

Update from the Senate Working Group on the Federal Shutdown

February 2019

Agenda

- Working group charge and members
 - Background on the federal budgeting process and federal workforce in Massachusetts
 - Impacts of the shutdown on federal workers, contractors, and recipients of federal funding and programs
 - Actions that state government could take to mitigate the impacts of federal government shutdowns
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Working Group Charge and Members

- Working Group was charged with
 - Assessing the impacts of the federal shutdown
 - Developing recommendations to mitigate impacts on Massachusetts residents
 - Members
 - Lewis (Chair)
 - Brady
 - Comerford
 - DeMacedo
 - Humason
 - Jehlen
 - Moore
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Overview of Federal Budgeting Process

- October 1 Fiscal Year
 - 2 Broad Categories of Spending
 - Mandatory – Social Security, Medicare, Medicaid and a few others
 - Not part of the annual appropriations process; spending is set by the program rules
 - Discretionary – everything else: military, education, transportation, housing assistance, science, and much more
 - 12 separate appropriation bills each year; often consolidated into omnibus bills
 - If appropriation bill not passed on time, Congress passes temporary “Continuing Resolution” allowing agencies to spend at previous year’s level
 - Several appropriation bills have not yet been passed for this year; including Agriculture; Commerce, Justice, Science; Financial Services; Interior; State-Foreign Operations; Transportation-HUD
 - Continuing Resolution expires Feb. 15
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Shutdown Status

- The federal government shutdown began at midnight on December 22, 2018 and continued through to January 25, 2019
 - At 35 days, it was the longest shutdown on record, and the second shutdown of the Trump presidency
 - The current appropriations agreement continues through February 15, at which time another shutdown will occur unless the Trump administration and Congress agree on funding measures
 - The latest indications (2/12/19) are that congressional negotiators have reached a tentative agreement to avert another shutdown
 - Will need vote in House and Senate and signature from the President by Friday
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Federal Workforce in Massachusetts

- 46,100 federal workers in Massachusetts
 - 1 in 3 are Post Office employees
 - Remainder work for a variety of federal agencies
 - 114 unique addresses in General Services Administration real estate inventory for federal buildings (leased or owned) in Massachusetts, and 340 addresses in all (multiple agencies at one site)
 - Agencies include the SSA; Courts, including District, Immigration, and Bankruptcy; IRS; Homeland Security (Coast Guard, ICE and CBP); DOJ; EPA; DOE; Air Force and Army; USDA (animal and plant health inspections, rural development); Labor Department; Peace Corps; Department of State (including Passports); GSA; and many others
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Federal Workers Impacted by the Shutdown

- EOLWD believes an estimated 9,675 federal workers in MA were furloughed or working without pay at the height of the shutdown
 - Including 1,000 IRS employees in Andover
 - Many Coast Guard members
 - A wide variety of salary classifications impacted
 - 1,800 federal workers filed claims for unemployment insurance
 - Approx 800 received benefits (which they will have to re-pay once they receive back pay)
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Impact of the Shutdown on Unpaid Federal Workers

- Challenges with daily financial needs, including:
 - Food – increase in usage of food banks (and resulting strain on food banks)
 - Housing – challenges paying rent, mortgages, property taxes
 - Healthcare – may have to delay treatment, challenges affording medications, etc.
 - Childcare
 - Student loan payments
 - Challenges accessing unemployment insurance
 - Work search requirement
 - Ineligible if working (even without pay)
 - Interruptions in alimony and child support payments
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Impact of the Shutdown on Federal Contractors

- Estimates range from half a million to millions of federal contractors impacted across the country; unclear the total number in Massachusetts
 - Some were still paid during the shutdown
 - Many work for agencies that were still operating during the shutdown
 - Others work for third-parties who continued to pay them during the shutdown
 - Some were unpaid or at risk of losing pay or in gray areas
 - Some third-parties used sick and vacation leave mechanisms to keep paying staff, and are now seeking reimbursement
 - Some work for a variety of agencies and received disparate treatment from them (i.e. contractors providing janitorial services at federal government buildings) or may receive disparate treatment moving forward (some agencies may reimburse for lost time, others may not)
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Impact of the Shutdown on Recipients of Federal Funding and Programs: Health and Human Services

- MassHealth funded through end of federal fiscal year so not impacted
 - Cash assistance programs were not impacted in this shutdown
 - TANF (50,000 households) funded through 6/30
 - WIC (109,000 recipients) funded through 3/31
 - State would have experienced cash flow challenges if shutdown continued long enough
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Impact of the Shutdown on Recipients of Federal Funding and Programs: Health and Human Services (continued)

- SNAP was impacted by the shutdown - DTA provided February benefits earlier than usual in mid-January
 - SNAP serves 770,000 residents (1 in 9) - \$124 average benefit per person per month (\$216/household)
 - Because of anxiety/confusion/unrelated EBT outages, many recipients used these February benefits early to avoid losing them (redemptions were up significantly in late January)
 - DTA estimates “final shop” will occur by February 20, 4+ days earlier than normal
 - Now these families face a shortfall in food resources for the rest of February
 - This is exacerbated by the annual problem of school meals being unavailable during school vacation week
 - DTA plans to release March benefits earlier than usual (March 1-4)
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Response to Developing Urgent Food Needs

- Mass Emergency Food Assistance Program (MEFAP) serves 968 emergency food providers, supplied by 4 regional food banks
 - FY 19 budget is \$18.3 million, to provide around 22 million meals. Around 7.5% used to distribute Mass-grown produce
 - Food banks fear substantial funding shortages and depleted emergency reserves due to significantly increased demand over next few weeks.
 - Reports of calls increasing over past few days of clients without any food resources.
 - Suggested action:
 - Supplemental appropriation of \$2 million for MEFAP
 - Funds to be held in reserve and released only upon showing of substantial need through end of fiscal year
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Impact of the Shutdown on Recipients of Federal Funding and Programs: Housing

- Section 8 and other housing funding lapsed during the shutdown, including \$83K/month for emergency continuum of care units
 - Had the shutdown continued, this would have greatly strained resources of landlords, but not tenants – risk of eviction is low
 - Tenants can only be evicted for failure to pay their share of rent, not the federal subsidy
 - 63,500 residents served (\$945/month)
 - Had shutdown continued, state housing programs may have begun to exhaust reserves
 - 22,000 residents served by state vouchers (\$999/month)
 - 51,000 residents served by Rental Assistance through MassHousing (\$1,314/month)
 - LIHEAP funding was not impacted
 - Post-shutdown, Section 8 funding available for vouchers through May
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Impact of the Shutdown on Recipients of Federal Funding and Programs: Small Businesses

- Delays in processing loans and government approvals
 - FHA-insured loan products administered by HUD
 - Economic injury disaster loans (e.g. Merrimack Valley gas explosions)
 - Small Business Administration loan approvals (SBA also processes FEMA emergency loans)
 - A few dozen EBT vendors were stuck with lapsed approvals, and could not accept EBT
 - Brewers unable to get approvals for new beer products
 - And many other impacts
 - E-verify systems were shut down (for employers looking to verify immigration status of a prospective employee)
 - Some business functions continue to be slowed/delayed post-shutdown
 - Some farms and other seasonal businesses may experience staffing difficulties due to delays in issuing seasonal worker visas
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Other Impacts of the Shutdown on Recipients of Federal Funding and Programs

- Interruption in services/funding for Native American tribes
 - SEC filings delayed or put on hold
 - Delays in issuing federally backed mortgages, flood insurance policies, etc.
 - Immigration courts closed, further exacerbating backlog of cases
 - Potential delays in issuing tax refunds
 - Education and burial benefits suspended for veterans
 - Coast Guard retirees unable to access retirement benefits
 - Farm service centers operating at reduced capacity, impacting technical assistance, loans, inspections, crop insurance, etc.
 - Likely many other impacts
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Other Shutdown Impacts on Massachusetts

- CBO projects \$3 billion in lost economic activity for the nation
 - Delayed permitting, licensing and project approvals, including challenges with applications requiring federal documentation and support (e.g. certain RMV licenses)
 - Reduced tourism at federal parks and facilities (and ancillary impacts)
 - Potential public safety and health risks
 - Reduced staffing for aviation inspections
 - Reduced staffing for food inspections and animal disease traceability
 - Reduced staffing for air marshals and other federal transportation staff (anecdotal evidence from furloughed workers)
 - Likely many other impacts
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Actions State Government Could Take to Mitigate the Impacts of Federal Government Shutdowns

- Extend unemployment insurance to all unpaid federal workers, whether they are working or not during the shutdown, and waive job search requirement
 - Provide or facilitate zero or low interest loans to impacted workers and possibly others, including municipalities
 - Encourage private banks and credit unions to make these loans
 - Tap one of our quasi-public agencies that has experience with loan processing (e.g. MEFA)
 - Provide state funding to offset lost federal funding for certain programs, and seek reimbursement from the federal government
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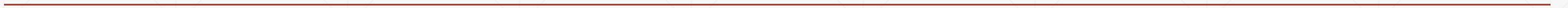
Actions State Government Could Take to Mitigate the Impacts of Federal Government Shutdowns (continued)

- Address food insecurity challenges
 - For example, investigate possibility of expanding DESE's summer nutrition program to cover school vacation weeks (i.e. backpacks full of food before break)
 - Extend utility shut-off prohibition for heat beyond March 15
 - Develop a two-way portal on Mass.gov to share information on resources available during the shutdown and hear from residents about challenges they are facing
 - Designate a cross-agency working group to coordinate the shutdown response
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Actions Taken by Other States

- Unemployment insurance extended to federal workers who were still working but not being paid (California, Vermont, others)
 - Unemployment insurance extended to federal workers irrespective of “work search” requirement (New Mexico, others)
 - North Dakota (only state with a state bank) discussed emergency authorization of zero interest loans for federal workers
 - Like Massachusetts, many states issued February SNAP benefits early
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Backup Slides



Useful Sources – Federal Government

- Congress.gov
 - Information on status of appropriation bills
 - Federal Reserve Bank of St. Louis
 - Federal workforce figures
 - General Services Administration
 - Federal government real estate inventory
 - USA.Gov
 - List of federal government agencies
 - Department of Labor
 - January 18 guidance memo from Gay Gilbert to state UI programs
 - United States DOT
 - Shutdown planning document – December 2018
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Useful Sources – Other

- Federal Funds Information for States (FFIS.org)
 - The *Washington Post* published a number of stories on the federal government shutdown, as did newspapers around the country on issues specific to their region.
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