



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Donna Hom
Budget Director

SUBJECT: Federal Sequestration Update

DATE: March 6, 2013

City Administrator

Date

Approval /s/ Scott P. Johnson

3/6/13

INFORMATION

On Friday March 1, 2013 the federal government began a process of sequestration, immediately reducing fiscal year 2012-13 (October 1, 2012 – September 30, 2013) federal appropriations by approximately \$85 billion as a budget balancing measure. The reductions are spread across many federal programs, although some significant programs, such as Medicaid, are exempt.

In anticipation of the possibility of sequestration, City staff has been assessing federal appropriations to the City that might be at risk. Preliminary analysis indicated that the City programs listed below would likely be impacted.

Housing and Community Development

- Receives funding from the Department of Housing and Urban Development (HUD) for the HOME program, to create affordable housing, and for the Community Development Block Grant (CDBG) program.
- HOME funding totals \$2.35M in FY12-13 (including some carryforward), that provides funding assistance for affordable housing and 4.7 full time equivalent (FTE) positions.
- CDBG funding totals \$7.25M in FY12-13 (including some carryforward), for multiple community development projects and 28.80 FTE.

Office of Economic and Workforce Development

- Receives Workforce Investment Act (WIA) grant that totals \$5.28M in FY12-13. It supports 7.73 FTE in multiple departments and workforce development and training contracts to non-profits in the areas of youth, adult, dislocated worker, and rapid response.

Fire Department

- Receives funding from Federal Emergency Management Agency (FEMA) and Homeland Security.

- Average annual FEMA grant funding is about \$1M for one Battalion Chief and some part time positions. Losing 10% of the grant will not cut the positions.
- Average annual Homeland Security grant funding is about \$2.M for 5 positions (assistant emergency service manager, office manager, and three senior emergency planning coordinators) and equipment purchasing. Losing 10% of the grant might result in the need to eliminate one position.

Community Services - Human Services

- Emergency Solutions Grant (ESG) and Community Development Block Grant (CDBG) funding comprise approximately 74% of the City's Permanent Access to Housing (PATH) Strategy funding totaling \$992,465 in FY 2012-13. A reduction of 5% in ESG and CDBG funding for the City would result in a 4% cut in services provided under PATH, serving 1,920 households per year rather than 2,000 and helping 933 rather than 972 homeless or near homeless households become placed in or maintained in permanent, permanent supportive, or transitional housing.
- Housing Opportunities for Persons with AIDS (HOPWA) provides housing and services to approximately 540 households with at least one person living with AIDS. In addition, HOPWA funds are used to develop and/or rehabilitate housing for HIV/AIDS clients. A 5% reduction would result in decreasing the number of households receiving services from approximately 540 per year to 500-513.
- Other programs that will likely have their budgets reduced by 5% in FY 2013-14 include the Oakland Homeless Youth Housing Collaborative; Matilda Cleveland Transitional Housing Program; Families in Transition; and Homeless Families Support Network.
- Sequestration will impact the City's Head Start grant starting in September 2013 and result in an estimated 5% reduction, \$900,000. This will lead to elimination of services for approximately 85 Head Start families and will require closing a part day center serving 68 families, with the remaining reductions being taken by the Delegate Agencies.
- It is anticipated that the ASSETS Senior Employment Program will experience a 5% reduction in September 2013, which will result in reduced hours for 168 participants.
- Note that the impact of sequestration to Human Services' clients will be greater than the loss of funding to the City, as its clients might also lose benefits of other federal programs, such as income supplements, health services, etc.

Police Department

- Receives federal funding for Justice Assistance Grant (\$.5M annually), Community Oriented Policing Services (COPS) technology, and COPS hiring (>\$10M).
- Not sure which components are susceptible to sequestration, particularly as some were American Recovery and Reinvestment Act (ARRA) related and well underway.
- Might impact other federal programs that don't flow directly to City but contribute to Oakland crime fighting (e.g., Federal Bureau of Investigation, Bureau of Alcohol, Tobacco, Firearms and Explosives, and Drug Enforcement Administration).

- No impact to the City from U.S. Department of Justice (DOJ) for current grants. The City received a notification on Friday, Feb. 22nd from the DOJ, stating that awarded grants will not be impacted, without further details.

City staff is working with federal contacts to confirm what specific funding will be withheld. Note that in addition to being impacted directly by reductions in City services, many clients of City programs will be additionally impacted by reductions by other federally-funded agencies, such as the county and state.

Note that the federal government faces another significant deadline later this month. On March 27, the Continuing Resolution that has authorized federal spending so far this fiscal year is set to expire, meaning that lawmakers must pass another continuing resolution, approve a budget for the fiscal year, or face a government shutdown, the impact of which could be more severe than that of sequestration.

We will provide additional information as it becomes available regarding sequestration and adoption of the federal budget, including potential service reductions and possible operational changes.

Respectfully submitted,

/s/

DONNA HOM
Budget Director

For questions, please contact me at 510-238-2038.