

Cities Face Great Peril With “Fiscal Cliff”

Written by Jeffrey L. Boney

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HOUSTON TX – Houston City Comptroller Ronald C. Green predicts that cities across the U.S. could face a deep and long recession following automatic across-the-board spending cuts scheduled to go into effect in January 2013.

“Cities across the nation have experienced declines in their revenue streams during this economic downturn, as long as six consecutive years of dwindling revenues for some cities,” says Green. “Most cities have managed to balance their budgets with severe and draconian budget cutting, and there simply isn’t much left to cut without jeopardizing citizens’ quality of life and even their safety.

“It is essential that we recognize the combination of sensible spending cuts and revenue enhancement as the only way to address this challenge,” continues Green. “Cities are especially concerned about the disastrous effect that tampering with the tax exempt status of municipal bonds might have on cities.”

Cities utilize municipal bonds to finance their capital projects such as roads and highways, water projects and schools. “Muni” bonds have been so popular and successful for cities because they are exempt from federal taxes for the investor. Cities and states can pay bond investors lower interest rates than a corporation could, for example, because investors know their earnings won’t be taxed.

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In Washington DC, there has been discussion about eliminating the tax exemption on muni bonds or limiting the exemption to fewer investors as one tool to ease the growing deficit.

“The down side—and it is huge—in eliminating the tax exemption would be that fewer investors would want to invest, and that would cause the cities to further burden the taxpayers, or simply not to proceed with needed projects,” says Green. “Additionally, limiting any tax exemption could cause the market to become quite fragile, even bringing losses and withdrawals. That would be felt for years to come.”

Another area of real concern is the Federal Community Development Block Grant (CDBG) funding. CDBG funds are large sources of Federal aid to cities, going not just for housing but for job development, literacy training and community redevelopment.

“In Houston and Harris County, we could see an immediate loss of at least \$3.5 million in CDBG funds,” says Green. “That could be very destabilizing to neighborhoods.”

Cities are also understandably concerned about the provision of health care for poorer citizens. “This is an uncertain time for Medicaid,” says Green. “If the fiscal cliff threatens the enhanced Federal commitment to the states’ Medicaid, that would have a very real impact on the Houston’s and Harris County’s health clinics, where hundreds of thousands of citizens receive preventive and primary health care.”

Green also points out that across-the-board cuts would affect public safety because Federal grant-funded substance abuse programs, victims’ advocacy outreach, drug task forces and other law enforcement programs could face possible elimination in the near future.

“In regards to education, Title I schools -- those serving disadvantage students and schools in need of improvement under No Child Left Behind—would face some serious cuts,” says Green, “affecting those children most in need.”

“There’s no question that this is a worrisome time for cities, large and small,” Green summarizes. “There is so much at stake, and if Washington fails to act responsibly cities will

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have few choices. The stakes are very high for our citizens—and their children. Now is the time, I believe, for citizens to express to their Representatives and Senators their concern and their bewilderment about this budget impasse, and to urge a collaborative settlement.”

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Ronald C. Green was elected Houston City Comptroller in December 2009, after serving three terms as a Council Member At Large on Houston’s City Council where he also served as Chair of the Budget and Fiscal Affairs Committee. He was unopposed for his second term as City Comptroller which began January 2012.

Green earned both a Bachelor of Science and a Master of Business Administration from the University of Houston, as well as a law degree from Texas Southern University’s Thurgood Marshall School of Law. He is licensed to practice law in the State of Texas, the District of Columbia, the 5th Circuit Court of Appeals and the United States Supreme Court. Green is also a licensed real estate broker.

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