

# The Washington Times

## Draconian moves a must for local budgets

*Governments lay off workers, postpone projects*

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While the national economy shows signs of improvement, city and county governments nationwide still are feeling the strain, as 2010 was among their worst years financially in decades.

As a result, local governments have slashed budgets, scaled back or postponed infrastructure projects, and laid off significant chunks of their work force.

And with the real estate market — and therefore property tax revenue — still stagnant, local officials don't expect the situation to improve much in the new year.

"It will get worse before it gets better," said Mark Muro, policy director for the Metropolitan Policy Program at the Brookings Institution, a liberal-leaning Washington think tank. "This is a very dire time" for local governments.

Few areas of the country have been immune to the bad economy, as cities of all sizes have proposed drastic measures to shore up budget shortfalls.

In Camden, N.J., almost 400 city workers are set to lose their jobs in January due to budget cuts to offset a deficit of about \$26.5 million. The massive layoff will hit nearly half the city's police force and about one-fourth of all city government employees.

A budget introduced by city council members requires all city departments to cut spending by 24 percent.

Cincinnati, which is facing a \$60 million budget shortfall, is looking to get \$20 million in concessions from police and fire unions to make its fiscal ends meet. Failing that, another option would be to lay off more than 200 police officers and firefighters.

In Southern California, the city of Vista has threatened to shut off half its residential street lights in March unless property owners agree to pay higher lighting fees. The move would save an estimated \$9 million, the city says.

And in the working-class Detroit suburb of Hamtramck, the budget is so depleted the city has pleaded with the state to allow it to file for bankruptcy.

"While certain segments of the economy may be under recovery, cities as a whole are not yet experiencing growth," said Michael A. Pagano, dean of the College of Urban Planning and Public Affairs at the University of Illinois at Chicago and co-author of a recent National League of Cities' (NLC) report on cities' fiscal conditions.

"As a consequence, cities are facing very serious financial hurdles right now in providing basic public services."

The NLC report shows that 87 percent of city finance officers surveyed said their towns are worse off financially

than in 2009 and reported the largest spending cuts and loss of revenue in the 25-year history of the survey.

City revenues — as generated in property, sales, and income taxes — will decline 3.2 percent in inflation-adjusted dollars, the report says. To compensate, cities are reducing spending, with 79 percent laying off workers, 69 percent delaying or canceling capital infrastructure projects and 34 percent "modifying" worker health care benefits.

"This recession is making city officials fundamentally rethink and repurpose the provision of services in their communities," said Riverside, Calif., Mayor Ronald O. Loveridge, who was NLC president when the report was released in October.

"Some are innovating and finding creative solutions but, regrettably, without the necessary resources, cities will continue to have a difficult time assisting their residents through these trying economic times."

With property taxes serving as a significant revenue source for local governments, the still slumping housing market has strained city and county coffers. And since it takes time for housing assessments to catch up to current values, local governments are expected to feel the full effect of the downturn in 2011 and beyond.

Generous salaries and compensation packages, particularly for union members, also accelerated local government budget woes, says Tad DeHaven, a budget analyst with the Cato Institute, a free-market Washington think tank.

"That is the 800-pound gorilla," he said.

Mr. DeHaven added that local officials should use this time as an opportunity to re-evaluate their financial structures and salary packages to institute reforms to make governments as efficient and nimble as the private sector.

"In the public sector, you don't have that flexibility," he said. "You have a privileged [employee] class of people that have been promised things, and they expect those promises — even if those promises come at the expense of everybody else's job."

The National Association of Counties (NACo) recently launched its "Restore the Partnership" campaign to lobby Congress to maintain federal financial assistance to at least 2010 levels for many county programs, such as the popular Community Development Block Grant Program, grants to public safety agencies, aid for rural counties and assistance for Medicaid and social services programs "that are essential in creating and maintaining jobs while providing assistance for our citizens."

NACo also is pressing Washington lawmakers to repeal a tax law that beginning in 2012 will require many counties to withhold 3 percent in federal taxes on payment to government contractors for goods and services.

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