U.S. cities facing deeper budget crises

by H. Graham Lowry

This spring's round of budget-balancing follies by state and local governments have featured a number of claims that the "recession" is leveling off, or that light is finally visible at the end of the fiscal tunnel. In fact, darker days are ahead, especially at the local level, where repeated cutbacks in federal and state aid are about to hit with even greater force.

For New York City, devastated by a string of billion-dollar-plus deficits, Mayor David Dinkins recently presented a relatively cheerful picture—with little resemblance to reality. Presenting his budget on May 3 for the fiscal year beginning July 1, Dinkins declared, "This is neither the darkest nor the brightest day, neither the best- nor the worst-news budget in our city's fiscal history. But having made these choices, we are better prepared for the better days all of us hope lie near."

Dinkins's $31.4 billion budget includes an additional $128 million in cuts, on top of $623 million proposed in January, and assumes $523 million in further state and federal aid which he is unlikely to ever see. Since his first projection, the collapse of the New York City real estate bubble has "precipitously" reduced property tax revenues, Dinkins noted, to the tune of at least $400 million. He outlined a series of "contingency" cuts, totaling only $176 million, in the event the state and federal monies imagined fail to come through.

But the city's revenue base is continuing to disintegrate, despite record earnings claimed by many Wall Street firms. The Port Authority of New York and New Jersey released its annual economic forecast on April 27, projecting the net loss of another 67,000 jobs in the metropolitan region during 1993, including 32,000 in New York City. Last year the region lost 172,000 jobs, increasing the area's official unemployment level by 24%. In the real economy, the prospects for productive industries are much worse. The Port Authority expects the loss of another 52,300 jobs in manufacturing in the region this year, and 33,000 in construction.

Victims of 'post-industrial society'

The deliberate deindustrialization of the U.S. economy has devastated the nation's cities. In Pennsylvania, once the spearhead of American industry, the blue-collar work force declined by nearly 30% during the 1980s. Plant closings, especially in the steel industry, wiped out more than 40,000 jobs in the Pittsburgh area alone. Now, 15 municipalities around the state are officially listed as "financially distressed," i.e., technically bankrupt and in virtual receivership.

A report issued on March 23 by Pennsylvania's League of Cities and Municipalities lists another 115 of its urban communities as "bordering on bankruptcy." Yet Gov. Robert Casey is proudly declaring that the state budget is balanced and the worst is over. Earlier in March, he approved $2.4 million for the "redevelopment" of abandoned industrial sites in three counties, including $550,000 for the demolition of a foundry in Franklin. The city of Philadelphia is still reeling from the shutdown of the giant Fairless Steelworks in 1991. It faces the loss of nearly 80,000 more jobs with the shutdown of the Philadelphia Navy Yard, scheduled to be completed by 1996. The bankrupt city is already under a state financial control board, which has further gutted vital services.

The pattern has spread across the country. California's Gov. Pete Wilson has presented a "balanced" budget which would seize $2.6 billion in property tax revenues from local governments. For Los Angeles County, the lost revenue would force budget cuts of $575 million, or about 25% across the board. In Illinois, Gov. Jim Edgar has decided to pocket $237 million in income tax surcharge revenue which previously would have gone to the cities and counties. Meanwhile, U.S. Steel has announced that it has contracted to demolish its huge South Works complex of blast furnaces and steel mills in Chicago later this year.

In Connecticut, where the state government shut down for 10 days in 1991 over a $2.8 billion deficit in its $8 billion budget, the revenue base is crumbling further. Aerospace giant Pratt and Whitney announced on April 14 that it will close its East Hartford and Southington plants by the end of next year, eliminating another 9,000 skilled jobs in the state. Overall, the Connecticut-based jet-engine manufacturer plans to reduce its work force to 30,000 by that date, down from 52,000 at the end of 1991.

Layoffs continue nationwide

Despite corporate babblings about the upturn just around the corner, the number of layoffs planned for this year continue to mount. According to the monthly *Challenger Employment Report* released on May 3, U.S. companies announced 222,123 layoffs during the first four months of this year. The biggest monthly total—103,217—came in January, when Sears Roebuck announced it would eliminate 50,000 jobs. But the cutbacks have continued at a staggering rate: 56,970 in February; 30,428 in March; and 31,508 in April. Over the four months, 68,298 layoffs were announced in the aerospace industry alone.

The impact on revenues at all levels of government will merely intensify as these cutbacks are carried out, forcing budgets deeper into the red. And more layoffs are on the way, according to James Challenger, president of the company which produced the report.