</td><td></td><td></td><td>Terminate program.</td></tr>
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DENVER

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES				
Elementary and Secondary Education Programs	Consolidate most federal aid for elementary and secondary education - including ESEA Title 1 grant for disadvantaged students and grants for handicapped students - into two block grants. Funding in 1981 would be reduced by 25% relative to levels in the 1981 Continuing Resolution.			Substantial impact on school district; cutback in tertiary services.
Vocational Education	Cut 1982 budget by 20% relative to 1980 appropriations and rescind $195 million in 1981 appropriations.			May effect some services of the Denver Employment Training Administration.
Student Aid	Budget authority request for Pell grants in 1982 is $2.5 billion, $200 million less than Carter request. Requirements for qualifying for financial assistance will be made more stringent.			Lower university enrollment is likely.
Health Services	Consolidate 25 federal categorical health service grants into 2 block grants to the states, funded at $1.4 billion, or 75% of the 1981 level.	$11.5 M	-$2 M loss FY 82	Potentially serious impact on city budget which funds the City Hospital and Neighborhood Health Program. Reduced federal assistance would force program cuts and greater support from general revenues. State support for health programs has also been reduced.

DENVER

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES (continued)				
Medicaid	Reduce federal payments to states $100 million below current projections in 1981 and limit the increase to 5% in 1982 by means of a cap on future increase in federal outlays.	$7 M Medicaid $7 M Medicare		(see health services)
Title XX Social Services	Consolidated into the Social Service Block Grant with a 25% overall cut in funding.			
Community Services Administration	Terminate agency in 1981, consolidating most functions into the Social Service Block Grant at reduced funding.			
Child Nutrition	Cut national school lunch and other programs by $1.6 billion in 1982 by restricting eligibility and reducing federal subsidies.		Overall cut for social services is estimated at $16 M per year (excluding health and education)	School lunch program will probably be cut.
Low Income Energy Assistance	Budget authority cut from $1.9 to $1.4 million for an Energy and Emergency Assistance Block Grant to the states.	$6 M		
Legal Services Corporation	Consolidate into Social Services Block Grant in 1982.			

DENVER

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
PAYMENTS TO INDIVIDUALS				
AFDC	Reduce budget authority by $651 million in 1982 by implementing various reforms on eligibility and benefits.	$23 M in federal reimbursement FY 80		City administers all social service and welfare programs within county. State and federal reimbursements amount to 80% of total program costs. Federal cuts may place additional burden on city budget and taxpayers to compensate for revenue lost. Reduced program benefit levels will hurt the city's marginally poor.
Food Stamps	Cut federal 1982 appropriation by $2.3 billion by lowering the income for eligibility and tightening other program requirements.			
Trade Adjustment Assistance	Cut budget authority by $1.1 billion in 1982 by reducing the benefits paid under the program.	$0	None	
Unemployment Insurance - Extended Benefits	Reduce budget authority by $400 million in 1981 by eliminating the national trigger, raising the state trigger and strengthening eligibility requirements.	$0	None	

DETROIT

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
COMMUNITY AND ECONOMIC DEVELOPMENT				
EDA Title II Loan Guarantees	75% cut in 1981 loan guarantee authority from $425 to $163 million; no funds budgeted for 1982.	Detroit has received more than $80 M in EDA funds or loan guarantees since 1975 (includes $50 M under Title I)	Loss of funding: -$10 M additional funding expected for Cadillac Center -$15 M pledged for Central Industrial Park -Millander Center loan guarantees (Title II) -Continued support under Titles III and IX: -$.1 M Title III -$5.0 M Title IX	Termination of EDA jeopardizes several redevelopment projects for industrial land clearance; will also lose planning staff funded under EDA
EDA Title IX Economic Adjustment	32% cut in 1981 budget authority from $36 to $24 million; no funds budgeted for 1982.			
EDA Title I Public Works	63% cut in 1981 budget authority from $350 to $129 million; no funds budgeted for 1982.			
EDA Section 302(a) Planning Assistance Grants	73% cut in 1981 budget authority from $40 to $11 million; no funds budgeted for 1982.			
UDAG and CDBG	Combine UDAG program with CDBG at an 1982 authorization level of $4.17 billion; $500 million will be earmarked for UDAG type functions for the transition year, compared to a funding level of $675 million in 1981. Total budget authorizations are about 25% below 1981 appropriation levels.	CDBG: $68.5 M (1980-81) UDAG: $76 M (since program's beginning)	3 pending UDAG proposals and others planned	Large redevelopment projects will have to compete with other community development functions for CDBG funding.

DETROIT

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
Section 312 Rehabilitation Loans	Terminate program in 1982 and rescind $111 million in current 1981 appropriations. About $45 million in loan authority already obligated by local governments will be spent, but no new commitments will be extended.	$1.1 M FY 80	-$1.2 M in loan applications	Terminate rehabilitation loans for stabilizing and revitalizing neighborhoods
Section 701 Planning Grants	Terminate program in 1981 with a rescission of almost $35 million in appropriations.			Administered by state.
Urban Homesteading	No new appropriations requested for 1982.			
Neighborhood Self-help Grants	Terminate program in 1981 and rescind $8.2 million in unobligated balance.	Minimal		
EMPLOYMENT AND TRAINING				
Ceta Public Service Employment Titles II-D and VI	Phase out PSE employment by the end of 1981; rescind $149 million in 1981 budget authority.	$54.1 M		4158 PSE jobs terminated by 9/30/81. These include 2440 city workers funded under Titles IID and VI, employed in such essential services as police, fire, public works, and recreation. These workers will be transitioned to General Revenues at a cost of $7 M for FY 81 and $28 M for FY 82. In addition, 1739 PSE slots will be lost for community organization and 557 for the schools.
CETA Youth Employment Title IV	Eliminate separate funding for YETP, YCLIP and summer youth employment program ($2.4 billion) in 1982 and fold into Title II-B and C at 20% reduced total spending.			

DETROIT

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SUBSIDIZED HOUSING				
Public Housing and Section 8	Reduce the number of additional subsidized housing units from 255,000 to 210,000 in 1981 by rescinding $5 billion in long term budget authority already appropriated; 1982 funding will be reduced by more than $9 billion, bringing the number of new commitments down to 175,000 units, 55% of which will be for existing units.			No significant cuts in funding or service anticipated.
Public Housing Operating Subsidies	Cut outlays by about $100 million in 1982 by gradually increasing the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25% to 30% of adjusted income; withdraw Carter supplemental appropriation request for $100 million.	FY 81: ~$13 M	No cut anticipated	Higher rent payments for residents of subsidized housing will pose burden; withdrawal of supplemental appropriations will worsen operating deficits.
Public Housing Modernization	Rescind $300 million in budget authority in 1981 and reduce 1982 budget request from $2 billion to $1.5 billion.	FY 81: $10 M	Firm commitment for next 2 years	City modernization program should not be affected.
GNMA Tandem Mortgage Assistance Programs	Eliminate program by 1983; $3.6 billion requested to purchase Section 8 and Targeted Tandem commitments with prior commitments. No new commitment will be issued for subsidized mortgages for Section 8 projects.			258 Section 8 units will be affected by lack of GNMA funding.

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DETROIT

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
TRANSPORTATION				
Urban Mass Transit Capital Assistance	Reduce budget authority by $250 million in 1981 and $1340 in 1982 by issuing no new commitments for new rail system construction or extensions and eliminating the Urban Initiatives program ($200 million). Grants for improving existing rail systems and for buses will be continued.	FY 80: $1.5 M (planning funds)	FY 81: $12 M commitment pending	Eliminate funding for the People Mover that was the keystone for the downtown revitalization plan. Without federal funding the project will be abandoned (had hoped for $10 M).
Urban Mass Transit Operating Subsidies	Phase out federal assistance by 1985 by holding 1982 funds at 1981 level of $1.1 billion and cutting funds by one third in successive years.	$48 M FY 81	Expect to receive ~$50 M	As subsidies are cut, service cutbacks will be necessary.
Federal Highway Construction Grants	Maintain budget authority at current 1981 level by reducing funding for lower priority projects including secondary systems and urban arterials.	Minimal		
Amtrack and Conrail Subsidies	Reduce Amtrack fare subsidies by $380 million in 1982 and phase out all funding for Conrail by the end of 1982.	$0		
Airport Construction Grants	Cut grants by $272 million in 1981 and $300 million in 1982, and eliminate 41 largest airports from eligibility for assistance.	$0		County function.

DETROIT

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
ENVIRONMENT				
Wastewater Treatment Grants (Section 201)	Rescind $1 billion in unobligated 1981 funds and $700 million from previous years; $2.4 billion will be requested for 1982 (a 35% cut) pending legislative reforms that eliminate funding for projects to serve future growth or that do not significantly improve water quality.	est. $100 M	-$100 M FY 82	Detroit is under a court order to upgrade sewer facilities and are counting on >$100 M federal grants. No alternative funds are available.
Urban Parks and Recreation Recovery Program	Eliminate grant program in 1982 and rescind $45 million in 1981.			Riverfront Plan will be terminated without UPRC funding; also halt rehabilitation of existing recreation centers.
Land and Water Conservation Fund	Rescind $145 million in 1981 state grants and terminate all funds in 1982.			Could affect city's park development.
ENERGY				
Low Income Weatherization Assistance	Eliminate program in 1982.	$1 M	-$3 M FY 82	Program that served 17,000 households last year will be discontinued.

DETROIT

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES				
Elementary and Secondary Education Programs	Consolidate most federal aid for elementary and secondary education - including ESEA Title 1 grant for disadvantaged students and grants for handicapped students - into two block grants. Funding in 1981 would be reduced by 25% relative to levels in the 1981 Continuing Resolution.	~$65 M	-$13 M (20% cut in federal grants to Detroit school district)	Curtail programs for remedial, handicapped, and bilingual education.
Vocational Education	Cut 1982 budget by 20% relative to 1980 appropriations and rescind $195 million in 1981 appropriations.			
Student Aid	Budget authority request for Pell grants in 1982 is $2.5 billion, $200 million less than Carter request. Requirements for qualifying for financial assistance will be made more stringent.			Expect sharp decline in enrollment at Wayne State and University of Detroit.
Health Services	Consolidate 25 federal categorical health service grants into 2 block grants to the states, funded at $1.4 billion, or 75% of the 1981 level.			25% cuts in services at 16 health centers and in preventative health care programs.

DETROIT

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES (continued)				
Medicaid	Reduce federal payments to states $100 million below current projections in 1981 and limit the increase to 5% in 1982 by means of a cap on future increase in federal outlays.	$0 (state program)		Medicaid cap will mean service reductions since Michigan has a strict cost containment program leaving little "fat" to cut.
Title XX Social Services	Consolidated into the Social Service Block Grant with a 25% overall cut in funding.	$0	No direct impact on city budget	Administered by state.
Community Services Administration	Terminate agency in 1981, consolidating most functions into the Social Service Block Grant at reduced funding.	$7.7 M	Up to $7.7 lost	Loss of programs funded by the Neighborhood Services Program.
Child Nutrition	Cut national school lunch and other programs by $1.6 billion in 1982 by restricting eligibility and reducing federal subsidies.		-$26.6 statewide	Substantial rise in price of school lunches.
Low Income Energy Assistance	Budget authority cut from $1.9 to $1.4 million for an Energy and Emergency Assistance Block Grant to the states.	$3.0 M	Had anticipated $3.1 M FY 82	Program terminated (26,500 households were assisted last year).
Legal Services Corporation	Consolidate into Social Services Block Grant in 1982.	$0		Private nonprofit agency.

DETROIT

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
PAYMENTS TO INDIVIDUALS				
AFDC	Reduce budget authority by $651 million in 1982 by implementing various reforms on eligibility and benefits.	$0	No direct impact on city budget since programs are administered by the state. However, many city residents will receive cutbacks in benefits; currently 246,000 Detroit residents receive AFDC benefits and 320,464 receive Food Stamps.	
Food Stamps	Cut federal 1982 appropriation by $2.3 billion by lowering the income for eligibility and tightening other program requirements.	$0		
Trade Adjustment Assistance	Cut budget authority by $1.1 billion in 1982 by reducing the benefits paid under the program.	$0	No direct impact on city budget	Will have sharp impact on the large number of laid off auto workers now collecting benefits.
Unemployment Insurance - Extended Benefits	Reduce budget authority by $400 million in 1981 by eliminating the national trigger, raising the state trigger and strengthening eligibility requirements.	$0	No direct impact on city budget	Unemployed workers will continue to receive benefits since state unemployment rate exceeds revised "trigger."

MILWAUKEE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
COMMUNITY AND ECONOMIC DEVELOPMENT				
EDA Title II Loan Guarantees	75% cut in 1981 loan guarantee authority from $425 to $163 million; no funds budgeted for 1982.			Projects currently funded by EDA total $16.5m. If EDA is terminated, $1.6m application to establish a revolving loan fund likely not to be funded (Title I)
EDA Title IX Economic Adjustment	32% cut in 1981 budget authority from $36 to $24 million; no funds budgeted for 1982.			
EDA Title I Public Works	63% cut in 1981 budget authority from $350 to $129 million; no funds budgeted for 1982.	$8.5 in P.W. grant 1979-80	-$1.6m	
EDA Section 302(a) Planning Assistance Grants	73% cut in 1981 budget authority from $40 to $11 million; no funds budgeted for 1982.	$.25 m 1979-80		
UDAG and CDBG	Combine UDAG program with CDBG at an 1982 authorization level of $4.17 billion; $500 million will be earmarked for UDAG type functions for the transition year, compared to a funding level of $675 million in 1981. Total budget authorizations are about 25% below 1981 appropriation levels.	CDBG: $23.0m FY81 21.9m FY 80 UDAG: To date city has received 4 UDAGs totaling over $19m in federal funds	-$5.6m FY 81	2 UDAG proposals pending: . $3.6m office/ industrial complex . $2m in second mortgage financing for a manufacturing plant Increased competition for CDBG funds

MILWAUKEE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
Section 312 Rehabilitation Loans	Terminate program in 1982 and rescind $111 million in current 1981 appropriations. About $45 million in loan authority already obligated by local governments will be spent, but no new commitments will be extended.	$1.0m	-$1.0m FY81	Terminate program for rehab of residential properties within Urban Renewal area or in conjunction with Homesteading Program
Section 701 Planning Grants	Terminate program in 1981 with a rescission of almost $35 million in appropriations.	$.5m 1979-80 (to county)	No funds anticipated FY81 or FY82	Eliminate regional planning or place additional strain on CDBG
Urban Homesteading	No new appropriations requested for 1982.	$.6m	-$.6m	Must compete for CDBG funds
Neighborhood Self-help Grants	Terminate program in 1981 and rescind $8.2 million in unobligated balance.	$.2m	-$.2m	Loss of funds for community-based neighborhood revitalization
EMPLOYMENT AND TRAINING				
Ceta Public Service Employment Titles II-D and VI	Phase out PSE employment by the end of 1981; rescind $149 million in 1981 budget authority.	$6.3m FY80 $8.7m FY 81	-$8.7 FY82	City has 745 PSE authorization with 452 positions currently filled in city agencie or the schools. All have been laid off.
CETA Youth Employment Title IV	Eliminate separate funding for YETP, YCLIP and summer youth employment program ($2.4 billion) in 1982 and fold into Title II-B and C at 20% reduced total spending.	$2.5m in FY81 for YETP & YCCIP	-$2.5m FY 82	1000 youth positions affected

MILWAUKEE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SUBSIDIZED HOUSING				
Public Housing and Section 8	Reduce the number of additional subsidized housing units from 255,000 to 210,000 in 1981 by rescinding $5 billion in long term budget authority already appropriated; 1982 funding will be reduced by more than $9 billion, bringing the number of new commitments down to 175,000 units, 55% of which will be for existing units.	FY80 $2.4m (4,900 units) FY81 $3.6m (1,738 units)	Anticipate $4.3m (1,512 units) FY82	Fewer subsidized housing units to be provided due to inflation.
Public Housing Operating Subsidies	Cut outlays by about $100 million in 1982 by gradually increasing the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25% to 30% of adjusted income; withdraw Carter supplemental appropriation request for $100 million.	$2.2m FY80		Housing Authority has a $.5m operating deficit for FY81 due to high utility costs and faces even greater deficits in FY82 if federal subsidies are curtailed. Further deferred maintenance.
Public Housing Modernization	Rescind $300 million in budget authority in 1981 and reduce 1982 budget request from $2 billion to $1.5 billion.	$6.6m FY80 (includes carry-over from previous year)	Expect only about $1m in FY82	More than $30m is needed for modernization of public housing projects; this can only be undertaken with federal assistance
GNMA Tandem Mortgage Assistance Programs	Eliminate program by 1983; $3.6 billion requested to purchase Section 8 and Targeted Tandem commitments with prior commitments. No new commitment will be issued for subsidized mortgages for Section 8 projects.	$0	No direct impact on city budget	

MILWAUKEE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
TRANSPORTATION				
Urban Mass Transit Capital Assistance	Reduce budget authority by $250 million in 1981 and $1340 in 1982 by issuing no new commitments for new rail system construction or extensions and eliminating the Urban Initiatives program ($200 million). Grants for improving existing rail systems and for buses will be continued.	$3m FY81 $5.5m FY80	Anticipate slight increase in capital assistance: FY82 $3m FY83 $3.2m FY84 $3.6m FY85 $4m FY86 $4.4m	
Urban Mass Transit Operating Subsidies	Phase out federal assistance by 1985 by holding 1982 funds at 1981 level of $1.1 billion and cutting funds by one third in successive years.	$8.7m FY81	Expect to receive: FY82 $8.7m FY83 $5.88m FY84 $2.92m FY85 $0	Anticipate 30¢ increase in fares if federal subsidy totally eliminated. Service may also be cut back and property taxes raised.
Federal Highway Construction Grants	Maintain budget authority at current 1981 level by reducing funding for lower priority projects including secondary systems and urban arterials.	15 Urban Aid projects currently underway, totaling about $12m in federal aid		12 Urban Aid projects totaling more than $12m are pending
Amtrack and Conrail Subsidies	Reduce Amtrack fare subsidies by $380 million in 1982 and phase out all funding for Conrail by the end of 1982.	$0	No direct impact on city budget	May reduce passenger service between Milwaukee and Chicago
Airport Construction Grants	Cut grants by $272 million in 1981 and $300 million in 1982, and eliminate 41 largest airports from eligibility for assistance.	$1.8m annually	Anticipate $1.2 FY82 unless Milwaukee airport is ruled ineligible, in which case will receive no assistance	Milwaukee airport is 38th largest in U.S.

MILWAUKEE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
ENVIRONMENT				
Wastewater Treatment Grants (Section 201)	Rescind $1 billion in unobligated 1981 funds and $700 million from previous years; $2.4 billion will be requested for 1982 (a 35% cut) pending legislative reforms that eliminate funding for projects to serve future growth or that do not significantly improve water quality.	Minimal	Had anticipated about $219m in EPA aid 1981-1990. Reduced funding and legislative changes may reduce this to $116m.	Significant impact. Milwaukee had been counting on 201 funds to comply with court ordered upgrading of waste water treatment (Total cost:$1.355b) Sharp increase in property taxes will be necessary to meet standards in Clean Water Act.
Urban Parks and Recreation Recovery Program	Eliminate grant program in 1982 and rescind $45 million in 1981.	$.8m FY80	-$.8m in FY81 recissions	Pending grant for rehab of 8 playground wading pools.
Land and Water Conservation Fund	Rescind $145 million in 1981 state grants and terminate all funds in 1982.	Minimal		
ENERGY				
Low Income Weatherization Assistance	Eliminate program in 1982.		-$1.1m	Loss of funds will prevent assistance to 1,500 households.

MILWAUKEE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES				
Elementary and Secondary Education Programs	Consolidate most federal aid for elementary and secondary education - including ESEA Title 1 grant for disadvantaged students and grants for handicapped students - into two block grants. Funding in 1981 would be reduced by 25% relative to levels in the 1981 Continuing Resolution.	School district receives about $20.3m in direct federal grants	-$5.0m	More than 22,000 students affected; particularly those in Title I, special education and handicapped programs.
Vocational Education	Cut 1982 budget by 20% relative to 1980 appropriations and rescind $195 million in 1981 appropriations.		-$.2m	Cut support for vocational programs for disadvantaged and handicapped.
Student Aid	Budget authority request for Pell grants in 1982 is $2.5 billion, $200 million less than Carter request. Requirements for qualifying for financial assistance will be made more stringent.	$0	No direct impact on city budget	Adverse effect on city residents with college age students
Health Services	Consolidate 25 federal categorical health service grants into 2 block grants to the states, funded at $1.4 billion, or 75% of the 1981 level.	$1.7m in federal grant for health programs FY80	-$5.4m in federal funds for community health, preventative health and family planning	Elimination of services to 98,100 persons in country; possible closing of 6 community health centers

MILWAUKEE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
SOCIAL SERVICES (continued)				
Medicaid	Reduce federal payments to states $100 million below current projections in 1981 and limit the increase to 5% in 1982 by means of a cap on future increase in federal outlays.	$0	-$.6m FY82	
Title XX Social Services	Consolidated into the Social Service Block Grant with a 25% overall cut in funding.	$38.5m	-$9.6m	25% cutback in services for family planning, child care, counseling, mentally retarded, alcoholics, etc.
Community Services Administration	Terminate agency in 1981, consolidating most functions into the Social Service Block Grant at reduced funding.	$2.6m to local CAP agency	$.6m	Loss of community based services to about 16,000 households and individuals
Child Nutrition	Cut national school lunch and other programs by $1.6 billion in 1982 by restricting eligibility and reducing federal subsidies.	$7.3m to school district for meal program	-$1.8m	23,400 students lose partial benefits and 3,200 lose all benefits
Low Income Energy Assistance	Budget authority cut from $1.9 to $1.4 million for an Energy and Emergency Assistance Block Grant to the states.	$11.6m	-$2.9m	14,500 households lose energy assistance (58,000 served last year)
Legal Services Corporation	Consolidate into Social Services Block Grant in 1982.		-$.5m	Eliminate legal services for 7,000 low income persons

MILWAUKEE

SUMMARY OF ESTIMATED IMPACT FROM BUDGET CUTS

Federal Program	Proposed Budget Cut FY 81-82	Current Federal Allocation to City FY 81	Anticipated Impact on Local Funding FY 81-82	Anticipated Impact on Service Level
PAYMENTS TO INDIVIDUALS				
AFDC	Reduce budget authority by $651 million in 1982 by implementing various reforms on eligibility and benefits.	$11.4m in AFDC payments to county residents	-$9.4m FY82	Reduced funding expected to affect AFDC payments to 5,900 of 84,000 recipients
Food Stamps	Cut federal 1982 appropriation by $2.3 billion by lowering the income for eligibility and tightening other program requirements.		-$1.75m	40% of the 38,000 recipient households would have allotment reduced or lose benefits entirely.
Trade Adjustment Assistance	Cut budget authority by $1.1 billion in 1982 by reducing the benefits paid under the program.			
Unemployment Insurance - Extended Benefits	Reduce budget authority by $400 million in 1981 by eliminating the national trigger, raising the state trigger and strengthening eligibility requirements.		-$8.3m in payment to county residents	Approximately 1,600 county residents receive extended benefits each week