



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300

FAX 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

February 25, 1995

To The Honorable, The City Council:

Enclosed for your review are materials for the public hearing Monday night on how Public Health, Housing and Human Services Programs in the City will be affected by the budget reductions and proposed reorganizations of both the President and the Congress.

I have enclosed some background materials on both the Republican Contract with America and on the Clinton Administration's proposed budget. Also included for your review are materials developed by the Cambridge Hospital, the Cambridge Housing Authority, and the Community Development and Human Services Departments, which detail some of the potential impacts of cutbacks in federal programs on their programs and on the delivery of services in Cambridge.

As you know, the landscape changes on a daily basis as the different House Subcommittees and Committees hold hearings on the various legislative pieces proposed as a part of the Contract with America. A month ago, the focus of our concern was the Department of Housing and Urban Development's Reinvention Blueprint consolidation of 60 housing programs into three programs and the possible cutbacks in nutrition programs. Today, our concern is the even more drastic proposals in the Congress and the possible rescissions of funds for this fiscal year both for housing and other programs. It is impossible to speak with any certainty today about what will be on the chopping block even next week or when the Congress finishes its work. It is also unclear what action the President may take with respect to any legislation which reaches him with Draconian cuts in programs.

Against this background of uncertainty, we have attempted to provide the Council with materials which describe in a general way what the consequences of the proposed cutbacks would be. If the Balanced Budget Amendment is passed and the federal tax reduction provisions of the Contract with America are adopted, the Treasury Department forecasts that the Commonwealth of Massachusetts will lose more than 1.5 billion dollars in Medicaid funding and lose 3.4 billion dollars in Medicare spending. The Department also forecasts that 3.1 billion dollars per year in other spending such as housing assistance, student loans, veterans' benefits and other grants to local governments will be lost. This forecast does not necessarily include the specific program cuts that are also being

talked about but instead makes assumptions about what cutbacks will be necessary to implement the Balanced Budget Amendment and the tax cut provisions of the Contract with America.

The changes proposed in the President's budget and the proposals now being considered by the Congress in the area of public health could have serious consequences for the City. The Cambridge Hospital anticipates that we could see a 3 million dollar cut next year in Medicare and a reduction of approximately 5.6 million in Medicaid dollars. There may also be further cuts in the Disproportionate Share dollars that the Hospital receives.

The Hospital receives millions of dollars in grant funding, much of which comes directly or indirectly from the federal government to fund public health programs. The grants fund such diverse programs as immunization, teen health, AID programs, Men of Color, and the Breast Health Project, to name a few. Some of these dollars are at risk but we do not yet know which or how much are at risk.

In the housing area, the HUD Reinvention Blueprint would almost certainly mean fewer dollars coming to the City for affordable housing programs and for public housing. A House of Representatives Appropriations Subcommittee has now proposed rescissions of housing dollars that make the Blueprint cuts seem almost mild. The proposed rescissions would mean major cuts in operating funds to the CHA, the crippling of the housing modernization program, cessation of funding for social services in the elderly developments, as well as cutbacks in many other programs run in conjunction with the CHA.

Cambridge has been able to capture a disproportionate share of federal dollars for affordable housing because we have been extremely successful in receiving funds through competitive funding rounds. With the likely block granting of much funding, and the subsequent decreases in the size of the block grants, the City is likely to have many fewer dollars for affordable housing.

Cambridge currently has 2,744 units of federal public housing, 1,118 mobile section 8 certificates and vouchers and 307 housing units with federal project based assistance. The proposed conversion of public housing funds to tenant based rental assistance could have long term negative affects. Because of the quality of our public housing, many current tenants of the Housing Authority may choose to remain there rather than seek housing elsewhere with their vouchers. But the rental level of the housing vouchers both initially and over time may not be at sufficient levels to permit the Housing Authority to maintain the high quality of the developments and still serve low income tenants.

A further problem for the Housing Authority will occur if Welfare Reform on the federal or state level eliminates welfare funding for current residents. Without income, the residents will not be in a position to pay rent.

Another target for Congressional recision is the expiring use

program. Cambridge has 7 large expiring use buildings, many of which house substantial numbers of elderly tenants. The House Republicans have proposed to rescind all monies in FY 1995 and to eliminate all funds thereafter, funds that were intended to provide for long term affordability for expiring use buildings.

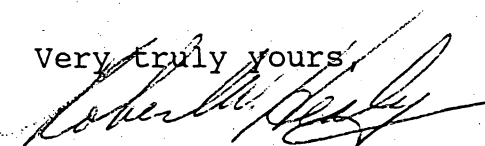
At the public hearing several weeks ago, the Council received a full briefing on the effects of the proposed cuts on nutrition programs. Although it has been reported that the nutrition programs that serve elders are being protected, the House Committee on Economic and Educational Opportunities voted deep cuts in the federal school lunch, WIC and other programs. We estimate that Massachusetts will lose over 50% of its federal funding for School Lunch and Breakfast programs in the next fiscal year. Since more than 40% of students in the Cambridge Public Schools are enrolled in the free or reduced meal program, the cutbacks will have a very significant effect on children in Cambridge. As President Richard Nixon said in 1969, "A child ill fed is dulled in curiosity, lower in stamina, distracted from learning."

A House Subcommittee has voted to end the Low Income Home Energy Assistance program that provides fuel oil to low income households. The City currently provides fuel assistance to a significant number of low income households through the program.

The Clinton Administration, in its budget proposals, had planned to maintain dollars for job training, head start and day care. All three of these areas have now been targeted by the House Republicans for significant cuts. We anticipate that there could be significant reductions in federal dollars for summer youth job programs as a result of these planned reductions.

It is not possible today to detail what the final cuts will be in any of these programs. The Senate may not go along with all of the cuts adopted by the House Committees. The President has threatened to veto some cuts, but which ones he will veto, and whether there will be the votes in the House and Senate to override the vetoes, is uncertain. It is clear, however, that the City can expect to receive fewer federal dollars in many areas as a result of the changes at the federal level.

Very truly yours,



Robert W. Healy
City Manager

Attachment
Contract with America
Treasury Department Letter
The President's Proposals
The Cambridge Hospital Materials
Cambridge Housing Authority Materials
Cambridge Community Development Materials
Humans Services Department Materials

Source: USA Today, November 17, 1994, p. 10A.

SPECIAL REPORT

Contract with America

The 10-point legislative plan — signed Sept. 27 by more than 300 Republican candidates — faces action in the first 100 days of the new Congress. Text and analysis of each proposal in the contract:



CONTRACT KICKOFF: Rep. Newt Gingrich of Georgia addresses Republican congressional candidates at a Sept. 27 rally on Capitol Hill. By John Duncka, AP

(continued on next page)

The Introduction

On the first day of the 104th Congress, the new Republican majority will immediately pass the following major reforms, aimed at restoring the faith and trust of the American people in their government:

FIRST, require all laws that apply to the rest of the country also apply equally to the Congress;

SECOND, select a major, independent auditing firm to conduct a comprehensive audit of Congress for waste, fraud or abuse;

THIRD, cut the number of House committees, and cut committee staff by one-third;

FOURTH, limit the terms of all committee chairs;

FIFTH, ban the casting of proxy votes in committee;

SIXTH, require committee meetings to be open to the public;

SEVENTH, require a three-fifths majority vote to pass a tax increase;

EIGHTH, guarantee an honest accounting of our federal budget by implementing zero base-line budgeting.

Thereafter, within the first 100 days of the 104th Congress, we shall bring to the House floor the following bills, each to be given full and open debate, each to be given a clear and fair vote, and each to be immediately available this day for public inspection and scrutiny:

Fiscal Responsibility Act

1 A balanced budget/tax limitation amendment and a legislative line-item veto to restore fiscal responsibility to an out-of-control Congress, requiring them to live under the same budget constraints as families and businesses.

Republicans' first priority for the new Congress is a balanced budget amendment to the Constitution. A vote planned for Jan. 19 makes it a symbolic initial step of the new Republican majority.

A similar attempt fell 12 votes short of the necessary two-thirds majority in the House this year, but the combination of a new Republican majority and previous Democratic supporters makes approval more likely.

"I don't think there's any question it will pass," says Sen. Pete Domenici, R-N.M. Congressional approval would send it directly to the states; passage by 38 would make it part of the Constitution.

The Republican version would require that by the year 2002 the federal government spend no more than it takes in each year, unless a three-fifths majority of Congress agreed to deficit spending.

It includes another provision that may cause some Democrats to oppose the entire bill: a requirement that any future tax increases be approved by a three-fifths majority of the House and Senate.

Democrats say it is irresponsible to require a balanced budget without outlining where to find an estimated \$750 billion in needed spending cuts.

Also in GOP plans: giving the president a line-item veto — the power to strike any appropriation or targeted tax provision from any bill passed by Congress. President Clinton likes that idea.

— William M. Welch

The Taking Back Our Streets Act

2 An anti-crime package including stronger truth-in-sentencing, "good faith" exclusionary-rule exemptions, effective death penalty provisions, and cuts in social spending from this summer's "crime" bill to fund prison construction and additional law enforcement to keep people secure in their neighborhoods and kids safe in their schools.

Republicans have a get-tougher version of this year's federal crime bill — legislation that was passed only after much partisan wrangling.

Many Republicans derided as "pork" much of the nearly \$7 billion in the bill for such crime prevention programs as midnight basketball.

But the Clinton administration is likely to try to save anti-crime social spending.

It's particularly dear to Attorney General Janet Reno, a former Miami prosecutor who touts early-intervention services as a good way to deter youth from crime. "There's a huge commitment" to prevention programs, says Assistant Attorney General Eleanor Dean Acheson.

Details are not yet fully known, but the Republican bottom line seems clear. Encourage longer sentences for violent criminals and more prisons.

"The whole fight for the crime bill was centered around prevention," says Michael Gimbel, head of anti-drug services in Baltimore County, Md. "It's like we're taking five steps back."

Republicans, however, cite youth crime as proof most prevention programs don't work.

Many will bite the dust, says Rep. Bill McCollum, R-Fla. "It's a new ballgame out there now."

— Sam Vincent Meddlis

The Personal Responsibility Act

3 Discourage illegitimacy and teen pregnancy by prohibiting welfare to minor mothers and denying increased AFDC (Aid to Families with Dependent Children) for additional children while on welfare, cut spending for welfare programs, and enact a tough two-years-and-out provision with work requirements to promote individual responsibility.

Dismantling the "welfare state" would affect more than 5 million families collecting benefits from six major programs at an annual cost to taxpayers of \$80 billion.

The aim is to reduce government dependency, encourage work, discourage illegitimate births and cap welfare spending. Among the provisions:

► Let states cut off families after two years — and require it

within five.

► Require recipients to enter the work force within two years.

► Bar unmarried mothers under 18 from AFDC benefits.

► Downgrade several programs from "entitlement" status and freeze their growth.

► Consolidate food stamps, school lunches and other nutrition programs into a state grant.

The Clinton administration's welfare reform plan also strives to reduce government dependency and encourage work. But there's no cutoff date: Children born out of wedlock would not be denied benefits, and assistance would continue beyond two years if recipients met specific work requirements.

Given the differences in the two approaches — and a 60-year-old investment in the welfare program — reforms will not come easily.

— Leslie Phillips

The Family Reinforcement Act

4 Child support enforcement, tax incentives for adoption, strengthening rights of parents in their children's education, stronger child pornography laws, and an elderly dependent care tax credit to reinforce the central role of families in American society.

Under one umbrella, Republicans have proposed economic incentives to adopt children, harsher sentences for sex crimes against children, and parental rights to protect schoolchildren from "intrusive" federal surveys.

The proposal is an appeal to cultural conservatives who make up a central element of the Republican coalition.

"This sends positive signals to pro-family type voters," says Gary Bauer of the conservative Family Research Council. Many elements have also

been proposed by Democrats. But there will be heated debate over how to pay for the tax proposals.

Among provisions that could bust the budget:

- ▶ A refundable tax credit up to \$5,000 for adoption expenses.
- ▶ A \$500 tax credit for anyone who cares for an elderly parent or grandparent at home.

There are ideological objections to mandatory minimum sentences, but few members of Congress would argue against harsher penalties for sexual abuse of a minor or prostitution of a minor.

And stricter enforcement of child support laws has long been advocated by some of the most liberal members of the House, like Rep. Patricia Schroeder, D-Colo.

The likely outcome is a compromise version of this bill.

— Leslie Phillips

The American Dream Restoration Act

5 A \$500 per child tax credit, begin repeal of the marriage tax penalty, and creation of American Dream Savings Accounts to provide middle class tax relief.

House Republicans have made a middle-class tax cut a political rallying cry, and the White House is listening. President Clinton advocated one during the 1992 presidential campaign, and his failure to propose it as president is blamed by some Democrats for part of his administration's problems.

Republicans have three main tax provisions aimed at families:

- ▶ A \$500-per-child tax credit for families earning up to \$200,000 would benefit 50 million families. It's popular because a credit is a direct reduction in the amount of tax owed. Some Senate Republicans pre-

fer to increase the exemption for children.

- ▶ Scaling back — but not eliminating — income tax rules that hit married couples harder than the unmarried is a popular but costly idea. The White House estimates that removing it entirely would cost \$73 billion over five years. Republicans propose to reduce the disparity by \$10 billion over five years.

- ▶ New Individual Retirement Accounts would allow individuals to put \$2,000 a year into a savings account. Unlike previous IRAs, taxes would be paid on the earnings that go into the account; the benefit comes at the end — taxes would not be owed on the amount withdrawn if used for retirement, purchase of a first home, college expenses or medical costs. Opponents say the government would be hit with huge tax losses in later years.

— William M. Welch

The National Security Restoration Act

6 No U.S. troops under U.N. command and restoration of the essential parts of our national security funding to strengthen our national defense and maintain our credibility around the world.

The Republican defense plan envisions a more robust military doing less. But except for a nod to "star wars" technology, it's no Reagan-style buildup. GOP leaders say the Clinton administration has wrongly committed forces for missions where U.S. security's not at stake, such as Rwanda and Haiti. They also argue that defense cuts begun in the late 1980s have gone too far. The Pentagon this week bolstered that case when it said readiness of three Army divisions fell to the lowest level in 12 years. But the Republican bill scheduled for the first 100

days adds no defense spending. It just calls for a commission to study the need.

Under the bill:

- ▶ Involvement in United Nations peacekeeping efforts would require congressional review, as would any missions that put U.S. troops under foreign command. Even U.S. intelligence would be kept from the U.N. unless Congress gets 30 days notice.

- ▶ Participation in the U.S.-led North Atlantic Treaty Organization, however, would be encouraged, with expansion of NATO into Eastern Europe.

- ▶ The Pentagon would seek "cost-effective" defenses against ballistic missiles. President Clinton has continued developing some systems, but nowhere near the pace of Reagan's Strategic Defense Initiative. Experts disagree on effectiveness, cost.

— Steve Komarow

The Senior Citizens Fairness Act

7 Raise the Social Security earnings limit which currently forces seniors out of the workforce, repeal the 1993 tax hikes on Social Security benefits, and provide tax incentives for private long-term care insurance to let older Americans keep more of what they have earned over the years.

The GOP offers retirees two pocketbook pledges: letting them earn more before they see their Social Security benefits cut, and reducing their income tax.

President Clinton and some Democrats in tight races this fall said Republicans would cut Social Security and Medicare to balance the budget, increase defense spending and give tax breaks. "Say no to this radical attack on Social Security," Clinton said. Republicans denied that was in their game plan.

Currently, a Social Security recipient under 70 who earns more than \$11,160 loses \$1 of benefits for every \$3 earned. The GOP would gradually raise that ceiling to \$15,000 in 1996 and \$30,000 by 2000.

And it would revise the requirement that seniors pay income taxes on 85% of their Social Security benefits if they earn more than \$34,000 a year for individuals, \$44,000 a year for couples. The percentage subject to tax would drop to 50% by 2000.

The GOP contract also contains tax deductions for long-term care premiums — up to \$1,600 a year for those 60 to 70, and \$2,000 a year for those older.

The outlook is good; both parties want to cater to seniors. But taxing higher-income seniors was to raise \$21 billion for Medicare. Money would have to be found or Medicare might be cut.

— Judi Hasson

The Job Creation and Wage Enhancement Act

8 Small business incentives, capital gains cut and indexation, neutral cost recovery, risk assessment/cost-benefit analysis, strengthening the Regulatory Flexibility Act and unfunded mandate reform to create jobs and raise worker wages.

Key to the Republicans' plan to help businesses is cutting the capital gains tax from 28% to 14% — intended to stimulate the economy.

They also pledge to make other major tax changes to help individuals and businesses keep more money in their pockets.

The cut in the tax on capital gains — profits from the sale of stocks and other property — would be combined with a new, permanent indexing to compensate for inflation.

The plan would allow small businesses to deduct the first \$25,000 worth of investments each year.

And for the first time, individuals could deduct any capital loss from the sale of a home. Currently, individuals cannot deduct losses suffered as a result of collapsed housing prices.

The capital gains provision carries a big price tag: \$56 billion over five years. But Republicans argue that the change actually would produce more revenue for the government because it would encourage stockholders to sell investments and reinvest, thus increasing growth throughout the economy.

The White House disagrees. Budget Director Alice Rivlin warns that the proposed tax cuts could drive federal budget deficits skyward and shove the economy into a recession.

— Judi Hasson

The Common Sense Legal Reform Act

9 "Loser pays" laws, reasonable limits on punitive damages and reform of product liability laws to stem the endless tide of litigation.

Reforming the legal system to help businesses, doctors and other professionals has the best chance in more than a dozen years to pass in this Congress.

"This is about as successful an election cycle as we've ever had," says Sherman Joyce of the American Tort Reform Association, a business and professional coalition.

But consumer groups and trial lawyers — whose fees might be shrunk by the reforms — will fight.

"It's a long way from being a done deal," says Miami lawyer Larry Stewart, president of the powerful Association of Trial Lawyers of America, which rep-

resents lawyers who sue on behalf of individuals allegedly harmed by defective products or professional malpractice.

Key features of the Republican plan:

- ▶ A cap on punitive damages that plaintiffs can win against product manufacturers, set at three times the value of the actual harm suffered.

- ▶ Adoption of the "English rule" requiring the losing party to pay the legal fees of the winner.

- ▶ Legislation to protect businesses from class-action shareholder suits and from total liability when they are only partly responsible for damage done.

President Clinton has criticized the English rule as "trickle-down justice," but his position on other reforms is uncertain. His health reform proposal offered help for doctors facing malpractice suits.

— Tony Mauro

The Citizen Legislature Act

10 A first-ever vote on term limits to replace career politicians with citizen legislators.

House Republicans promised to vote on a constitutional amendment to limit congressional careers. They never promised a victory.

Now, even supporters say it's unlikely most members of Congress will vote to limit their own terms.

"There's a lot of fear in Congress because they know that close to 80% of the public supports term limits," says Paul Jacob, executive director of U.S. Term Limits. "But there's still a majority in Congress that's unwilling to limit their own careers."

A constitutional amendment requires two-thirds of each house. Legislation, another option, requires only majorities, but is subject to veto by President

Clinton, who opposes term limits.

Supporters of "The Citizen Legislature Act" say it will fill Congress with people who'd view their time in Washington as a leave from their real careers.

Opponents say that limits voters' choices, deprives them of experienced legislators and ignores the easiest way to limit terms: don't re-elect lawmakers.

The Supreme Court hears arguments Nov. 29 on the constitutionality of state-imposed limits on federal offices. Voters in 22 states have passed term-limit initiatives — in most cases three two-year House terms and two six-year Senate terms.

One version of the amendment has a longer limit — 12 years for House members. "It's a choice," Jacob says, "between the term limits the people want and the longer term limits the politicians want."

— Bob Minzesheimer



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Fiscal

January 12, 1995

The Honorable Howard Dean, M.D.
Chairman, National Governors' Association
Office of the Governor
Montpelier, VT 05659

Dear Governor Dean:

I write to answer your request for information on the likely effects of passage of a balanced-budget amendment, accompanied by "Contract with America" federal tax reductions, on state budgets and state taxes.

Enclosed is a set of estimates that Treasury staff have constructed of the possible effect on states and their finances of a constitutional amendment requiring the balancing of the federal budget in 2002, accompanied by the tax reductions mentioned above. These estimates are based on the following assumptions: (I) that the federal budget would be balanced through spending cuts, (II) that Social Security and Defense spending would not be reduced below baseline, and thus (III) that the entire burden of balancing the federal budget would be placed on non-interest, non-Social Security, non-Defense spending, as proposed methods for balancing the budget and financing various tax cuts excludes Social Security and Defense.

The estimates assume that every expenditure—interest, Social Security, and Defense aside—would be reduced relative to baseline by the same proportional amount. The estimates assume that the deficit reduction will be phased in gradually, an equal amount in each year between now and 2002. This arrangement of the spending cuts results in substantial interest savings relative to the baseline in 2002, and thus reduces the amount of non-interest spending that must be cut in 2002 to balance the budget.

Nevertheless, the cuts required in 2002 would be severe. To help balance the budget and help offset the tax reductions noted above, federal grants to states would be cut by a total of \$97.8 billion in fiscal 2002. Other federal spending that directly benefits state residents would be cut by \$242.2 billion in fiscal 2002.

The cuts in grants—in Medicaid, highway funds, AFDC, and other grants—and the cuts in other spending—on Medicare and on other spending—were distributed across states proportionately to current levels of federal expenditures. Also reported is the amount by which total state taxes would have to be raised if the state wished to fully offset the reduction in federal grants.

Grants to states in the aggregate, to specific states, and to states for specific programs may be cut by more or by less than projected here. Yet, without further detail, the most reasonable method for illustrating the likely burdens on states is to assume across-the-board proportional cuts.

Note, also, that these estimates do not incorporate any significant feedback effects: it is possible that shifts in monetary policy would not be able to fully offset the downward macroeconomic impact of a balanced-budget amendment. To the extent that implementation of an amendment slows growth and reduces state revenues, the gap would be somewhat larger and the effect on state finances somewhat more severe. On the other hand, balancing the federal budget could have substantial positive effects on the U.S. economy, which would promise to raise state revenues as state economic activity increased. Such effects are not discussed here.

Note, finally, that this set of estimates is far from being a complete analysis of a balanced-budget amendment. Its principal function is to identify and evaluate the approximate impact on state government finances of a constitutional amendment that requires federal budget balance by 2002.

Sincerely yours,

Joyce Carrier
Deputy Assistant Secretary
for Public Liaison

**THE IMPACT OF A BALANCED-BUDGET AMENDMENT AND THE
CONTRACT WITH AMERICA ON STATE FINANCES**

CONTENTS

SUMMARY TABLES:

Table 1. Balanced-Budget Amendment

Table 2. Balanced-Budget Amendment Plus Contract with America Tax-
Reduction Proposals

INDIVIDUAL STATE REPORTS

METHODOLOGY

Table 1
Spending Reductions under Balanced Budget Amendment, FY 2002 (\$mil)

State	Cuts In Grants to State Governments					Required State Tax Increase	Cuts In Other Federal Spending		
	Total	Medicaid	Highway	AFDC	Other		Total	Medicare	Other
U.S. Total	71,300	40,314	5,176	4,508	21,301	N.A.	176,492	77,475	99,017
Alabama	1,162	641	98	32	391	16.4%	3,058	1,157	1,900
Alaska	306	89	71	19	127	9.8%	576	44	532
Arizona	919	519	78	68	254	10.4%	2,397	949	1,447
Arkansas	723	416	65	16	225	16.5%	1,567	766	800
California	7,708	3,944	442	960	2,362	9.2%	20,321	9,101	11,220
Colorado	755	387	79	36	253	11.8%	2,764	721	2,044
Connecticut	1,008	587	105	63	253	11.2%	1,843	1,089	755
Delaware	158	70	18	9	61	7.2%	383	176	207
DC	697	183	17	24	473	20.4%	4,937	313	4,624
Florida	2,656	1,520	202	170	764	10.2%	9,782	5,336	4,446
Georgia	1,608	938	131	101	438	12.0%	3,790	1,392	2,398
Hawaii	328	117	62	24	125	6.8%	737	216	522
Idaho	254	118	33	8	95	9.9%	855	218	637
Illinois	2,576	1,354	174	155	892	11.6%	7,532	4,092	3,441
Indiana	1,490	956	123	54	357	13.8%	2,531	1,497	1,034
Iowa	630	328	69	35	197	10.9%	1,919	897	1,022
Kansas	622	355	52	29	186	13.0%	1,730	819	911
Kentucky	1,157	690	69	56	341	14.5%	2,111	952	1,159
Louisiana	1,966	1,500	94	48	324	27.8%	2,361	1,066	1,296
Maine	452	279	28	24	121	17.5%	717	385	331
Maryland	1,125	581	83	65	396	9.9%	6,253	1,377	4,876
Massachusetts	1,915	1,073	248	135	459	12.6%	4,683	2,449	2,234
Michigan	2,477	1,355	140	229	753	13.2%	4,988	3,333	1,655
Minnesota	1,177	679	102	83	314	9.4%	2,547	1,123	1,424
Mississippi	864	496	61	24	282	20.8%	1,672	713	959
Missouri	1,316	747	109	62	398	15.5%	3,942	1,781	2,161
Montana	277	123	52	12	89	19.8%	744	218	526
Nebraska	388	192	44	23	129	13.3%	1,213	482	732
Nevada	227	116	32	11	68	6.2%	1,005	258	747
New Hampshire	212	112	31	11	58	17.6%	563	270	293

Table 1
Spending Reductions under Balanced Budget Amendment, FY 2002 (\$mil)

State	Cuts In Grants to State Governments					Required State Tax Increase	Cuts In Other Federal Spending		
	Total	Medicaid	Highway	AFDC	Other		Total	Medicare	Other
New Jersey	2,476	1,500	141	129	705	12.7%	4,653	2,894	1,759
New Mexico	524	233	70	28	193	12.9%	2,117	321	1,796
New York	8,181	5,442	274	535	1,930	17.4%	11,058	6,876	4,182
North Carolina	1,697	1,025	136	95	441	11.1%	3,217	1,432	1,785
North Dakota	229	105	35	8	81	19.7%	563	231	332
Ohio	2,826	1,718	170	212	727	14.4%	6,007	3,442	2,565
Oklahoma	770	424	51	51	244	12.4%	2,110	934	1,177
Oregon	706	342	54	47	263	12.2%	1,976	833	1,143
Pennsylvania	3,057	1,767	211	178	901	12.7%	8,555	5,120	3,435
Rhode Island	430	255	42	23	109	21.4%	619	347	272
South Carolina	1,003	644	68	31	260	14.3%	2,217	682	1,535
South Dakota	231	103	39	6	82	24.7%	577	205	372
Tennessee	1,537	989	78	60	411	19.5%	3,845	1,349	2,496
Texas	4,167	2,520	340	147	1,159	14.0%	10,758	4,280	6,479
Utah	422	190	49	22	160	11.4%	1,078	235	842
Vermont	207	89	37	13	68	17.4%	301	150	151
Virginia	1,005	490	72	49	393	8.2%	6,073	1,374	4,699
Washington	1,318	730	117	126	346	8.4%	3,569	1,107	2,463
West Virginia	765	488	45	32	199	20.6%	1,209	600	608
Wisconsin	1,250	694	111	96	349	10.3%	2,480	1,503	977
Wyoming	218	55	38	8	118	18.7%	286	96	191
State Total	70,172	40,271	5,093	4,480	20,328	12.6%	172,792	77,199	95,593
Undist. & Terr.	1,127	43	83	28	973	N.A.	3,700	276	3,424

Table 2
Spending Reductions under Contract with America, FY 2002 (\$mil)

State	Cuts In Grants to State Governments					Required State Tax Increase	Cuts In Other Federal Spending		
	Total	Medicaid	Highway	AFDC	Other		Total	Medicare	Other
U.S. Total	97,825	55,312	7,102	6,185	29,226	N.A.	242,151	106,298	135,854
Alabama	1,594	879	135	44	536	22.5%	4,195	1,588	2,608
Alaska	420	123	98	26	174	13.5%	790	60	730
Arizona	1,261	712	108	93	348	14.2%	3,288	1,302	1,986
Arkansas	992	571	90	23	309	22.7%	2,150	1,052	1,098
California	10,576	5,412	607	1,317	3,241	12.6%	27,880	12,486	15,394
Colorado	1,036	531	108	49	347	16.2%	3,793	989	2,804
Connecticut	1,383	805	145	86	348	15.4%	2,529	1,494	1,035
Delaware	217	97	25	12	83	9.8%	526	241	284
DC	956	252	23	32	650	27.9%	6,774	429	6,345
Florida	3,644	2,086	277	233	1,048	14.0%	13,421	7,321	6,100
Georgia	2,206	1,286	180	138	601	16.5%	5,200	1,910	3,290
Hawaii	450	161	85	32	172	9.3%	1,012	296	716
Idaho	349	162	46	11	131	13.6%	1,173	299	874
Illinois	3,534	1,858	239	213	1,224	15.9%	10,334	5,614	4,721
Indiana	2,044	1,312	168	74	490	18.9%	3,473	2,054	1,419
Iowa	864	451	95	48	270	15.0%	2,633	1,231	1,402
Kansas	853	487	71	40	255	17.8%	2,374	1,124	1,249
Kentucky	1,587	947	95	77	468	19.8%	2,896	1,306	1,590
Louisiana	2,697	2,059	129	66	444	38.2%	3,240	1,462	1,778
Maine	621	383	38	33	166	24.0%	983	529	454
Maryland	1,543	798	113	89	543	13.5%	8,579	1,889	6,690
Massachusetts	2,627	1,472	340	185	630	17.3%	6,425	3,360	3,065
Michigan	3,398	1,859	192	314	1,034	18.1%	6,844	4,572	2,271
Minnesota	1,615	931	139	113	431	13.0%	3,494	1,541	1,954
Mississippi	1,185	681	84	33	387	28.5%	2,294	978	1,316
Missouri	1,806	1,025	149	85	547	21.2%	5,408	2,444	2,965
Montana	380	169	71	17	123	27.1%	1,021	298	722
Nebraska	533	264	60	31	177	18.3%	1,665	661	1,004
Nevada	312	159	44	15	94	8.6%	1,379	354	1,025
New Hampshire	291	154	43	16	79	24.1%	773	370	403

Table 2
Spending Reductions under Contract with America, FY 2002 (\$mil)

State	Cuts in Grants to State Governments					Required State Tax Increase	Cuts in Other Federal Spending		
	Total	Medicaid	Highway	AFDC	Other		Total	Medicare	Other
New Jersey	3,397	2,059	194	177	968	17.5%	6,384	3,971	2,413
New Mexico	719	320	96	38	265	17.6%	2,904	440	2,464
New York	11,225	7,466	376	734	2,649	23.8%	15,172	9,435	5,738
North Carolina	2,329	1,406	187	130	605	15.2%	4,414	1,965	2,449
North Dakota	314	144	48	10	111	27.0%	773	317	455
Ohio	3,878	2,358	233	290	997	19.8%	8,242	4,722	3,520
Oklahoma	1,056	582	70	69	335	17.0%	2,896	1,281	1,615
Oregon	969	469	75	65	361	16.8%	2,711	1,143	1,568
Pennsylvania	4,194	2,424	290	244	1,237	17.4%	11,738	7,025	4,713
Rhode Island	590	350	58	32	150	29.3%	849	476	373
South Carolina	1,376	883	94	42	357	19.6%	3,042	935	2,106
South Dakota	316	142	53	9	113	33.8%	792	281	511
Tennessee	2,109	1,357	107	82	563	26.7%	5,275	1,850	3,425
Texas	5,717	3,457	466	202	1,591	19.2%	14,761	5,872	8,889
Utah	579	261	68	31	220	15.6%	1,479	323	1,156
Vermont	284	122	51	18	93	23.9%	413	208	207
Virginia	1,379	673	99	68	539	11.2%	8,332	1,885	6,447
Washington	1,809	1,001	161	172	474	11.5%	4,897	1,518	3,379
West Virginia	1,049	670	62	44	273	28.3%	1,658	824	835
Wisconsin	1,716	952	153	132	479	14.2%	3,402	2,062	1,340
Wyoming	300	75	52	10	162	25.7%	393	131	262
State Total	96,278	55,253	6,988	6,147	27,891	17.3%	237,075	105,919	131,155
Undist. & Terr.	1,547	59	114	38	1,335	N.A.	5,077	378	4,698

THE IMPACT OF A BALANCED BUDGET AMENDMENT AND THE CONTRACT WITH AMERICA ON THE STATE OF MASSACHUSETTS¹

I. A Balanced Budget Amendment would reduce annual Federal grants to the Massachusetts state government by \$1.9 billion.

- \$1.1 billion per year in lost funding for Medicaid
- \$248 million per year in lost highway trust fund grants
- \$135 million per year in lost funding for welfare (AFDC)
- \$459 million per year in lost funding for education, job training, the environment, housing, and other areas
- *Massachusetts would have to increase state taxes by 12.6 percent across-the-board to make up for the loss in grants.*

II. A Balanced Budget Amendment combined with the "Contract with America" tax cuts would require even deeper spending cuts, thereby reducing annual Federal grants to the Massachusetts state government by \$2.6 billion.

- \$1.5 billion per year in lost funding for Medicaid
- \$340 million per year in lost highway trust fund grants
- \$185 million per year in lost funding for welfare (AFDC)
- \$630 million per year in lost funding for education, job training, the environment, housing, and other areas
- *Massachusetts would have to increase state taxes by 17.3 percent across-the-board to make up for the loss in grants.*

III. A Balanced Budget Amendment and the "Contract with America" tax cuts would reduce other annual Federal spending in Massachusetts by \$6.4 billion.

- \$3.4 billion per year in Medicare benefits
- \$3.1 billion per year in other spending including housing assistance, student loans, veterans' benefits, and grants to local governments

¹For all calculations, a balanced budget is achieved by FY 2002 through across-the-board spending cuts that exclude defense and social security.

Performance Partnerships

FEDERAL DEPARTMENTS	NUMBER OF PROGRAMS CONSOLIDATED	1996 Funding Proposed For Performance Partnership Grants & Performance Incentives	Improved flexibility	Improved Accountability	Administrative Savings	Locus of decision making	IMPACT ON MUNICIPALITIES
Department of Agriculture Rural Development Programs	14 existing USDA rural development loan and grant programs remain separate, but USDA State Directors would be authorized to shift funds between existing programs.	\$988 million Up to 10 percent of the annual formula allocation would be withheld and awarded based on superior performance.	More flexibility at State level on funding priorities set by USDA in consultation with State Rural Development Councils, and State and local governments.	State-by-State work plans (embodying performance measures and accountability) would be negotiated between USDA headquarters and the USDA State Directors (in consultation with State Rural Development Councils, and State and local governments).	\$42 million over five years with accompanying reductions in headquarters FTEs.	State Directors (coordinating with the State rural Development Councils, and State and local governments) would be able to shift resources among existing programs to meet the specific needs of each State.	<i>This proposed performance partnership;</i> <ul style="list-style-type: none"> Does not change existing municipal role to consult with USDA state directors who set funding priorities.
Department of Education and Labor: G.I. Bill for America's Workers	70 programs to be consolidated into one system.	\$14.1 billion (Discretionary BA) Increased flexibility for States and localities to use resources in ways that best meet their needs; providers that fail to meet standards or fail the market test of choice would be eliminated.	States and localities can design service delivery systems as they see fit to accomplish results.	Improved information on jobs, labor markets, and institutional performance will empower individuals to exercise informed choice and not use poor schools; tougher quality standards on providers based on results, system goals for services and outcomes, and published performance.	\$31 million over five years for Federal oversight FTEs. States use savings from their program flexibility redesign for additional services.	Most program and administrative design responsibilities are shifted from Federal to State and local levels. Individuals empowered to select training.	<i>This proposed performance partnership;</i> <ul style="list-style-type: none"> Does not clarify whether performance standards will be set federally ("top-down"), or through collaboration ("bottom-up"). Does not define the decision-making responsibility split between state and local government, but places program and administrative design responsibilities with them.
Department of Health and Human Service: Public Health Service	108 programs to be consolidated into 16 categories.	\$3 billion Increased funding for grantees that develop, report and show progress toward performance goals.	Small categorical grants replaced with larger, flexible pools or funds. Grantees can decide how funds to be used.	Strong State planning and reporting process. Grantees will report on outcomes, and progress on broad-based public health goals as well as specific results achieved with PHS funds.	\$15 million in 1996 for 230 oversight FTEs with FTE savings more than doubling over four years for cumulative savings totalling \$218 million.	Five of 16 program groups will be State grant programs, where decision-making would be left to States. States will be eligible for most of the other 11 grant clusters.	<i>This proposed performance partnership does not recognize municipal participation.</i>
Department of Housing and Urban Development	60 statutory programs to be consolidated into 3 programs. The first stage, in 1996 consolidates into eight.	\$26 billion To keep full spending discretion, localities must meet their performance targets. Up to 10 percent for formula allocation would be withheld and distributed on performance.	Would remove spending restrictions from current law and replace process compliance with accountability for results.	Would consolidate programs into performance based formula grants which are accompanied by Federal conditions. Grant recipients will be accountable for locally-developed performance benchmarks.	\$770 million over five years. Phased-in estimates of HUD administering (1) grant versus direct Federal programs; and (2) fewer grants versus the multiplicity of HUD's current grant structure.	Decision making shifted to States, cities and communities.	<i>This proposed performance partnership;</i> <ul style="list-style-type: none"> Does not define the decision-making responsibility split between state and local governments. Does not reveal what "federal conditions" are linked to the grants. Without those conditions, municipalities cannot develop performance benchmarks and targets necessary for the federal government to evaluate results; provide incentive rewards, and set grant funding formulas.
Department of Transportation	30 categorical programs would be consolidated into three broad allocations: a unified grant, State Infrastructure Banks, and a discretionary grant program.	\$25 billion Increased flexibility for recipients to use funds in ways that best meet their needs; fewer Federal requirements; ability to leverage Federal funds to generate increased total investment.	States and localities given broader discretion to choose projects, fewer restrictions by type of mode (e.g., highways vs. transit); Infrastructure banks allow closer aligning of expected returns with level of subsidy provided more flexible use of contributions from State/local revenues and private fees.	Performance reporting will be simplified under a few large programs; Infrastructure Banks will require substantial contributions of resources from States and localities user fee financing will assure market tests of investment decisions.	Consolidation of grant programs would reduce grant administration costs.	Fewer federal constraints on use of funds shifts decision making to States and localities; Infrastructure Bank decisions reflect market viability of investments.	<i>This proposed performance partnership;</i> <ul style="list-style-type: none"> Pledges broader discretion to state and local governments to decide how and for what purposes to use federal grant money. Will require "substantial contributions" of resources from municipalities for Infrastructure Bank projects, but will also loosen federal constraints to encourage more market-based financing alternatives including leveraging and user fees. Does not define the decision-making responsibility split between state and local governments.
Environmental Protection Agency	Up to 12 media specific State grants would be consolidated at the request of the State, although the underlying EPA programs would remain separate.	\$634 billion Incentives would be negotiated in work plans between EPA and the States, and could include performance-based funding and various means to encourage additional States to accept delegation of EPA programs.	Participating States would transfer funds between programs, based on agreements with EPA, without further action by Congress.	The State work plans would include an evaluation component to maintain EPA oversight while improving environmental results.	Lower EPA processing costs for consolidated grants, and lower EPA implementation costs in States that accept more delegation of EPA programs.	Participating States would be able to make funding decisions based on their priorities and to simplify their administrative procedures.	<i>This proposed performance partnership does not recognize municipal participation.</i>

President Clinton's Budget At-A-Glance What It Means To The Nation's Cities

ISSUES	BUDGET CHANGES	MUNICIPAL IMPACT	NLC POSITION
<p>HOUSING AND COMMUNITY DEVELOPMENT</p>	<ul style="list-style-type: none"> ■ Consolidation of 60 programs into 8 block grants; ■ CDBG and HOME same as FY'95. ■ \$51 billion in assisted housing cuts over five years; and ■ \$4.4 billion in funding cuts for community and regional development over five years. 	<ul style="list-style-type: none"> ■ Block grants could provide increased flexibility and relief from HUD's micro-management but could replace this with a new set of bureaucratic and political problems if block grants go to states; and ■ Cities will have to shoulder the financial and social consequences of major cuts in assisted housing and community and regional development funding. 	<ul style="list-style-type: none"> ■ Supports greater program flexibility and the freedom of cities to set priorities and goals; ■ Opposes major cuts in funds for assisted housing and community and regional development; and ■ Opposes the withdrawal of federal responsibility for national housing and community development programs and the imposition of unfunded mandates on cities.
<p>TRANSPORTATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> ■ Department of Transportation reorganization (from ten Administrations into three) and program consolidation results in transit, highway, aviation grants folded into a Unified Transportation Infrastructure Investment Programs (UTIIP) of about \$10 billion (formula yet to be specified). ■ \$500 million in Transit operating assistance (cut by 30 %). ■ Essential Air Service Program eliminated. ■ \$2.3 billion decrease in infrastructure spending. 	<ul style="list-style-type: none"> ■ The UTIIP formula has not been specified but could result in more money going to the states instead of municipalities; decrease in transit operating assistance; elimination of Essential Air Service. 	<ul style="list-style-type: none"> ■ NLC opposes elimination of the Essential Air Service Program. NLC opposes cuts in transit operating assistance. NLC needs to see the details of the UTIIP formula allocation before it can take a position on UTIIP. NLC opposes decreases in infrastructure investment.
<p>ENVIRONMENT</p>	<ul style="list-style-type: none"> ■ Increase of \$400 million in funds for Clean Water SRF for a total request of \$1.6 billion. ■ \$500 million decrease in previous request for Drinking Water SRF. ■ 80% decrease in grants for coastal cities. ■ Provide funding of \$3.4 million for disinfection by-products (in drinking water) health effects research. ■ Seek authorization of block grant to states for administration of environmental programs. 	<ul style="list-style-type: none"> ■ No appreciable impact from modest increases in CWA/SRF. ■ Without a drinking water act reauthorization the proposed funding for a drinking water SRF will remain unavailable. ■ Will assist in assuring that municipal drinking water resources are expended on real public health concerns. 	<ul style="list-style-type: none"> ■ NLC supports both loans and grants to assist municipalities in meeting the over \$100 billion in federal Clean Water Act mandates. ■ NLC supports alternative uses of proposed revenues for drinking water SRF. ■ NLC supports funding for health effects research for drinking water contaminants.
<p>EDUCATION, JOBS AND TRAINING</p>	<ul style="list-style-type: none"> ■ GI Bill for America's Workers: consolidates 70 job training programs for adults and youth (including the School-to-Work program) into four general programs. The \$14.2 billion allotted to the Departments of Education and Labor for the programs consolidated under the GI Bill is a \$1 billion (7.6 percent) increase over FY 1995. ■ Job Corps: Increase of 128 million. 	<ul style="list-style-type: none"> ■ Consolidation of federal job training programs would make it easier for youth and adults to navigate the system and find the assistance they need. One-Stop Career Centers are key to the proposal and would provide opportunities for local government involvement. 	<ul style="list-style-type: none"> ■ NLC supports efforts to streamline the job training system and make it work better for job seekers. ■ NLC supports the School-to-Work program. ■ NLC supports the involvement of local elected officials in local level decision-making and oversight of any workforce development system.
<p>CHILDREN, YOUTH AND FAMILIES</p>	<ul style="list-style-type: none"> ■ Proposes increases of \$400 million for Head Start. \$100 million for the Child Care Development Block Grant; \$844 million for Child Immunizations; \$91 million for the Ryan White AIDS Resource Act; \$60 million for Chronic Substance Abuse to the Substance Abuse Performance Partnerships; and \$150,000 million in new discretionary health grants for Assistance to Undocumented Individuals. ■ No accounting in budget for welfare and health care reform proposals. 	<ul style="list-style-type: none"> ■ Increase in early childhood health and education and additional resources for substance abuse and AIDS will help the burden of many cities. 	<ul style="list-style-type: none"> ■ NLC supports investment in human resources. ■ NLC opposes welfare reform measures that substantially cut funding and shift burdens on to cities and towns.
<p>CRIME</p>	<ul style="list-style-type: none"> ■ 45% increases in funding for COPS program. ■ Level funds Byrne grant. ■ Cuts funding for Brady implementation. ■ increases funding for violence against women and domestic violence programs. ■ Proposes \$30 million to implement local prevention block grant program. ■ Increases funding for rural drug enforcement grants. ■ Funding for LPA is limited to data collection. ■ Provides funding to reimburse state and localities for the costs associated with incarcerating illegal aliens with assurance funds will be shared with localities. 	<ul style="list-style-type: none"> ■ Continues direct federal assistance to cities and towns of all sizes for hiring, redeployment, and other community-policing related activities. ■ Begins flow of direct, flexible assistance to cities and towns for broad based range of drugs, crime and violence prevention programs. ■ Strengthens and expands local efforts to address violence against women and domestic violence. ■ Addresses growing costs to localities associated with jailing illegal aliens. 	<ul style="list-style-type: none"> ■ NLC supports direct federal assistance to cities and towns; maximum flexibility in the use of those funds; no local match requirement; direct, flexible federal assistance for drug, crime and violence prevention programs.

Impact of Proposed Federal Budget Cuts on The Cambridge Hospital Community Health Network

February 24, 1995

Assumptions:

1. Balanced Budget and Contract with America proposal enacted.
2. Some rescissions in FY 95 but real cuts in FY 1996.
3. Equal annual reductions in federal budget to reach \$0 deficit in FY 2002.

Proposed Federal Budget Cut Summary (current estimates)

Program Area		Current Revenue FY95	Projected Reduction	Impact FY 1996	Comment
Medicare		\$20 million	0.15	\$3 million	
Medicaid	Hospital	\$14 million	0.4	\$5.6 million	
	Neville	\$9 million	0.4	\$3.6 million	
Uncompensated Care Pool		\$28 million	0.1	\$3 million	Waiver request being negotiated between State and Feds reducing pool by 75%. Cumulatively, Mass Hospital Assoc. projects 5 year impact to be \$28 million for the Network and \$530 million for health industry in state.
Federal and State Grants		\$9.7 million	0.5	\$4.9 million	
Total		\$80.7 million	0.22	\$20.1 million	

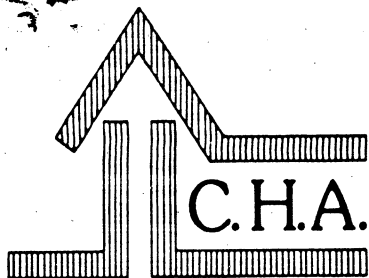
- The Cambridge Hospital Community Health Network is especially dependent on Federal and State monies.
- Closure of public hospitals is occurring nationally as a result of market forces and public funding cut-backs. (Note: Boston City Hospital--University Hospital merger discussions motivated by these issues.)
- Reorganization efforts within the Network are aimed at dramatically improving efficiency and positioning us to address core community health needs more effectively.
- While core Public Health/Board of Health activities are statutorily mandated and cannot be dramatically reduced, the broad public health agenda of prevention, immunization, nutrition, care to underserved populations, teen health services, and services to chronically mentally ill are especially threatened.

The Cambridge Hospital

ACTIVE GRANTS AS OF 02/22/95

THIS IS A LIST OF GRANTS AWARDED TO THE CAMBRIDGE HOSPITAL THAT HAVE A PARTIAL OR ENTIRE FUNDING PERIODS IN FY95.

GRANT NAME -----	FUNDING PERIOD -----	AWARD AMOUNT -----
Lead Clinic	7/25/94-7/24/95	\$ 45,000.
Immunization Action Prjt.	FY95	\$180,000.
Immunization Outreach	8/15/94-6/95	\$200,000.
STD Clinic	FY95	\$143,000.
Haitian HIV/AIDS Prgm	10/94-6/95	\$ 67,500.
CHC/HIV	FY95	\$ 46,000.
Alternative Test Site	FY95	\$120,000.
Act Now	FY95	\$192,606.
Ryan White	4/94-3/95	\$148,317.
Fenway	10/93-9/94	\$100,250.
Fenway	10/94-9/95	\$100,250.
HRSA	10/93-9/94	\$262,510.
HRSA	10/94-9/95	\$262,510.
Homeless BHH	11/93-10/94	\$127,802.
Childbirth Ed. & Lang. Trng	10/93-9/94	\$162,010.
Teen Health	FY95	\$ 90,000.
CDBG	FY95	\$ 17,744.
Men of Color	FY95	\$ 50,000.
WIC	FY95	\$346,306.
Breast Health Prjt.	FY95	\$120,000.
CHC Support	FY95	\$ 80,000.
Pedi/Peri Primary Care	FY95	\$137,500.
Psych. Training	FY95	\$845,666.
Buyout	7/94-11/14/94	\$463,600.
Community Support	11/15/94-6/30	\$371,780.
Dual Diagnosis	1/95-6/95	\$ 68,500.
Supported Employment	1/95-6/95	\$137,662.
Crisis Intervention	FY95	\$643,246.
Victims Of Violence	FY95	\$ 96,208.
Haitian Mental Health	FY95	\$ 71,667.
TB Clinic	FY95	\$ 66,987.
TOTAL		\$ 5,764,621.



CAMBRIDGE HOUSING AUTHORITY

270 GREEN ST., CAMBRIDGE, MA 02139

(617) 864-3020

M E M O R A N D U M

TO: Robert Healy, City Manager

FROM: Daniel J. Wuenschel, Executive Director
Cambridge Housing Authority

DATE: February 24, 1995

RE: Proposed Changes to Public Housing

The memo prepared by the Community Development Department in response to the Administration's Proposed Changes to HUD is thoughtful, accurate and succinct. I have no quarrel with the memo's statement of impact and recommendations regarding public housing.

I would like to add or embellish as follows:

- A) Substantial de-regulation of well-run housing authorities, like the CHA, is long overdue and essential to positive change. Perhaps the greatest contribution to public housing failures has come from HUD, itself. To paraphrase the words of the HUD Secretary, HUD has become obsessed (particularly in the public housing field) with processwhile it has ignored results. What is needed is a continuation of Project based assistance to public housing with an emphasis on asset management.
- B) The public housing program should not be "block granted" to cities or states where it will become subject to the vagaries of political change and interference. The CHA has worked well because of the City's wisdom in appointing a stable, non-political board of commissioners. The results of such stable, non-political leadership speak for themselves. Conversely, those authorities that are tied too closely to state or local governments have poor track records because of continually shifting political priorities and the temptations of patronage in hiring and the placement of applicants.

- C) A move to a tenant based public housing system, as the CDD memo indicates, would be harmful to low income Cambridge residents. Residents with vouchers (particularly with a HUD suggested drop in Fair Market Rents from the 45th to the 40th percentile) will find it virtually impossible to find decent apartments in Cambridge. This has been exacerbated by the phase out of rent control which offered an incentive to landlords to lease to citizens with Section 8 certificates.
- D) Finally, we must be aware that the Administration's proposed "Blueprint" is just thata proposal which would require legislation by the Congress. While no one knows what programmatic direction the new congress will pursue, our assumptions of reductions as a general rule have been confirmed by the rescissions proposed yesterday by the House Appropriations Subcommittee on Veterans Affairs, HUD and Independent Agencies. As proposed, those most sorely affecting the CHA and other housing interests are:
1. \$404 million of public housing operating subsidies from FY94 and FY95. [a 14% cut in FY95 terms];
[(Operating subsidy) cuts would end social services in our elderly developments, curtail maintenance and cause layoffs of personnel.]
 2. \$1.2 billion of public housing modernization from FY94 and FY95 [a 30% cut in FY95];
[(Modernization) would delay, if not halt our efforts at lead based paint abatement, upgrading developments so they are handicapped accessible, replacing roofs, old elevators, etc.]
 3. \$690 million (the virtual elimination) of new public housing development;
[Would result in no new development by the CHA.]
 4. \$2.9 billion (the virtual elimination) of incremental Section 8 units;
[Means no additional Section 8 certificates or vouchers and most important no Section 8 to support the development activities of the non-profits.]
 5. \$550 million (the elimination) of the urban revitalization program, aimed at distressed public housing developments;
[Is not relevant to Cambridge.]

6. \$32 million (the elimination) of the public housing drug elimination program;

[Would nearly eliminate CHA's security program involving police patrols, support of the Crime Task Forces, etc., and our Workforce Program.]

7. \$38 million (the elimination) of the Youthbuild Program;

[Would presumably impact planned Just-A-Start programming.]

8. \$349 million of Community Development Block Grant FY95 funds;

[See the Community Development Department.]

9. \$465 million of FY95 Housing Preservation funds for expiring use developments.

[Will eliminate the community's ability to preserve expiring use developments as affordable housing.]

Should these proposed rescissions prevail, the CHA and Cambridge housing interests generally would be deeply hurt.

I'm sorry that this information is somewhat sketchy, but it was received in abbreviated form only hours ago because the rescissions were only just announced. I will hopefully, have more detail on Monday evening.



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

SUSAN B. SCHLESINGER,
Assistant City Manager for
Community Development

To: Robert W. Healy, City Manager

From: Susan Schlesinger, Assistant City Manager for Community Development

Date: February 27, 1995

Re: Report relative to City Council Order #12
on proposed federal cutbacks

Summary of Proposed Changes

On December 19th, President Clinton announced a planned overhaul of the federal Department of Housing and Urban Development. The proposed changes involve consolidating 60 separate programs to eight block grants in federal FY96 and then three block grants by FY98. The intent is to shift responsibility for planning and implementation of housing programs to local and state governments and reduce the HUD budget. Over the next several months, as the budget recommendations for HUD are finalized by Congress and as reauthorization legislation is filed, the proposal may change substantially.

The Administration submitted its budget proposal to Congress on or about February 6, 1995. Several Committees in both the House and Senate have started to review the proposal and draft the congressional budget proposal. The budget process will take up to six months, and needs to be complete by the October 1, 1995 start of the FY96 fiscal year.

After a transitional period with eight block grant programs in federal FY96 and FY97, there are three block grants proposed under HUD's "Reinvention Blueprint" starting in FY98:

Housing Certificates and Vouchers - replacing all public housing development, operating and capital improvements, Section 8 certificates and vouchers, project-based assistance, expiring use programs and others. Cambridge

currently has 2,744 units of federal public housing, 1,118 federal mobile Section 8 certificates and vouchers, and 307 units with federal project-based assistance (including Mod Rehab project-based units). Project-based assistance has been particularly important in Cambridge in anchoring specific affordable housing projects, and leveraging other subsidies. For example, projects such as the Cambridge YMCA, Ruah house for women with AIDS, and Putnam Place, all depend on project-based assistance to make units affordable. This block grant includes competitively funded programs such as Shelter Plus Care and McKinney Mod Rehab, under which Cambridge has received numerous funding allocations during the last three years. Also consolidated are current programs are renovations to public housing, including projects such as the Roosevelt Towers and Corcoran Park.

In addition, Cambridge has 1,600 units in seven "expiring use" projects -- privately developed projects that were developed with public subsidies. Under the Administration's proposal, the owners of the "expiring use" projects could opt to prepay the federally-assisted mortgage and convert to market-rate housing. Existing tenants would be given rent vouchers, and would then need to compete for scarce available units in the Cambridge market. Owners could alternatively choose to sell the property to resident or non-profit groups, but HUD has proposed cost limits which would make such sales financially infeasible.

Affordable Housing Fund - replacing all housing rehab, development and homeownership programs, including HOME, Youthbuild, Lead Paint Hazard Reduction, Section 202 housing for the Elderly, Section 811 housing for the disabled, and others. 60% is to be allocated to localities; 40% to states. Cambridge has been extremely successful at using the HOME entitlement program; as well as receiving competitive funding allocations such as Youthbuild (\$1.0 million this year to support youth training associated with the development of affordable units at Hampshire Homes) and Lead Paint funds (\$3.3 million last year to establish the Lead Safe Cambridge program).

Community Operating Fund - has been recently renamed the Community Development Block Grant Fund. It brings together Community Development Block Grants (CDBG) and all economic development programs, including the Section 108 Loan Program. Cambridge currently uses some CDBG funds and Section 108 funds for housing, open space and economic development programs. Of this fund, 70% is to be allocated to localities; 30% to states.

Impact of Changes on City of Cambridge Housing Programs

The most significant impact that HUD's proposal will have on Cambridge is that the City will almost certainly receive fewer funds for affordable housing development. Cambridge has been extremely successful at receiving funds via competitive funding rounds, and receives much more than its proportional

share from HUD under current competitive programs, including HOME, Youthbuild, Shelter Plus Care, Lead Abatement, and McKinney Shelter Plus Care and Section 8 Mod Rehab funds.

Current estimates are that Cambridge would receive \$1.7 million under competitive programs, compared to the \$4.1 million it has received on average through competitive programs over the past three years.

In addition, current allocation formulas, which take into account statistics like age of the housing stock and number of households in poverty, are relatively favorable towards Cambridge. If these allocation formulas are changed, there may be further reductions.

Another critical change is the shift away from project-based subsidies. Rental subsidies tied to specific projects have been essential to attracting private financing to affordable housing projects. They have also ensured that Cambridge projects can serve very low income families. Eliminating project based subsidies will make it extremely difficult to leverage financing for affordable housing projects, and projects will require much larger capital subsidies to be feasible. The result is that each dollar will buy much less.

If existing projects lose their project-based subsidies, they may fail financially. Examples of existing projects that will be negatively affected are Church Corner, the Cambridge YMCA, Putnam Place, Brookline Street, the rehab of the Swartz properties, and several limited equity cooperatives.

On the positive side, the consolidation of programs is expected to give Cambridge much more flexibility in setting priorities for expending federal funds, and in the design and implementation of housing and economic development programs.

Impact of Changes on the Cambridge Housing Authority

Perhaps the most significant changes are those that impact federally funded public housing. As mentioned above, all federal public housing funds would be converted to tenant-based rental assistance and housing authorities would compete to attract tenants with mobile certificates.

The Housing Authority agrees that substantial de-regulation of well-run housing authorities like the CHA is long overdue and essential to positive change. However, it feels strongly that public housing funds should not be block granted to cities and states. Cambridge's current model of direct assistance to a housing authority which operates under a stable Board of Commissioners has proven to be extremely successful. The CHA believes that Cambridge is best served by having project based assistance to public housing continue, with improved asset management.

5

If funding were level, the Cambridge Housing Authority would be in a relatively strong position because it has attractive and well maintained developments. Based on experience, we expect that a large share of its tenants would choose to continue to rent from the Housing Authority, and the quality of the developments would allow vacant units to attract both subsidized and market rate tenants. However, since consolidation is likely to be accompanied by reductions in rent levels, it would be impossible over time for the Housing Authority to maintain the current high quality of its developments and still serve low income tenants.

A further problem is that tenant-based subsidies do not necessarily benefit tenants in an expensive rental market like Cambridge. If the assistance takes the form of a certificate (where the tenant pays 30% of household income and the certificate covers the balance to a fixed cap) and the cap is low, it is easy to imagine a situation where the housing available to tenants in the open market is concentrated in the least desirable neighborhoods and is in poor condition. If the assistance is structured as a voucher (where the voucher has a fixed value, and tenants must make up the difference), tenants would need to pay a substantial portion of their incomes in order to secure adequate housing.

This situation will be exacerbated if HUD's suggested drop of fair market rents from current federal "fair market rent" levels is implemented, and is further complicated by the phasing out of Cambridge's rent control system which offered an incentive to landlords to lease to Section 8 certificate holders. The ultimate effect is that residents with vouchers would find it virtually impossible to find decent apartments in Cambridge.

Initial Recommendations

Overall

- The consolidation of 60 programs into 8 block grants in FY96 and 3 block grants in FY98 is unrealistic. A proposal which had approximately a dozen programs would achieve both manageability and the diversity needed to address the complexities of the housing market.
- The current proportional allocation of resources between states and municipalities should not be changed.

Funding levels

- Overall funding to finance community development programs (including housing, human service, economic development and open space programs) should not be reduced below its current level
- Allocation formulas should continue to be calculated on the basis of need. Current indices like level of poverty and age of housing stock are important to targeting federal funds to areas of greatest need.
- There should be a "safe harbor" provision that ensures that overall funding levels to communities that have been successful in competitive funding rounds will not be reduced, as this reflects communities' level of need.

Project-based assistance

- Project-based rental subsidies to support affordable rental housing development should continue to be allocated by the federal government.
- Projects that currently have project-based assistance should be allowed to keep it in place

Expiring Use

- Aggressively reform the expiring use program, rather than repealing it
- "Grandfather" the pending sale to the residents of the expiring use project at 808 Memorial Drive by allowing the project to proceed under the current program rules
- Provide incentives to resident-controlled nonprofit organizations to purchase expiring use projects under a reformed program

Public Housing

- Well-run housing authorities should be de-regulated
- Public housing funds should not be block granted to states and cities
- Public housing assistance should continue to be project-based
- Overall subsidy levels should be maintained
- Fair market rent levels should not be reduced

FEDERAL FUNDING OF CDBG/HOME/ESG PROGRAMS
Cambridge Fiscal Years 1994/95/96

	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>
Community Dev. Block Grant	\$3,432,000	\$3,775,000	\$4,203,000
HOME	\$1,137,000	\$716,000	\$771,000
Emergency Services Grant	\$46,000	\$100,000	\$136,000
Competitive Funds*	\$4,100,000	\$4,100,000	\$4,100,000

* This shows the average of the competitive funds received over the three years and it includes such programs as McKinney funds, youth build and lead safe among others.

**EFFECTS OF FEDERAL BUDGET PROPOSALS
ON SOME HUMAN SERVICES IN CAMBRIDGE**

Although President Clinton's proposed budget includes a 3% cost of living increase for Headstart, an Appropriations subcommittee recommendation targets the program for a 3% reduction. Approximately 200 Cambridge children are served by Headstart.

The Fuel Assistance continues to serve 1,500 households in FY94-95, despite substantial cuts over the previous year. The maximum benefit has been lowered by \$100 to \$420. Level funding for FY95-96 for the Low Income Home Energy Assistance Program had been passed in Congress, only to be thrown out by a subcommittee in the House, which voted yesterday to eliminate \$1.3 billion for the program. One proposal calls for blending LIHEAP into a state block grant where the program would compete with 26 other programs.

Among other federally-funded programs targeted for elimination or cuts are literacy, education for homeless children, nutrition programs for women and children, and child care.

**DEPARTMENT OF HUMAN SERVICE PROGRAMS
Grants and Contracts**

GRAND TOTAL: \$3,105,190

PLANNING & DEVELOPMENT DIVISION

DEPARTMENT OF PUBLIC WELFARE, EMERGENCY TRANSITIONAL ROOMS
(\$207,179)

U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT, EMERGENCY SHELTER
GRANT PROGRAM (\$136,000)

EXECUTIVE OFFICE OF COMMUNITIES AND DEVELOPMENT/HOUSING INTERCEPT
PROGRAM (\$130,500)

EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM (\$23,412)

U.S. DEPARTMENT OF EDUCATION, SUMMER FOOD SERVICE PROGRAM
(\$109,450)

U.S. DEPARTMENT OF EDUCATION, SCHOOL YEAR NUTRITION (\$10,000)

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES, ADMINISTRATION FOR
YOUTH AND FAMILIES (\$81,417)

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES, CENTER FOR SUBSTANCE
ABUSE PREVENTION (CSAP) (\$364,375)

COUNCIL ON AGING

TITLE IIIB OF THE OLDER AMERICANS ACT, FEDERAL ADMINISTRATION ON
AGING, GERIATRIC OUTREACH SUBSTANCE ABUSE PROGRAM (\$9,000)

EXECUTIVE OFFICE OF ELDER AFFAIRS (\$41,988)

TITLE IIIC, OLDER AMERICANS ACT (\$3,575)

EXECUTIVE OFFICE OF ELDER AFFAIRS (\$4,800)

FUEL ASSISTANCE

LOW INCOME FUEL ASSISTANCE (\$1,200,774)

COMMUNITY & YOUTH DIVISION

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT/DRUG ELIMINATION
PROGRAM (\$20,000)

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT/DRUG ELIMINATION
PROGRAM (\$120,960)

COMMUNITY LEARNING CENTER

MASSACHUSETTS DEPARTMENT OF EDUCATION, ADULT BASIC EDUCATION
(\$274,500)

MASSACHUSETTS DEPARTMENT OF EDUCATION, ADULT BASIC EDUCATION AND
ESL (\$50,000)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (\$125,000)

MASSACHUSETTS DEPARTMENT OF EDUCATION, ADULT LITERACY PROGRAM
(\$45,760)

MASSACHUSETTS DEPARTMENT OF EDUCATION/EMPLOYMENT RESOURCES INC.
(ERI) (\$18,060)

IMMIGRATION REFORM AND CONTROL ACT/STATE LEGALIZATION IMPACT
ASSISTANCE GRANT/DEPARTMENT OF EDUCATION (\$362)

ADULT DIPLOMA PROGRAM IN THE WORKPLACE (\$14,980, Neville Manor)

CAMBRIDGE HEADSTART (\$5,499)

LEARNING TOGETHER (\$13,218)

JOBS TRAINING PARTNERSHIP ACT/OCCUPATIONAL EDUCATION (\$13,421)

JOBS TRAINING PARTNERSHIP ACT /OCCUPATIONAL EDUCATION (\$10,172)

MASSACHUSETTS DEPARTMENT OF EDUCATION/EVENSTART (\$70,788)

Note: Some grants may include a mixture of federal and state
dollars.



City of Cambridge

Department of Human Service Programs

51 Inman Street, Cambridge, Massachusetts 02139
(617) 349-6200, Fax (617) 349-6248

FACTS ABOUT NUTRITION PROGRAMS IN CAMBRIDGE

In the near future, the new Congress will be considering legislation which could have a major impact on hungry children, elders and families throughout the community. The legislation is the Personal Responsibility Action (PRA) which is part of the "Contract with America." Within the PRA is a proposal to consolidate all existing federal nutrition assistance programs into one food assistance block grant at sharply reduced funding.

- Preliminary estimates are that the block grant would be funded in the first year at \$3.4 billion below current funding levels nationally, which is expected to produce a 16% cut for Massachusetts. States would be given the responsibility but not the full funding necessary for providing nutrition services.
- Besides reducing overall funding and creating competition among food programs for scarce dollars, the proposed changes would eliminate the ability of food programs to respond to increased need in slower economic times. Programs would lose their "entitlement" status, which means that even applicants who meet all need and eligibility criteria might be turned away if funds are insufficient.
- The Special Supplementary Nutrition Program for Women, Infants and Children (WIC) provides nutrition counseling and supplementary food coupons to low and moderate income pregnant and breast-feeding women, infants and children who are at nutritional risk. More than 70 evaluation studies have demonstrated the effectiveness of WIC in improving pregnancy outcomes and reducing anemia and other health problems in young children. Estimated savings in health and education related expenditures over the first eighteen years of life amounts to over \$1 billion nationally.
- As many as 16,000 at-risk Massachusetts mothers, infants and children could be denied the nutritious food, nutrition education and other preventive health components of the WIC program. In 1994, 1727 WIC participants were served by the two Cambridge offices, under the direction of the Cambridge Hospital.

DIVISIONS:

Childcare
349-6200

Community Learning Center
349-6363

Community & Youth
349-6231

Council on Aging/Elderly Services
349-6220

Low Income Fuel Assistance
349-6247

Planning & Development
349-6200

Recreation
349-6230

MultiService Center/Homeless Services
349-6340

- Massachusetts stands to lose 56% of its funding for School Lunch Program alone in Fiscal Year 1996, which could result in many schools eliminating the program altogether. The School Breakfast Program would be similarly affected.

- Nearly 42% (2408) of students in the Cambridge Public Schools are enrolled in the free/reduced price meals program, based on family income.

- The Summer Food Service Program works to extend the nutritional benefits available during the school year to children in day camps and drop-in sites over the summer months. In 1994, approximately 63,000 meals and snacks were served during the months of July and August to an average of 2000 Cambridge children per week at 27 locations. This represents a 19% increase in meals served since 1992.

- In Fiscal Year 1994, the Cambridge Department of Human Service Programs received \$10,000 from the Child and Adult Care Food Program, which paid a portion of the costs of serving nearly 62,000 nutritious snacks to children in child care. Other local child care providers receive similar assistance for children in their care.

- The Cambridge Elderly Nutrition Program served 133,060 meals to elders in need in 1994. Ten meal sites serve on the average 190 congregate meals, 350 home-delivered meals and 150 homeless meals per day. In addition to nutritious food, the program provides an essential and life-affirming opportunity for social contact for many older people.

- Thousands of low-income Massachusetts families would lose desperately needed Food Stamp benefits. In Cambridge, thirteen local food pantries are already struggling to help about 2000 families monthly. Among these are households which receive no government benefits, as well as those which cannot stretch current Food Stamps to last the month. There may be some duplicate counting, since some families may receive help from more than one pantry.

- A random sample survey of residents commissioned by the City in 1991 revealed over 8% of respondents reporting that they or someone in their household had been hungry or in need of food because of the lack of money in the preceding twelve months. Some advocates believe this percentage is low.

Information compiled by the Department of Human Service Programs from statistics provided by local programs, and from information provided by Project Bread, the National Association of WIC Directors, the Food Research and Action Center and the Massachusetts Department of Education.



City of Cambridge

12.

IN CITY COUNCIL

January 30, 1995

- COUNCILLOR DUEHAY
- COUNCILLOR BORN
- COUNCILLOR GALLUCCIO
- COUNCILLOR MYERS
- MAYOR REEVES
- VICE MAYOR RUSSELL
- COUNCILLOR SULLIVAN
- COUNCILLOR TRIANTAFILLOU

ORDERED: That the City Council schedule a public hearing on Monday, February 27, in preparation for the meeting of the National League of Cities in Washington from March 10-14, 1995, on how budget reductions and departmental reorganization proposed by the President and initiatives proposed by Congress would affect public health and public housing programs in Cambridge; and be it further

ORDERED: That the City Manager be and hereby is requested to organize the preparation for this hearing by developing an agenda and by scheduling appearances and testimony from city and non-profit officials involved in the city's health and housing programs.

In City Council January 30, 1995
 Adopted by the affirmative vote of nine members.
 Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- *D. Margaret Drury*

D. Margaret Drury
 City Clerk

Don, Galluccio, Nygas, News,
Russell, Sullivan, Tiantafillo

Consent Order #12 S-83 CM-29

Councillor Duehay re: Schedule a public hearing
for Monday, February 27, 1995 for preparation
for the meeting of the National League of Cities
in Washington.

In Cirt Council January 30, 1995

Order adopted

3/27/95 Hearing held