CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

August 7, 1989

To the Honorable, the City Council:

As the City Council is aware, the Governor recently announced that he was withholding $210 million in state aid to cities and towns. In addition to the cuts in local aid, the Governor reduced funds that were earmarked for various Health, Human Services, and School Programs that are run by the City. The severity of these cuts cannot be overstated.

For FY90, the City of Cambridge will receive $3.5 million less in state aid than the budget that the City Council adopted this past spring anticipated. There are ways in which this reduced revenues can be offset: further increases in the property tax; increased non-tax revenues; cuts in the expenditures budget. It is my recommendation that the City not increase the property tax levy any higher than the increase called for in the adopted FY90 budget. Not only does the $109.5 million tax levy called for in the budget represent a substantial increase over the FY89 level of $94.5 million but unfortunately if we were to add the full shortfall of $3.5 million to the tax levey, the City would essentially be at its estimated FY90 levy limit of $113 million.

In the area of non-tax revenues, I am also not overly optimistic. The adopted City budget for FY90 anticipates stable or reduced revenues from nearly all non-tax revenue sources. The slow down in the economy is clearly being felt in the non-tax revenue category. There is, however, one small piece of good news and potential source of additional revenue in this category. The adopted FY90 budget anticipated a $10.8 million property tax subsidy of the Cambridge Hospital. It now appears that the anticipated subsidy to the Hospital can be reduced to $9.2 million, a tax savings of $1.6 million. This savings is the net amount of increased revenues caused by the state´s payment of back medical bills. While the state actually owes more then this $1.6 million to the City, the FY90 state budget underfunds current Medicaid needs, contains no state money for free care, and underfunds the Federal Medicare shortfall, thus the net increse in revenue to the Hospital is optimistically estimated to be only $1.6 million.

The $1.6 million in additional Hospital revenue reduces the revenue shortfall from $3.5 million to $1.8 million. There is no other fiscally responsible action to take than to go back and cut the current year budget by $1.8 million. This will not be an easy process. On Friday I announced an absolute hiring freeze of all City personnel, an action that I feel should result in a savings of $1 million. In September when the

Council reconvenes, I will submit a formal request that the Council rescind $1 million from the Salary Adjustment Account. Additionally, I will submit a request that the City Council rescind two percent of the total Other Ordinary Maintenance Account of all City Departments, an action that will result in a savings of approximately three hundred fifty thousand dollars. I will also submit an order requesting the rescission of fifty percent of the total Travel Account of all City departments, an action that will resultin a savings of approximately fifty thousand dollars. Finally, I will submit a request to the City Council that five hundred thousand dollars be rescinded from the School Budget. As state aid has increased over the years, the schools have shared dollar for dollar in the increase. While I will not request an equal sharing of the loss, it is only fair that the Schools bear some of the burden of this problem.

To summarize, it is my recommendation that the $3.5 revenue shortfall in the FY90 budget caused by the Governors action be offset by the following:

$1.6	million increased Hospital Receipt
$1.0	million reduction Salary Adjustment Account
.35	million reduction Ordinary Maintenance Accounts
.05	million reduction Travel Accounts
.5	million reduction School Budget
$3.45	million

While I regret that these actions must be taken, the City cannot spend funds that it does not have. While all City departments will share equally in the cuts this fiscal year, I expect to prioritize cuts in the FY91 budget when it is submitted to you in the spring. At this point in time, I expect that budget to contain recommendations for service cuts.

As I mentioned earlier in this memo, the Governor also is cutting funds that were used in several City departments to run specific programs. I have attached for your information cuts anticipated in grant programs run by the School Department and the Human Services Department. While I do not have a final number for the Hospital, it is known that they will be losing at least $250,000 in Mental Health funding. A more complete report of reductions in grant funded programs will be sent to you in September.

Very truly yours,

Robert W. Healy

Robert W. Healy
City Manager

RWH/mbf
Enc. 2

City of Cambridge
Department of Human Service Programs
51 Inman Street, Cambridge, Massachusetts 02139, 498-9076

MEMO

To: Jim Maloney
From: Jill Herold
Re: Budget Reduction
Date: August 4, 1989

The following is a summary of grant funded programs administered by the Department of Human Service Programs which will, or may, be impacted by budget reduction action. The greatest impact appears to be in the area of adult education services at the Community Learning Center. For grants in which we anticipate reductions in previously awarded funding, we have chosen to appropriate an estimated reduced amount.

ERI/ASSERT ($20,000) and JCS/ASSERT ($42,000); These grants are awarded by Employment Resources, Inc. and the Mayor's (City of Boston) Office of Jobs and Community Services for intensive basic skills remediation for Employment Training (welfare) clients. In FY89 this grant was administered as a single contract by the Department of Public Welfare with a funding level of $107,625.

Total Reduction:	$ 45,625	42.39%

ERI/ESL ($13,680); This grant is awarded by Employment Resources, Inc. to provide english as a second language instruction and counseling services. In FY89 this grant was $22,650. There is a possibility that the award could increase to $18,060 but we have no confirmation of that.

Total Reduction:	8,970	39.60%
(At 18,060 figure:)	(4,590	20.26%)

ABE - Federal ($92,755) and ABE - State ($117,755); Awarded by Massachusetts Department of Education, these Adult Basic Education funds were, in FY89, combined into one ABE award of $171,770 and one Commonwealth Literacy Campaign award of $13,630 for a total award of $185,400. In FY90, the Comm. Lit portion ($25,000) was combined with the State ABE portion ($92,755). Although these awards represent an increase over the similar awards in FY89, we have been advised that both ABE funds may be reduced by 3% and the Comm. Lit. may be reduced by 10%. As a result, we appropriated $89,975 for ABE-Fed. and $112,475 for ABE-State which is a reduction of $8,060 (3.82%) from our anticipated funding.

CHA ($81,494); Cambridge Housing Authority grant for literacy services to public housing tenants. Grant award in FY89 was $81,810.

Total Reduction $ 316 0.38%

Note: We have received notice that this grant may be reduced by 3% to 5% from our current award. This would represent up to $4,075 more in reduced funding.

Other; We are expecting reductions in Council on Aging Formula Grant funds, Department of Social Services (DSS) Childcare reimbursement funds and Fuel Assistance Administrative and Program funds. We have not received the exact amounts or estimates of such reductions but have been advised by the awarding agencies that these actions will occur.

As of this date, these are the only programs that appear to be slated for either funding reductions from FY89 levels or cuts from previously awarded FY90 monies. We will advise you upon finalization of tentative changes and upon any future changes in this information.

July 27, 1989

Memo To: Mary Lou McGrath, Superintendent of Schools

From: Sandra Spooner, Assistant Superintendent for Curriculum & Instruction

and

James Canny, Executive Director of Management Services

Subject: Projected State and Federal Grant Program Funding Reductions

The following is a draft list of federal and state grants which have received significant cutbacks from federal and state funding agencies. All of the grants listed are continuing grant programs, and thus the reductions represent cutbacks in existing program services, not in new programs.

Grant Program	Original Bgt. Req.	Estimated Reduction	Estimated Budget
1. Carnegie Schools	$40,000	($10,000)	$30,000

Impact: Reduced level of supplemental support services for innovative school change model. No permanent positions impacted. (Graham & Parks)

Grant Program	Original Bgt. Req.	Estimated Reduction	Estimated Budget
2. CH188 Dropout Prevention	72,000	(31,000)	41,000

Impact: Reduction in direct services provided to upper grade students in eight elementary schools by Case Managers and contracted services with human service agencies; reduce School Climate Coords. to team leader stipends; reduce workshop and staff development. (8 elem. schools)

Grant Program	Original Bgt. Req.	Estimated Reduction	Estimated Budget
3. CH188 Essential Skills	200,000	(120,000)	80,000

Impact: Eliminate math staff developers (1.5), eliminate CRLS "Foundations" curriculum, eliminate materials & st. dev. for Chap. I program, reduce funds for materials for elementary programs, retain Fletcher School Coordinated Learning Project

Grant Program	Original Bgt. Req.	Estimated Reduction	Estimated Budget
4. CH188 Early Childhood	185,000	(74,000)	111,000

Impact: Reduction of funding for Literacy Connections program servicing all elementary schools, reduction of books and materials, reduction of primary grade literacy curriculum development.

5.	CH636 Desegregation	819,467	(6,485)	812,982

Impact: Achieve reduction through vacancy rates and other normal outage in positions. Previous reductions include 1.75 Staff Developers and .5 Director of Deseg. (Awaiting status of federal Magnet Grant to fund tenured staff developers.

6.	Governor's Alliance Against Drugs	40,787	(not known at this time)	

Impact: Possible reductions impacting on 1.5 tenured teacher positions which provide support services to elementary and secondary schools on substance abuse education programs, peer leadership program at CRLS, conflict resolution programs.

7.	Chapter I	1,385,712***	(209,960)	1,175,752

Impact: Reduction of classroom aide positions from 9 to 2, reduction of teacher position through attrition, reduction of Asst. Director position, reduction of parent liaison from 1.0 to .50 FTE, elimination of all instructional materials funding. (Note: Chapter I aides will be placed in vacant aide positions in system, but direct Chapter I reading and math services to students from this staff will be discontinued.)

***Note: $1,385,712 was the FY89 funding level which was reduced by 15.2% in the original FY90 proposal based on a reduction in the entitlement for FY90. Thus the Chapter I program experienced a 15.2% funding level decrease and had to absorb salary & benefit cost increases estimated at $95,000.

8.	CH188 Gifted & Talented	14,983	(14,983)	0

Impact: Elimination of innovative school-based enrichment programs for gifted students.

9.	CH188 Educational Technology	4,981	(not known at this time)	

Impact: Possible loss of funding for computer and communications technology equipment & software for classroom use.

10.	CH188 Horace Mann	91,269	(68,452)	22,817

Impact: 75% reduction in the primary source of systemwide staff and curriculum development funding; reduction of funding for stipends for homework centers; reduction of stipend funding for computer liaisons.

11.	Chap. II Block Grant	98,000	(15,000)	83,000

Impact: Reduction of grant and program development support, including funding for grant proposal-writing which has generated significant outside funding in last two years.

Total Reductions: ($549,880)

Agenda Item No. 35

Re: the City's position in dealing with the reduction in State aid tothe City.

In City Council,

August 7, 1989

Placed on file

35.

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Agenda Item No. 35 F-351

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August 7, 1989

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