IMPACT OF PROPOSED FY '86 BUDGET ON CITIES

Federal Program and President's Proposed Budget	FY 85 Level of Assistance	Use by City	Estimated Fiscal 86 Level of Assistance	Impact of Budget Proposal
General Revenue Sharing. Full Elimination Proposed	2,900,000 Current Year	Finance 87,230 Fire 872,070 Police 250,000 D.P.W. 347,600 Health & Hosp. 221,105 Library 131,602 Hum Serv.990,690	2,100,000 (if not reduced)750,000 if cut. Full impact felt by City in FY 1987	If current General Revenue Sharing Program is not renewed, City will receive only 750,000 in FY 1986 and 0 in FY 1987 Full loss of 2,100,000 would have to be made up by tax levy increases (if possible) or program reductions. 2,100,000 is approximately $ .66 on property tax rates.
Community Development Block Grant 23% Reduction proposed	3,500,000	Com. Dev. 989,350 Hum. Serv. 390,000 Hist.Com. 7,400 Arts C. 3,000 Pub Inv.& Community Service 2,110,250	3,500,000 (if no cuts) 2,700,000 (if cuts)	Reductions in operating programs and capital spending and/or local tax levy increase (if possible).
Urban Dev. Action Grant (UDAG) Full elimination proposed	-0- 1985 11.1 mil. since program inception	The City has successfully utilized UDAG grants in the past to stimulate economic development	N.A.	Reduced available sources of funds for those areas of the City most in need of public investment funds.

Federal Program and President's Proposed Budget	FY 85 Level of Assistnce	Use by City	Estimated Fiscal 86 Level of Assistance	Impact of Budget Proposal
Section 201 Waste-Water Treatment Grants: freeze at FY 85 level and no new starts	-0-			Cambridge is not responsible for wastewater treatment. That action is the responsibility of the newly created metropolitan water and sewer authority which is about to begin a major capital improvement program. Reduced federal funds will mean further increases in the City's sewer use charge as authority's capital program advances.
Section 312 Full elimination proposed	300,000 est.	Provides low interest loans for the rehabilitation of multi-family homes	300,000 (if not cut) -0- if cut	The elimination of this program would end a much needed revenue source for addresing the substantial deterioration of multi-family houses in Cambridge
Transit Operating assistance: zero funding Transit capital assistance: 59% reduction overall and programatic changes.	Not applied directly to City sent to state and used to off-set fares and Cambridge "T" charge.			The effect of this proposal would mean a loss of most federal capital assistance and all mass transit operating assistance to urban areas resulting in increased fares and an estimated 10% reduction in transit service to the City, including a reduction in routes

Federal Programs and President's Proposed Budget	FY 85 Level of Assistance	Use by City	Estimated Fiscal 86 Level of Assistance	Impact of Budget Proposal
WIC: zero funding Medicaid: reduced Food Stamps, AFDC, SSI: freeze	Programs operated by state			The impact of these cuts is particularly difficult to estimate as they are state run programs, however, it is logical to assume that these cuts will result in reduction or eliminated benefits to many Cambridge residents Directly of note to City finance is the fact that reductions in these programs will potentially result in a great operating deficit at Cambridge Hospital. The estimated medicaid revenue loss from medicaid patients at the Hospital is 4000,000.
Legal Services Corporation Full elimination	154,000 (to Cambridge/ Somerville Legal Serv)	Legal assistance to 730 Cambridge residents this past year.	-0-	Loss of major funding source for legal asistance to low income City residents, not all of which could be expected to be repaid by pro bono arrangements
FEMA Emergency Food & Shelter	$85,000 various non-profit programs	Provides emergency food & shelter for homeless & needy	-0	An estimated 200 people are homeless each night in Cambridge & the elimination of this funding source would seriously affect efforst to assist these people.

Federal Programs and President's Proposed Budget	FY 85 Level of Assistance	Use by City	Estimated FY 86 Level of Assistance	Impact of Budget Proposal
Urban Parks and Recreation Recovery Program Full elimination proposed	-0- City has received grants of 261,000 in past year	Renovation of Rindge Shelter and Gold Star Pool	-0-	The City has used this program in place of local tax dollars to restore recreational facilities. If eliminated, such projects will either not occur or have to be funded by local tax dollars.
Economic Development Administration E.D.A. Elimination Proposed	30,000	Used to fund Economic Development Planning	-0-	Cambridge has received EDA grants for a number of years. The funds have been used for both staff support and public investment projects.
Section 108 Elimination Proposed	-0- 3.5 million loan guarantee application	City would use Federal loan guarantee to assist in financing a proposed business incubator facility run by the Cambridge Enterprise Collaborative Inc.	-0-	The elimination of this program would diminish the flexibility of Block Grant Program, further reducing the City's ability to assist and encourage development efforts by non-profit and traditional entities

Federal Programs and President's Proposed Budget	FY 85 Level of Assistance	Use by City	Estimated FY 86 Level of Assistance	Impact of Budget Proposal
Medicaid	-0-	Major source of payments to Neville Manor and Cambridge Hospital	-0-	The President has proposed a freeze in medicaid funding. This reduction could hurt medical care for the elderly and result in increased deficits at Cambridge Hospital and Neville Manor.

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CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

March 18, 1985

To the Honorable, the City Council

In response to City Council Order number 5 of February 11, 1985, the following analysis of the proposed federal budget cuts and their impact upon the City of Cambridge has been developed.

The Administration's FY 1986 budget proposes to eliminate and sharply reduce nearly every federal urban program of significant benefits to cities. General Revenue Sharing and Urban Development Action Grants (UDAG) would be eliminated, as well as most public transit assistance and nearly all subsidized housing programs. Many other programs immportant to Cambridge including the Community Development Block Grant (CDBG) programs would be sharply reduced. In all should the proposals be approved there would be an immediate revenue impact in excess of $3,000,000 annually to Cambridge. This number can be expected to grow in out years as the impact of non-city budget costs (medicaid) becomes more clear.

In analyzing the funding proposals, it is important for the Council to recognize that while not all of the cut-backs have an immediate and direct impact upon the City budget (many of the affected programs are run by the state or non-profit agencies), all of the proposals will have a direct impact upon the services provided to the residents of Cambridge. For example, cut backs in public assistance programs do not impact our budget as these programs are state run. However, it is estimated that approximately 2700 households in Cambridge receive some form of public assistance. Additionally, reductions in public assistance programs can be expected to add to revenue deficits at Cambridge Hospital and Neville Manor in the out-years as the full impact of these cuts is felt.

In the area of direct impact on the City's budget, the proposed elimination of general revenue sharing has to be the most severe. In the current fiscal year (FY 85) the City budgeted $2,900,315 in general revenue sharing funds, an amount equal to approximately $1.00 on the tax rate ($ .59 residential and $1.53 commercial). The President's proposal would eliminate general revenue sharing entirely, reducing an anticipated $2,300,000 in FY 1986 to $1,500,000 and eliminating all planned receipts in the City's 1987 fiscal year. As these funds are used to fund various City operating programs, a decision to increase the tax levy or reduce City services would have to be made.

As the Council reviews the following table, it is clear that should the proposed funding reductions be approved, the City residents would face a combination of increased local taxes and decreased local services.

In an effort to develop a better understanding of the proposed funding reductions and to monitor actions taken in Washington, I have, in response to Council Order number 11 of February 11, 1985, formed a management task force to report periodically to the City Council.

Very truly yours,

Robert W. Healy
City Manager

RWH/ds

Agenda Item No. 11

F-101

Re: impact of the President's proposed FY1986 budget on the City of Cambridge.

In City Council,

March 18, 1985

3/18/85

Referred to the Committee on Finance

copy sent to Councillor Duehay, Chairman, Committee on Finance 3/29/85 in his council package (there was no meeting 3/25/85 and consequently no council packages, that is the reason for the delay) mh