



Date: February 7, 2019

To: Mayor and Members of the City Council

From: Patrick H. West, City Manager 

Subject: **Impacts from the Partial Federal Government Shutdown (December 22, 2018 – January 25, 2019)**

This memorandum summarizes the City of Long Beach's (City) impacts from the partial federal government shutdown beginning December 22, 2018 and ending January 25, 2019. On the 35th day of the shutdown, Congress and the President agreed to a temporary funding bill that expires February 15, 2019. While the temporary shutdown did not impact every federal agency, programs and services funded by the following seven federal appropriation bills were affected:

- Agriculture
- Commerce
- Homeland Security
- Justice
- Interior
- State
- Transportation, Housing and Urban Development

This partial shutdown stands as the longest in United States history, impacting 800,000 federal workers, their families and the national economy. While some federal workers were deemed "non-essential" and furloughed, federal workers serving in "essential" positions, i.e., Transportation Security Administration (TSA) and the United States Coast Guard (USCG), were required to report to work without a timely paycheck during the shutdown.

Background

As a result of a disagreement between the House of Representatives currently controlled by Democrats, the United States Senate currently controlled by Republicans, and President Trump, a partial shutdown of the federal government ensued beginning December 22, 2018 and ending January 25, 2019. The House Representatives rejected all funding bills that proposed funding for a physical wall between the United States and Mexico, while the President remained focused on securing funding for the wall, which was a key campaign promise of his in the 2016 Presidential election. The United States Senate supported the President's position on funding for the wall for 35 days. However, when six Republicans in the United States Senate voted to support two bills to reopen the federal government, one with funding for a border wall and one without funding for a border wall, it became clear support for the President's proposal was eroding. On January 25, 2019, the President signed a temporary funding bill to end the partial government shutdown while continuing to insist on funding for a border wall.

The House of Representatives has maintained that they are in favor of border security such as drug inspection technology, humanitarian aid, strengthening security at ports of entry, and even

offered \$1.6 billion on fencing upgrades but are firmly against a new \$5.7 billion physical barrier at the southern border.

National Economic Impacts

According to the Congressional Budget Office (CBO), the partial shutdown delayed \$18 billion in federal spending and suspended some federal services, thus lowering the projected level of real Gross Domestic Product (GDP) in the first quarter of 2019 by \$8 billion, or 0.2 percent. Although \$8 billion is expected to be made up in economic activity as back pay given to federal workers, a total of 2.2 million people were impacted when counting spouses, children, and others who live and depend on federal workers. The largest number of impacted persons were children and elderly individuals; 558,000 children were impacted, as were 103,000 people over the age of 65. Of the 2.2 million people, 330,000 are veterans, mostly from the Gulf War era, with more than a third of the veterans reporting a service-oriented disability.

Long Beach Impacts

As a local government, the City was not directly impacted during the 35-day partial government shutdown but did experience delays in ministerial processing of paperwork for grants and permits.

If the partial government shutdown had continued past February 2019, benefits to individuals and families through the Housing Choice Voucher Program (Section 8), the Women, Infants, and Child Nutrition (WIC) Program, and the Supplemental Nutrition Assistance Program (SNAP) would have likely ceased by the end of February, as reserves would have been depleted. Funding for the Housing Choice Voucher Program depends on the Transportation, Housing and Urban Development (T-HUD) appropriations bill; and funding for WIC and SNAP depend on the Agriculture appropriations bill.

- *Housing Choice Voucher Program (Section 8)* – The City administers Housing Choice Vouchers that enable approximately 6,600 households to remain housed in rental properties by paying individual landlords monthly. Costing approximately \$6.6 million per month, this program is critical to keeping individuals and families housed. When it became clear the shutdown would not be resolved in a few days, the City identified budget reserves to fund the voucher program through February 2019. This amount does not include operational costs of about 50 staff at about \$350,000 per month. If the shutdown had continued past January 25, 2019, the City would have needed to begin encouraging landlords to work with voucher recipients until the shutdown concluded for Housing Choice Voucher recipients to remain housed.
- *Women, Infants, and Child Nutrition (WIC) Program, and the Supplemental Nutrition Assistance Program (SNAP)* – Based on data available through the California Department of Social Services, 52,000 families receive WIC and SNAP benefits in Long Beach with another 51,000 eligible but not participating. Funding and reserves for these programs were identified through the end of February 2019, but benefits would have ceased if the shutdown persisted beyond that timeframe.

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have also been affected. Funding for these grant programs depend on the Homeland Security appropriations bill.

- *Homeland Security Grants* – The City is expecting \$6.5 million in Urban Area Security Initiative (UASI) and State and Local Homeland Security (SHSP) grants in June 2019. The process for securing these funds is currently underway and responses from the City's grant counterparts FEMA were delayed during the shutdown. If the shutdown had extended through June 2019, there was the possibility that federal employees would not be available to issue reimbursements to the City.

Next Steps

With the full federal government temporarily funded through February 15, 2019, budget negotiations resumed. It remains unclear if the House of Representatives, United States Senate, and President Trump can reach a budget agreement on the seven appropriation bills that have yet to receive authorization through the end of FY 2019.

The President has publicly stated another partial government shutdown is possible, as is the potential for a declaration of a National Emergency to secure additional funding for a physical border wall between the United States and Mexico. The declaration of a National Emergency would encounter legal challenges.

City departments with programs dependent on funding from the Agriculture, Homeland Security, and Transportation, Housing and Urban Development appropriation bills are working to secure as much authority to operate as possible before the temporary funding measure expires February 15, 2019. Staff will continue to monitor debate on the remainder of the federal FY 2019 budget and engage with agencies and Congressional leaders as appropriate.

For more information, please contact Diana Tang, Manager of Government Affairs at Diana.Tang@longbeach.gov or (562) 570-6506.

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