

IMPACT OF FEDERAL BUDGET SHUTDOWN ON VERMONT 1/2019

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****Please note that this list is fluid and will be updated as more information becomes available.***

The current Federal budget shutdown began at midnight EST on Saturday, December 22nd.

The annual Federal budget covers three spending areas:

1. Federal agency funding, called discretionary spending—the area Congress appropriates annually. Discretionary spending typically accounts for around a third of all funding.
2. Interest on the debt, which usually uses less than 10 percent of all funding.
3. Funding for Social Security, Medicare, veteran's benefits, and other spending required by law. This is called mandatory spending and typically uses over half of all funding.

Most of the federal budget passed in prior months and is, therefore, unaffected by the current budget shutdown. The shutdown is classified as a partial shutdown because some of the federal government is still funded. The Department of Defense is funded for two years from the 2018 Omnibus bill. Other parts of the government such as Social Security, Medicare, and Medicaid are funded as they are Mandatory spending. There are, however, some very important areas of the Federal budget that have not passed. Below is a summary of some of the funding that has stopped or will stop shortly.

Included in the list of impacts to the State of Vermont resulting from the shutdown are the following:

GENERAL GOVERNMENT

- **Libraries:** If the shutdown was to continue through the end of February the State Library would be impacted by between \$100,000 and \$150,000.

AGENCY OF HUMAN SERVICES

- **Funding for Supplemental Nutrition SNAP benefits, including Cash-Out for the Elderly.** We have learned in the last day or two that the federal government is working with states to provide funding through February 2019 (per AHS.)

- **Funding for USDA Child Nutrition Program (school breakfast/lunch and child care food programs).** According to the Department of Finance and Management, the USDA has issued guidance indicating that operations in this program will continue through March.
- **Funding for Women Infants and Children (WIC) benefits.** We have learned in the last day or two that the federal government is working with states to provide funding through February 2019 (per AHS.)
- Other programs that are affected by the federal shutdown include **TANF and Child Care Development Fund (CCDF.)** The Continuing Resolution (CR) that supported these programs was effective through December 22, 2018. Vermont has enough state spending authority to spend state match/MOE to continue to pay benefits and Administration through March of 2019. Vermont would not be able to draw the federal share of these program costs until a federal budget is passed (per AHS).

In the CCDF program the federal government pays Vermont \$1.6 million a quarter for an annual amount of \$6.5 million.

In the TANF program Vermont receives \$11.5 million a quarter from the federal government.

- **The Dept of Corrections program that provides correctional beds to US Marshalls** are received by DOC and deposited into the GF. These average \$200k per month and will not be paid during the shutdown.

PROTECTION

- **Attorney General:** The federal Internet Crimes Against Children forensics funds are impacted by the shutdown. Drawdowns will not be allowed after January 18 and the amount at risk is \$8,000 to the end of February.
- **Judiciary:** Programs affected by the federal shutdown include the Judiciary's Court Improvement Program and the DUI/Drug Courts that are supported by Federal Funds. All reimbursement for activities through December 31, 2018 have been received. If federal funds are not received in January and February, the amount at risk is \$250,000. In the short term the Judiciary will re-allocate some GF. If the delayed funding is not paid, resulting in a real reduction in federal funding, the Judiciary will cut grant funded services and lay off grant-funded Personnel to the extent necessary to manage the cut.

- **Agriculture:** The Federal Shutdown's impact on Agriculture is as follows:

At the Vermont Agency of Agriculture, Food and Markets, all meat inspection staff are working and providing meat inspection. No federal programs are impacted at this time and believe that cash flow would not be an issue until April and May.

Federal Market Facilitation Program Payment to Farmers that have been economically impacted by Retaliatory Tariffs was due in December. There were two payments to farmers related to the trade issue, one in the Fall, that was sent, and the other in December. According to a Burlington Free Press article by Ryan Mercer (January 7) that quotes Leon Berthiaume, CEO of the St. Albans Cooperative Creamery, the payments amount to approximately \$3,600 for the average dairy farmer in Vermont, half of which has been received. If farmers did not sign up in the summer, they still have a chance to sign up to get all the money. The deadline was January 15 and is now pushed out until after Government shut down is resolved.

Federal Farm Service Agency: Local offices for the Farm Services Agency are closed. The Farm Services Agency receives loan payments from farmers and works with farmers to refinance loans.

USDA Natural Resource Conservation Service offices open in Vermont until the end of January due to carryforward funds. This allows for farmers to access EQIP programs and payments for cropping type programs.

Implementation of New Farm Bill delayed. National USDA office needs to write rules and procedures to implement the 2018 Farm Bill. This is delayed. The new protection program for dairy - Margin Coverage Program will be delayed in implementation. Old Program - Margin Protection Program ends with December calculation (end of January 2019 if Government not shutdown). Expect rules to be written and allowance of retroactive sign up for dairy farmers back to January 2019 but start date is unknown and will be delayed.

EDUCATION

The US Department of Education was funded and so there is federal funding through the end of September.

As mentioned above under AHS, the school nutrition programs that are run by USDA will be funded through March. The programs are reimbursement so the needs at the AOE are based on claims from

schools and other providers. There are state employees at the agency that are funded through the administrative component of these funding sources.

NATURAL RESOURCES

- **National Parks:** The Marsh-Billings-Rockefeller grounds and ungroomed trails are open but there will be no visitor services provided.

COMMERCE AND COMMUNITY DEVELOPMENT

- **Housing:**
The Agency of Commerce and Community Development has noted that the HUD HOME and Housing Trust Fund, which supports multi-family housing acquisition and construction, the HOPWA (The Housing Opportunities Program provides housing assistance and supportive services for low-income persons with HIV/AIDS and their families through local AIDS service organizations), Lead hazard Reduction funds, USDA NRCS funds for farmland conservation easements as well as funding for other grants with the Farm and Forest Viability Program (FFVP) may be impacted by the shutdown. These are reimbursement issues and once the shutdown has ended the funds will likely be received by Vermont. The State Treasurer can assist with the cash flow issue amounting to between \$2.4M and \$3.5M.

The Vermont Housing Finance Agency (VHFA) will remain open throughout the shutdown, according to their web site. Some of the federal program funding that VHFA and its partners administer may be affected if the shutdown persists. Much of HUD funding for multifamily affordable housing is disbursed through local public housing agencies which are not part of the federal government and therefore will continue to operate. If the shutdown lasts for an extended period of time these agencies will be impacted because they rely on federal funds to operate.

Housing and Urban Development (HUD): As the shutdown continues HUD will be unable to renew rental assistance contracts with housing providers. This impacts HUD's housing assistance programs for low income people. Enforcement of fair housing, issuance of new development grants and housing quality inspections may be delayed. Loans for new homebuyers could stall.

Among the advocate community the biggest two concerns around Housing Authorities is that they may not be able to make Section 8 subsidy payments to landlords on behalf of low-income tenants and

those tenants potentially becoming homeless and, secondly, owners of properties with project-based subsidies may not receive payments, or may only receive partial payments, if the shutdown extends into February.

The USDA Rural Development 502 Homeownership Program is the primary source of government guarantee loans for home purchases in the State of Vermont. During the shutdown new loan requests will not be processed. Also impacted are the USDA Section 521 Rental Assistance and the Section 542 Rural Housing Vouchers.

The Federal Housing Administration (FHA) is experiencing significant delays in loan processing and approvals. People who are trying to buy a new home or refinance a FHA-insured mortgage are having to wait until the end of the shutdown.

Payments to the State of Federal **Community Development Block Grant (CDBG DR2) Homeowner Buyouts and HOME** investment partnership program funds may be delayed until after the shutdown ends.

- **ACCD – State Trade Expansion Program (STEP):** If the shutdown was to continue through February the impact on this program would be less than \$20,000.
- **Vermont Humanities Council:** The Council risks about \$58,000 per month that the shutdown continues. The cashflow issue resulting from the shutdown can be handled for a few months within their existing budget by managing cash flow with other sources of funds.

AGENCY OF TRANSPORTATION

Public Transit: Core functions of the Public Transit Program in VTrans including grants, cooperative agreements, and contracts are affected by the shutdown. The expenses incurred by this program are reimbursable by the federal government. A request was made for a reimbursement but due to the shutdown the funds have not been received by VTrans. This is only a cash flow issue since once the shutdown is over the funds will flow to Vermont. The estimated cash flow issue in the program if the shutdown persists through January and February is \$6 million. The State Treasurer is able to cover this cash flow in the short term.

Rail: As with Public Transit Program, the cash flow in the Rail Program is affected by the Shutdown. If no funding is available through January and February, the cash flow issue in the program will be \$750,000. The State Treasurer can cover this cash flow in the short term.

Aviation: As with Public Transit Program and the Rail Program, the cash flow in the Aviation Program is affected by the Shutdown. If no funding is available through January and February, the cash flow issue in the program will be \$700,000. The State Treasurer is able to cover this cash flow in the short term.

OTHER IMPACTS:

Federal Employees: Approximately 25%, or 800,000, of federal workers nationally are affected by the shutdown. Roughly 380,000 federal workers were placed on unpaid leave, while some 420,000 “essential” personnel were required to work without pay, including tens of thousands of workers in federal law enforcement and national security positions, such as FBI, Border Patrol, Coast Guard, Secret Service and Transportation Security Administration agents.

According to a January 4th at 4 a.m. online article by Mike Maciag in “Governing the States and Localities” magazine, there are 3,378 federal civilian employees in Vermont. This number does not include postal workers and a few small agencies, or the military. Of these 3,378 employees about there are 1,857 that are employed by federal agencies that have budgets that are already passed. This number includes about 1,200 who work for the Department of Veterans Affairs, which is funded through 2019. That leaves 1,521 federal employees in Vermont who are employed by agencies without appropriations.

According to the “Burlington Free Press” (January 4, 2019) The Center for American Progress, a progressive thinktank in Washington, D.C., estimates that there are 686 federal workers in Vermont that are going without pay during the shutdown. The result of this could be longer waits at airport security and inability of farmers and small businesses to receive financial assistance from the Small Business Administration or the Department of Agriculture. These employees work for TSA, the U.S. Department of Agriculture, Coast Guard, Customs and Border Patrol, and the Internal Revenue Service. In addition, there are many federal contractors that have discontinued their services leaving employees without pay. Federal postal workers are working.

National Science Foundation: Colleges and Universities that rely on funding from the National Science Foundation will be impacted as they are not available to review grant proposals and interact with scientists.

U.S. Department of Education loan applications will not be reviewed and processed.

Small Business Administration (SBA): As long as the shutdown continues people will not be able to have access to federally-assisted loans and technical assistance. The SBA guarantees to back certain loans.