

## **Cutting Aid to America's Poorest Neighborhoods**

It should come as no surprise that Americans are now relying on funds from the federal government more than ever before in the nation's history. Consider that this nation has just gone through the worst economic recession since the Great Depression of the 1930s, when there was little government aid in place to help the vast army of unemployed and dispossessed. And even though the economists tell us that the recession officially ended nearly two years ago, millions of Americans are still heavily dependent on federal benefits to make ends meet.

In the past year, government programs – Medicare, Medicaid, Social Security, Food Stamps, unemployment insurance and other programs – accounted for 18.3 percent of the nation's total personal income. This translates to about an average of \$7,400 in benefits for each American, up from less than \$4,800 in 2000. About 90 percent of these benefits come from the federal government.

### **Crucial Aid to New Yorkers**

These benefits have been especially crucial for New Yorkers. In 2010, New York led all states in benefit dollars, with each New York resident receiving an average of \$9,442 in benefits, more than \$2,000 above the national average. New York ranked 28<sup>th</sup> in Social Security and 9<sup>th</sup> in Medicare, but its Medicaid program is the most expensive of any state. With a large population of low-income residents, health care costs in New York are bound to be high.

Yet this safety net in federal funding is being threatened by politicians in Washington who have been in a frenzy of budget cutting since January. To hear the so-called deficit hawks tell it, cutting the deficit is the most important issue in Washington. Not that they cared about deficits when they financed two wars and cut taxes for the wealthy in the last decade, actions that ballooned the deficit to historic heights. Now they just want to cut, cut, cut.

This disease has apparently spread to the White House, as the Obama administration also seems caught up in deficit cutting fever. The president's budget proposal for fiscal year 2012 includes a 50 percent cut in the Community Services Block Grant, down from \$700 million in fiscal years 2009 and 2010 to \$350 million.

### **Community Services Block Grant**

The Community Services Block Grant is a crucial component of the nation's safety net. It provides aid directly to the poorest neighborhoods across the country. This year, New York City received nearly \$32 million from the grant. Poor neighborhoods from Borough Park in Brooklyn to West Harlem to Morris Heights in the Bronx to South Jamaica in Queens received six figure allocations of funds in the past year.

Proposed grant projects may include the prevention or elimination of slums or other community development activities to address an urgent threat to health or safety. Funds may be used for rehabilitation of housing and commercial buildings, construction of public facilities and improvements, construction and maintenance of neighborhood centers, and the conversion of

school buildings, public services, and economic development and job creation/retention activities. In other words, activities that help to revitalize poor neighborhoods and aid low-income families.

While the politicians want to cut in half funding for the Community Service Block Grant, a saving of \$350 million – a pittance as federal budgets go – corporate taxes have become a diminishing source of revenue. Last year, mostly because of loopholes and imaginative bookkeeping, corporate taxes accounted for about 9 percent of all federal revenue, although 2010 was a banner year for corporate profits.

The administration's plan is this: The grants have been allocated using a formula that does not consider how good a job the recipients are doing. The president is proposing to cut financing for this grant program in half and to reform the remaining half into a competitive grant program, so that funds are spent to give communities the most effective help. Competition is fine, but it is difficult to understand how cutting the grant in half will somehow lead to the funds being spent more effectively.

The plan to cut the block grant in half would mean that New York City will lose a large amount of federal funds, perhaps as much as \$16 million, that are desperately needed in the city's poorest neighborhoods. Worse, these cuts come at a time when the state and city, facing decreased revenue from an anemic economy, are slashing funding in order to balance their budgets. And this is only the beginning. Programs like Medicaid and job training for the chronically unemployed that help the most vulnerable populations, those without strong political support, are on the chopping block. The long-term impact of such cuts would be devastating for New York City and other urban areas.

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