

Signs of Depression In America's Cities

by Mary Jane Freeman

Signs of deepening depression conditions across the United States surfaced at the end of December, with the release of the U.S. Conference of Mayors' (USCM) study, "A Status Report on Hunger and Homelessness in America's Cities." It reveals that emergency food aid and homelessness increased, on average, by 19% during 2002 in 25 major cities surveyed. In 14 of the 25 cities, unemployment soared well above the national official 6% average. American cities are in severe contraction as revenues from the high-flying 1990s stock market and "New Economy" bubbles vanish, unmasking the neglect and paltry investment they've sustained.

The collapse is compounded by fiscal crises in state revenues, which have state officials slashing aid to cities and counties. The result: hundreds of cities, towns, and counties expect to lay off police, firemen, and teachers. Reduced local aid also threatens municipal bond ratings, threatening the cities with debt defaults. San Francisco, for example, reported that its deficit exceeded \$200 million, as California Gov. Gray Davis unfurled his plan of \$10.2 billion in cuts to plug the state's \$34 billion two-year deficit. San Francisco's budget director expects a \$85 million loss due to Davis' plan; Supervisor Aaron Peskin, chair of the city's finance committee, called it a "devastating" blow.

As layoffs accelerate and unemployment benefits dry up, demand for food aid is soaring. Some city programs report huge year-on-year increases in requests for food: Project Bread in Boston, 25%; Hunger Hotline in Chicago, 45%; Harvesters Pantries in Kansas City, 73%; Washington, D.C., 19%. Yet food aid available decreased in 52% of the cities surveyed by the USCM. Nationally, food aid sought by families with children went up by 17%; but the increases were 57% in Kansas City, 49% in Miami, 32% in Los Angeles, and 24% in Boston. In the survey cities, 38% of adults seeking aid had full-time jobs. But the worst hit are the elderly, whose requests increased in virtually all cities. On average, food aid sought by senior citizens was up 19%.

Likewise, the USCM found that demand for low-income housing nearly doubled, increasing 88% this past year—far exceeding available affordable housing. In Los Angeles, the wait-list for public housing grew by 25%, while those waiting for financial aid for housing swelled by 2,000 new families each month! New Orleans officials report they opened their wait-list in June, at which point they took in 19,000 applications for the 6,994 existing housing aid vouchers. Portland,

Oregon officials report that in one week in September, 8,900 households applied for housing aid, a 98% increase over 2000!

Real unemployment is at least twice the official rate, and the USCM survey found 14 of the 25 cities' jobless rates were already above 6% in October. In Cleveland, Miami, and Trenton, the October rate ranged from 10.2% to 11.6%; while it was 6.1-8.2% in Charlotte, Chicago, Denver, Kansas City, Los Angeles, Norfolk, Philadelphia, Portland, Providence, Seattle, and St. Louis.

Monsters and Sacred Cows

The impact of the states' cumulative \$50-80 billion revenue shortfall on localities is enormous. State aid can be as high as 25% of their budget revenues. One Massachusetts legislator, noting the state's \$2 billion deficit as he urged aid cuts to localities, said, "We can't deny the monster that's at our door: It's this huge, precipitous revenue free-fall, the worst in the state's history." Another insisted that tax hikes are required, complaining, "There's no scenario where we won't have cuts. . . . Anything that, in the past, has been an unscathed sacred cow, is very likely to be, if not slaughtered, then significantly injured," referring to "drastic cuts in local aid."

Massachusetts Governor-elect Mitt Romney (R) pled, "We're getting pretty close to empty in terms of our cash ability to pay bills," as he called on cities and town to make "contingencies" for a likely "delay in local aid payments" due them on Dec. 31. Cuts of up to 20% are now being floated. Three mayors responded: Springfield Mayor Michael Albano said that even an 8% cut would require layoffs of 300 teachers, 20 school nurses, and 60 counselors and custodians. Fall River Mayor Ed Lambert said, "We've cut services to the bone"; 40 police officers and firefighters' jobs are gone. Boston Mayor Tom Menino said he'd have to raise taxes and lay off teachers.

Minnesota Governor-elect Tim Pawlenty (R) has asked Gov. Jesse Ventura to withhold \$544 million in local aid as a short-term measure to plug the state's growing deficit. Jim Miller of the League of Minnesota Cities said these cuts would put localities into holes even before next year's expected cuts. Duluth could default on a short-term loan it took out to cover its operating budget.

Desperate for funds, localities have turned to property tax hikes. *USA Today* reported on Dec. 29 that property taxes rose 10.4% in Fiscal Year 2002, which ended June 30. From July to December—the first six months of Fiscal Year 2003—they were 14.1% higher than the same period in 2001. But in November-December, when states began severe cuts in local aid, these taxes reached a level 24% above that of two years earlier. Nearly 72% of local tax revenues reportedly come from property taxes, paying for police, firemen, teachers, garbage collectors, etc. "It's a squeeze play," said a National League of Cities research director. "The Federal government is cutting money to the states. The states are cutting aid to cities, and many cities [have no] sales or income tax. The property tax is the last line of defense."