City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 21, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 7 INFORMATION ON PROPOSED FEDERAL BUDGET REDUCTIONS AFFECTING THE CITY OF ALEXANDRIA

On Friday, March 4, 2005, at 8:15 a.m., Council held its annual work session with Congressman James P. Moran to discuss federal issues of concern to the City. This budget memorandum retransmits for wider distribution the material given to City Council and Congressman Moran at that meeting that describes a list of City-related programs that could be affected by the President's proposed FY 2006 budget.

The federal budget cutbacks proposed by the President in state and local grant programs and entitlement programs for individuals may have significant negative effects on Alexandria. The most significant negative effects are focused mainly in the social services and public safety areas. (This analysis does not cover likely impacts on the Alexandria City Public Schools.) An attachment provides additional details, but a summary outline of these effects follows:

SUMMARY

Social Services

- **Community Development Block Grants** – The President's proposed budget for federal FY 2006 would eliminate the CDBG program, along with 17 other community and economic development programs, and create a replacement program in the U.S. Department of Commerce called the Strengthening America's Communities Initiative. The total proposed funding for this initiative ($3.7 billion) represents a net reduction of over 33 percent compared to the total federal FY 2005 funding for the 18 eliminated programs ($5.6 billion). The consequences of this change could be very detrimental to the City.

- **Medicaid** – There is a $60 billion anticipated Medicaid savings. These Medicaid cuts will seriously threaten access to stable, high quality and adequate health care and long-term services for people with disabilities.

- **Housing** – Section 811 and Section 8 housing assistance for the disabled and poor would be reduced.

- **Seniors** – The Older Americans Act for FY 06 remains as for FY 05. The impact on the City will mean that our funding will be flat, in spite of the fact that, with the growing number of seniors, there may be more people who need services.

- **Mental Health** – The City expects reductions in mental health block grants for services to adults and children, but it is not possible to estimate the magnitude at this time.

- **Children** – There are no additional funds for increases in Head Start program salaries or other administrative costs. The City receives federal Child Care and Development Fund (CCDF) and the President's budget does not include any increase in CCDF funding for 2006. Caps on Title IV-E Foster Care and Adoption Spending are being considered Also, grants to the States for the Safe and Drug-Free Schools program will be eliminated. These monies fund the Alexandria City Public Schools full-time coordinator, who facilitates and organizes school-based substance abuse and violence prevention programs. Funding for the Even Start program, which the ACPS was interested in applying for has been eliminated from the budget. Even Start programs integrate early education, adult education and parenting education into family literacy programs.

- **Food Stamps** – The president's proposal to tighten Food Stamp eligibility requirements for TANF families would make 200,000 to 300,000 low-income people in the U.S. - primarily low-wage working families with children – ineligible for Food Stamps.

- **Substance Abuse** – Funding for the Center for Substance Abuse Prevention will be decreased, from which Alexandria has received occasional assistance.

Public Safety

- **Homeland Security** – The proposed budget recommends a reduction in the state administered pass-through formula grant program called "State Homeland Security Grants Program (SHSGP)." This year the City received $424,717 within this program to purchase equipment for City agencies involved in the response to terrorism.

- **Emergency Management** – The proposed federal budget recommends a reduction in funding for a state administered pass-through formula grant program for Emergency Management Assistance. We currently budget $29,000 per year from this grant.

- **Fire Suppression** – The Assistance to Firefighters Grant program (AFG) is proposed to be cut significantly. This cut will make it more difficult for the City to obtain grants from this program.

- **Response to Use of Weapons of Mass Destruction** – In the proposed budget, the Metropolitan Medical Response System (MMRS) funding has been cut completely. This program serves as an effective regional response program to biological, radiological and chemical attack scenarios. Although Alexandria is not now a recipient, this program should be expanded so existing MMRS programs can sustain their efforts and new cities, such as Alexandria, can be brought into the program.

Other Programs Affected

- **Save America's Treasures** – Funding for this program has been cut in half. This program has been an extremely important source of funding in particular for the preservation and successful operation of Alexandria's museums.

- **Virginia Outdoor Fund** – The President's proposed budget request the termination of the Land and Water Conservation Fund State Assistance Program, known in the Commonwealth as the Virginia Outdoor Fund (VOF). In past years, the City has utilized this Fund to support projects in Founders, Oronoco Bay and other parks.

- **Victims of Crime Fund** – The President's proposed budget request would rescind (take back) reserve monies remaining in this "VOCA" fund ($1.26 billion). The Alexandria Office on Women receives funding from VOCA for its Domestic Violence program and its Sexual Assault Response and Awareness (SARA) program.

Attachment: Detailed Information on Possible Effects on Alexandria of Federal Budget Reductions Proposed in the President's Fiscal Year 2006 Budget

Detailed Information on Possible Effects on Alexandria of Federal Budget Reductions Proposed in the President's Fiscal Year 2006 Budget

Community Development Block Grant Program

1. The President's proposed budget for federal FY 2006 would eliminate the CDBG program, along with 17 other community and economic development programs, and create a replacement program in the U.S. Department of Commerce called the Strengthening America's Communities Initiative. The total proposed funding for this initiative ($3.7 billion) represents a net reduction of over 33 percent compared to the total federal FY 2005 funding for the 18 eliminated programs ($5.6 billion). The consequences of this change could be very detrimental to the City.

2. The City has received CDBG funding for 30 years, and the program has been highly successful in Alexandria. The City's accomplishments with this funding include, but are not limited to:

   - assisted 243 low- and moderate-income households to become homeowners;
   - rehabilitated 265 homes for low- and moderate-income owner-occupants;
   - brought about the elimination of blighting conditions at 380 properties;
   - funded the acquisition and/or rehabilitation of 9 group homes and 16 supervised apartments for clients of the Department of Mental Health, Mental Retardation and Substance Abuse, purchased the land for the construction of the City's Substance Abuse Services Center;
   - supported the development of the former Alexandria Residential Care Home for seniors and for the Battered Women's Shelter, and later funded renovations at both properties;
   - supported the rehabilitation of community facilities such as Hopkins House and the Boys and Girls Club;
   - provided rehabilitation assistance to 548 public housing and Section 8 units owned by the Alexandria Redevelopment and Housing Authority;
   - provided grants to make accessibility improvements in 7 apartments occupied by disabled low- and moderate-income tenants;
   - supported the Winter Shelter, which provides emergency shelter during the winter months;
   - conducted a fair housing testing program to test for discrimination in the rental and sales housing markets;
   - funded improvements to properties owned or occupied by 25 businesses in the Mt. Vernon Avenue corridor; and
   - supported a microenterprise loan program for small businesses, resulting in 56 loans to Alexandria businesses.

- While it is not yet clear whether the City would receive funding under the new Strengthening America's Communities (SAC) initiative, or whether the City's current CDBG activities would be eligible under the SAC initiative, the impact of a complete loss of this funding would be severe. The City would stand to lose approximately $1.4 million in annual funding. Our two largest CDBG activities, the Homeownership Assistance Program (HAP) and Home Rehabilitation Loan Program (HRLP), would be severely curtailed, although they could continue at reduced funding levels under the federal Home Investment Partnerships (HOME) Program. However, fully funding these activities under HOME would have to be at the expense of HOME funding for housing development activities, as would any HOME funding for the much smaller Rental Accessibility Modification Program. Other activities such as Fair Housing Testing, Winter Shelter, Transitional Assistance, Eviction Storage, and occasional renovations of public housing, are not eligible under the HOME program and would require an alternative funding source in order to continue.

- The Community Services Block Grant CSBG program is a separate program that is one of the 17 programs proposed for elimination and transfer to the Commerce Department along with CDBG. It enjoys historic bipartisan support in Congress and the conference committee restored the proposed administration cut in FY 2005. Similar efforts are underway for FY 06. The Virginia Community Action Partnership, consisting of 26 organizations around the state, is undertaking a cooperative effort to get Virginia's congressional delegation behind restoring CSBG funding to it's existing level and status. The organization has asked Governor Warner to seek the support of the National Governor's Conference he chairs. The association is also working with the national lobbying organization, the National Community Action Foundation, toward restoration. DHS staff to the Economic Opportunities Commission has brought the issue to the membership and asked for support to develop a local lobbying effort with Virginia's delegation. A separate resolution is being proposed for City Council to consider joining in this effort.

Other Affected Social Service Programs

- The Center on Budget and Policy Priorities analysis of unpublished administration budget documents indicates that cuts in domestic programs will reach $66 billion (16%) in 2010, including an 11% cut in income security programs, which include housing assistance, child care and WIC.

- There is a $60 billion anticipated Medicaid savings.[1] In Alexandria, 6,209 individuals (non-TANF) are receiving Medicaid and the number has increased each of the last three

[1] $15 billion would be used to expand respite care demonstration programs for care givers.

years. This fiscal year the federal share of Medicaid expenditures is 50 percent, or about $500,000 in FY 2005 just for Alexandria Community Service Board State Plan Option Medicaid. These Medicaid cuts will seriously threaten access to stable, high quality and adequate health care and long-term services for people with disabilities. A cut of this size would also likely lead to capped financing for Medicaid (i.e., a block grant). Medicaid is the largest single provider of funds for mental health services. Over a third of hospital births are covered by Medicaid, the nation's largest health insurance program for children. Twenty five million children get their health coverage through Medicaid. The budget plan would change the rules governing the federal contributions to Medicaid that would result in a $69 billion cut in federal Medicaid dollars to states over the next ten years. Reductions in Medicaid not only impacts low income City residents, but they also will negatively impact the revenues of health providers such as INOVA Alexandria Hospital.

- The Section 811 housing program, which gives grants to non-profits to establish new housing units for people with disabilities who need support to live successfully within the community, will be cut in half. Also, Section 8 housing programs will be cut to some degree. These provide housing to low income people and people living in 1722 housing units in Alexandria are supported by section 8 vouchers.

- Alexandria's Office of Aging and Adult Services receives its share of Older American Act funds for programs and services, funneled through the Virginia Department of Aging, based upon a population formula. The Older Americans Act for FY 06 remains as for FY 05. The impact on the City will mean that our funding will be flat, in spite of the fact that, with the growing number of seniors, there may be more people who need services. Section 202, housing for the elderly, remains at its current $741 million level. This has negative implications for low-income seniors who need housing.

- The City expects reductions in mental health block grants for services to adults and children, but it is not possible to estimate the magnitude at this time.

- For the past 37 years, the City of Alexandria has been the Head Start grantee. Alexandria's Office for Early Childhood Development (OECD) has delegated the day-to-day operation of the program to The Campagna Center. The City currently also provides some funding to supplement Federal funds for this purpose. The President's budget request includes a $45 million increase over FY 2005 that is intended to fund nine state pilot projects to coordinate state preschool programs, federal child care grants and Head Start into a system of early childhood programs. There are no additional funds for increases in salaries or other administrative costs, despite the fact that the educational requirements for Head Start teaching staff have increased significantly over the past four years. Unless additional federal funds or private funds are available, the City's alternatives would be to fund the salary increase with local dollars or decrease the number of children served.

- Also, the City receives federal Child Care and Development Fund (CCDF) dollars through the Virginia Department of Social Services (VaDSS). The President's budget does not include any increase in CCDF funding for 2006. Family child care provider and child care center rates in Northern Virginia have lagged far behind the actual market rate (the 75th percentile of rates for specific types of care in each locality) and even further behind the actual cost of care. In September, 2004, VaDSS raised the rates for infants, toddlers and preschoolers to the level of a survey taken in 2002 because they did not have sufficient funds to raise rates across the board. With no increase included in the federal budget for CCDF funding in 2006, there will be no funds available to meet the increased costs of child care. As the differences between the cost of care in child care programs and the reimbursement rates established by VaDSS increase, center directors may have to limit the number of CCDF children they accept, thus limiting families' access to quality child care.

- Caps on Title IV-E Foster Care and Adoption Spending are being considered as a part of the annual budget resolution serves as a blueprint that sets limits on total federal spending. To meet the reduced federal spending targets outlined in the President's budget proposal, Congress is expected to use this budget resolution process to issue budget reconciliation directions to various congressional committees to cut entitlement programs. As a possible source for these savings, in addition to cuts in other critical programs such as Medicaid, nutrition, and housing. A proposal to cap Title IV-E was included in the President's FY 2006 budget proposal.[2]

- Also, grants to the States for the Safe and Drug-Free Schools program will be eliminated. These monies fund the Alexandria City Public Schools full-time coordinator, who facilitates and organizes school-based prevention programs directed primarily at substance abuse prevention, but also violence prevention.

- Funding for the Even Start program, which the ACPS was interested in applying for has been eliminated from the budget. Even Start programs integrate early education, adult education and parenting education into family literacy programs. The administration feels that programs such as Early Reading First, which is included in the budget at $104.2 million, is "better able to achieve their literacy goals".

- The 2006 budget calls for $40.7 billion for the Food Stamp program that helps low-wage families stretch their food budgets, a $5.5 billion increase over 2005. However,

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[2] *Title IV-E Foster Care and Adoption assistance is currently an entitlement program, which means that it is available to anyone who meets the program's strict eligibility criteria. The federal government reimburses each state for a percentage of the overall cost of the program. A cap or block grant of Title IV-E funding would reduce the federal government's commitment to share the costs of the caring for these abused and neglected children. The amount of money a state would receive from the federal government would be fixed, regardless of a state's expenses.*

according to the Center on Budget and Policy Priorities, the president's proposal to tighten food stamp eligibility requirements for TANF families would make 200,000 to 300,000 low-income people - primarily low-wage working families with children – ineligible for food stamps. In Alexandria, 1664 families and individuals are receiving food stamps. This number has also been steadily rising and the benefits are much needed.

- Funding for the Center for Substance Abuse Prevention will be decreased, a program from which Alexandria gets occasional one-time grants that provide funds for materials and science-based prevention programs.

Other Social Service Programs that are Level Funded

- Programs such as 21st Century Community Learning Centers, Early Childhood Educator Professional Development Grants and Preschool Special Education Grants are all level funded. DHS plans to collaborate with several organizations in the submission of proposals for Professional Development Grants. ACPS has several 21st Century Community Learning Centers located in public schools.

- Alexandria Office of Community Services also been receiving federal pass thru funding from the Justice Department by way of the state Department of Public Safety for the past two years. The funding supports the Virginia CARES ex-offender transition program. The federal dollars replaced state reductions. We anticipate no change in the status based on the administration 2006 budget proposal. FY 2005 funding is $44,000.

- DHS/OCS has received federal operating support for the Alexandria Community Shelter for 15 years. The Emergency Shelter Grant funding is passed through the Virginia Department of Housing and Community Development. No change is anticipated based on the administration budget proposal for FY 2006. FY 2005 funding is $38,235. Several non-profits receive funding from the same source.

Public Safety

- The Office of Domestic Preparedness runs a program, called the "State Homeland Security Grants Program (SHSGP)." Since 1999, the City has received federal pass-through money from the state. These funds are given to the states in a lump sum, and Virginia uses a base rate and a residential per-capita formula to distribute the money. This year the City received $424,717 within this program to purchase equipment for all City agencies involved in the response to terrorism. The proposed budget recommends a reduction in this program.

- For a number of years, the City has received pass-through grant from the federal government through the Virginia Department of Emergency Management for "Emergency Management Assistance." We currently budget $29,000 per year. Last year

we were notified that this would increase to $32,000 for this year. The proposed federal budget recommends a reduction in funding for this program. Since this is a pass-through grant, the state determines the formula for distribution among jurisdictions within Virginia. If this program is cut it will adversely affect our budget, as well as, negatively impact the state's budget.

- The Assistance to Firefighters Grant program (AFG) is proposed to be cut significantly. This is a competitive program geared at equipping the neediest Fire Departments in the country. In the past, through a competitive process, the City has received money for firefighter equipment and Burn Building repairs. This cut will make it more difficult for the City to obtain grants from this program.

- In the proposed budget, the Metropolitan Medical Response System (MMRS) funding has been cut completely. This program dates back to the late 1990s and serves as an effective regional response program to biological, radiological and chemical attack scenarios. Arlington County has been funded under this program for three years and has proposed to serve as the coordinator for the larger area consisting of the City of Alexandria, Fairfax County, Prince William County, and Loudoun County. Hampton Roads has received very generous funding in this program area, and if we could obtain similar levels of funding, it would help tremendously in coordinating our weapons of mass destruction response efforts. Although Alexandria is not now a recipient, this program should be expanded so existing MMRS programs can sustain their efforts and new cities, such as Alexandria, can be brought into the program.

Other Public Safety Programs

- For the past three federal budget years, the City has received grant funding to administer the CERT and Citizens Corps programs. These funds originated from the federal government to the states. Virginia distributed the grants based on a competitive application process. Although the federal budget actually increases this program by $35 million, the state has informed us that these funds would decrease next year; however, nationally. If we do not receive these funds, we anticipate a budget need of $25,000 for this program.

- The proposed budget also changes the formula for the "Hazard Mitigation Grant Program." The cuts amount to a 7.5 percent decrease in funding for states with advanced mitigation plans. The cuts should not impact the City unless we apply for mitigation funds through the state.

- The Law Enforcement Block Grant for Part 1 crimes enforcement grant has apparently has been replaced by the JAG program, and our allocation is $72,000, an increase of about $43,000 for the next funding period.

- The Bush Admin has largely shifted the emphasis from Cops on the Street to Homeland Security. Therefore, COPS grants are being replaced with HS grants. Funding is still available but it is restricted, as it was in the past, for certain purposes. Overall we have had an increase in grants the last 3 years compared to previous years. However, we are faced with the dilemma of funding certain overtime and specialized programs when the grants end. This is not a new concern. At this time we have $50,000 approx. at risk due to end of the Overtime grant.

    - COPS Homeland Security Overtime - ($122,000) this grant has not yet been renewed. These funds are needed, or if not renewed, it may be necessary to reduce police presence for special security and surveillance at large public gatherings.

    - COPS Universal 9 Officers, Anti-Terrorism ($675,000) over 3 years. The City will have to absorb these positions in year 4, and they are already in our staffing totals. The fiscal impact has been planned.

    - COPS in Schools (3rd year of federal grant). The future of this program is uncertain but the City must absorb the position for in the fourth year, and because the City has officers in each public middle and high school, this should not harm the City operationally.

Historic Preservation

- Save America's Treasures funding has been cut in half. This program has been an extremely important source of funding in particular for the preservation and successful operation of Alexandria's museums. Our interests are in funding at the moment are funding for Freedmen's Cemetery and Gadsby's museum.

Recreation and Parks

- The President's proposed budget request the termination of the Land and Water Conservation Fund State Assistance Program, known in the Commonwealth as the Virginia Outdoor Fund (VOF). For nearly four decades, this fund has been the single most important source of federal funds for investment in public recreation resources and public land for conservation and recreation, especially at the state and local level. In past years, the City has utilized this Fund to support projects in Founders, Oronoco Bay and other parks. Cost associated with several forthcoming development/capital projects would be eligible for VOF consideration. Therefore, the elimination of this Fund would be a serious loss to the State of Virginia, and local communities.

Other Recreation and Parks Programs

- The President's proposed budget recommends an increase for USDA's National School Lunch and Breakfast and Child and Adult Care Food Programs.

  - *Summer Food Program for Children*: As an extension of USDA's National School Lunch and Breakfast Program, the Summer Food Program has, for the past twenty five years, enabled Alexandria to serve free lunches to an average of 1,800 children enrolled in 26 summer programs sponsored by the department and other community based programs. This is a reimbursement program, and this past summer, RPCA received $108,721 for the meals served. RPCA anticipates submitting grant applications requesting approval for continued participation in the FY 2006 Summer Food program, and the projected funding request will be $112,000.

  - *After School Snack Program for At-Risk Children*: This program is an extension of USDA's Child and Adult Care Food Program. RPCA was approved for participation in said program during the second half of the last school year. The mid-school admissions allowed the RPCA to distribute free snacks to 1,100 youth attending 13 of the department's after school programs. This is also a reimbursement program, and last school year, the department received $35,000 for the snacks served. RPCA continues to participate in the program, and snacks are currently being served to the 1,300 youth attending all (16) of the RPCA sponsored after school programs. The projected reimbursement for the 2005 program is $174,000.

Human Rights

- The Office of Human Rights has an agreement with the EEOC to serve as a Fair Employment Practices Agency (FEPA), and the City receives grant funds based on 3-year performance contracts (usually about $25,000). The only potentially negative impact on anticipated funding from the EEOC may result from recommendations in the State and Local Reengineering Group's final report, which state and local program directors expect to receive soon, before it goes to the Chair of the EEOC. Also, some state and local enforcement funding is being diverted this year for mediation contracts, but there could be a positive impact beginning in FY 06 if more funds are available to FEPAs for mediation.