

Federal shutdown looms over county economy

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- Written by Vic Simon
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A potential partial federal government shutdown – with Montgomery County at “ground zero” for many immediate cutbacks – looms at midnight on April 28 if Congressional negotiators and the Trump administration fail to reach an agreement to fund the federal government through the end of its fiscal year on September 30.

Joy Nurmi, special assistant to County Executive Ike Leggett, noted the dual “uncertainties for [the County’s] budget” stemming from both the potential shutdown and the proposed cutbacks in President Trump’s FY 2018 budget. The County Council is reviewing Leggett’s proposal for local FY 2018 budget, and is scheduled to vote on it in May.

If there was a shutdown, “essential” functions such as national defense and homeland security would continue, while services deemed “non-essential” would be suspended. The distinction between essential and non-essential services in a shutdown is also reflected in Trump’s proposed budget priorities for FY 2018, Nurmi noted.

For both shutdown and federal budget purposes, the county is distinctly on the “cut side,” Nurmi observed, particularly because so many science-based federal agencies work here. Five such agencies have headquarters in the county, she noted: National Institutes of Health, and Food and Drug Administration (both part of the Department of Health and Human Services); National Oceanographic and Atmospheric Administration, and National Institute of Standards and Technology (both parts of the Commerce Department); and the Nuclear Regulatory Commission. She added that the Department of Energy has significant operations in the county, as do several other agencies.

Approximately 48,000 county residents are federal employees, she said, citing a County Council report.

Sen. Chris Van Hollen (D-MD), a member of the Senate Appropriations and Budget Committees, is on the Senate Democratic negotiating team addressing the potential shutdown and other budget issues. For the previous six years, Van Hollen was ranking Democrat on the House Budget Committee, for much of that time opposite now-Speaker of the House Paul Ryan (R-WI).

Van Hollen’s statement to the Sentinel did not reveal a position on any specific budget issue. He said: “The last government shutdown [in 2013] was ... was acutely felt in Maryland.... I’m working hard to make sure this never happens again. We need a bipartisan agreement to keep the government open.”

The congressional negotiations center on the part of the federal budget handled by the appropriations committees, the “discretionary” budget that funds national defense and federal agencies. The “entitlement” budget, funding Social Security, Medicare, Medicaid, and payments on

the national debt, are not in negotiation.

Federal contractors in the county are particularly at risk if a shutdown occurs, said Gigi Godwin, CEO of the Montgomery County Chamber of Commerce. Contractors in fields such as information technology, construction, facilities management, food services, and many other areas, have their work suspended and suffer "permanent loss of revenues." Godwin noted that the county is first in the nation among local jurisdictions as a contract provider of

Health IT to the federal government, and second in the nation as a federal contract provider of all types of small business services.

She recalled that after the last shutdown, for 16 days in October 2013, federal employees did not receive pay for their furloughed days.

Patrick Lacefield, information officer for the county government, emphasized that potential federal shutdown and budget actions "don't affect our day-to-day operations." While such actions could reduce county revenues, he noted, the county would continue fulfilling its budgeted operations.

Jeannette Campbell, deputy director of the Stephen Fuller Institute at George Mason University, a leading information source on the metro area economy, said that following the 2013 shutdown, the most pronounced change in economic activity was in home sales. "Montgomery County, and our region in general, had seen steady increases in home sales in 2012 and most of 2013," Campbell recalled. "However, the number of closed sales in November 2013, the month after the shutdown, stalled, and we had a year of flat/no growth" throughout the region.

"Essentially," she explained, "households may have delayed buying/selling during this period of uncertainty, triggered by the shutdown."

Andrew Rosenberg, director of the Center for Science and Democracy of the Union of Concerned Scientists, recalled his own experience in the 2013 shutdown. He was working for a small business whose work was deemed essential, and continued at substantial expense. However, due to the shutdown-induced furloughs for accounting personnel, the firm wasn't paid for the work until long after. The firm had a financial crisis and was saved only by an emergency loan, Rosenberg added. Even when the shutdown ended, he said, "Our invoices just sat there" because government accountants were so busy.

Rosenberg, who was a scientist at NOAA in Silver Spring and is familiar with Montgomery County's potential exposure to science-related federal cuts, noted that in general, science work and research are deemed nonessential for shutdown purposes. He stressed that federal employee scientists who would be furloughed work very closely with scientists outside the government, and that delay in data gathering can ruin research projects and interfere with training, especially of young scientists.

"It's never quite clear," Rosenberg added, "whether federal employee pay will be restored" after a shutdown. Also, for some scientists and other employees, the loss of pay during a shutdown can cause cash flow problems meeting mortgage payments and other obligations.

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