New England Region Braces for Federal Cuts

BOB SALSBERG - Associated Press - Associated Press

With the nation hurtling toward yet another key fiscal deadline, defense contractors, research hospitals and social services providers are among those in the New England region sounding the alarm over looming federal spending cuts.

Known in official governmental parlance as the "sequester," the automatic reductions would be triggered on March 1 absent a deal involving Congress and the White House. With Republicans and Democrats seemingly as entrenched as ever in their respective positions, hopes for a comprehensive budget agreement are fading.

The sequester would trigger $85 billion in spending reductions over the final seven months of the federal fiscal year, split equally between defense and non-defense programs. Exemptions would include Social Security, Medicaid and Food Stamps, with Medicare absorbing a smaller percentage cut — 2 percent compared to 8 percent for the Pentagon.

The cuts would total nearly $1 trillion over the next decade.

"It's a blunt, meat-ax approach that cuts a percentage across the board," said Michael Collins, chancellor of the University of Massachusetts Medical School, of the sequester. His institution is one of many in New England facing a loss of millions of dollars in medical research grants from the National Institutes of Health (NIH).

The prospective defense cuts pose another major concern for the region. While states with larger military bases and defense installations may suffer more direct and immediate consequences from sequestration, New England is a hotbed for defense-related manufacturing and research by numerous private companies.

James Brett, president and chief executive of The New England Council, estimated that defense supports about 320,000 jobs in the region. A $300 million loss in funding, as one analysis suggests, would cost 3,300 jobs in just the first year of the sequester.

"That would be devastating for our region," said Brett, whose organization describes itself as a nonpartisan alliance of businesses, academic and medical institutions that promotes economic growth in New England.

Several large military contractors, including Waltham, Mass.-based defense giant Raytheon Co., have already sliced revenue forecasts in anticipation of Pentagon spending reductions. But experts say the trickle-down effect could take an even more severe toll on smaller suppliers and research facilities.

"In New England ... defense contracting fuels innovation and education," said Joseph Donovan, a lobbyist who represents nearly a dozen New England companies or

academic institutions that benefit directly or indirectly from defense or homeland security contracts.

While some entitlement programs are shielded from the automatic cuts, many other social services programs are not.

Federally-funded programs in Massachusetts that could take hits include heating assistance for low-income residents, for which the state is slated to receive $132.7 million in the current fiscal year, the supplemental nutrition program for Women, Infants and Children ($50 million) and Community Development Block Grants ($27.7 million), according to Gov. Deval Patrick's administration.

The advocacy group Mass Alliance of HUD Tenants said more than 18,000 tenants could be dropped from federal rent subsidies.

Also subject to sequestration: The $50.5 billion Superstorm Sandy relief package recently approved by Congress.

"Nobody wins from sequestration, said Massachusetts Secretary of Administration and Finance Glen Shor. "We are still hopeful that common sense will prevail."

Though predictions of Draconian cuts abound, much uncertainly still surrounds how the sequester would actually roll out. While the spending reductions would be distributed among federal agencies on a more or less equal basis, "it has yet to be determined at what level of specificity the cuts are taking place," said Shai Akabas, senior policy analyst for the Washington-based Bipartisan Policy Center.

It remains to be seen, Akabas said, just how much discretion will be given to agencies in parceling out the cuts — on an individual basis, therefore, some programs could suffer more than others.

Of particular concern to many in the region are the NIH grants that fund medical research.

Massachusetts receives about $2.4 billion a year in NIH funding, more than any other state on a per capita basis, according to John Erwin, executive director of the Conference of Boston Teaching Hospitals. The nation's top five grant receiving institutions are all in Boston — Massachusetts General Hospital, Brigham and Women's Hospital, Dana-Farber Cancer Institute, Beth Israel Deaconess Medical Center and Children's Hospital.

An 8 percent cut in NIH funding would not only slow cutting-edge research into deadly and debilitating diseases, it would also likely cost an estimated 2,600 jobs in Massachusetts, said Erwin, who also worries that America could lose bright young talent to nations that are investing heavily in medical research.

"We risk losing a generation of scientists," he said.

Even a budget solution short of sequester is likely to involve some degree of

spending cuts as a divided Congress grapples with a growing deficit and federal debt. Brett of The New England Council said it would not surprise him if lawmakers chose a short-term approach often described as "kicking the can down the road" — delaying the sequester for several more months but only exacerbating the long-term issues.

"Unfortunately the can is going to become a barrel," Brett warned.

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