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Local contingency plans in works as federal default looms

Many local nonprofits, businesses confident government can resolve issues, but prepare for worst-case scenarios

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Published: July 28, 2011 - 12:16 AM

Many area organizations and businesses dependent on federal support are developing contingency plans in the event that the government defaults on obligations after Tuesday.

They include doctors, hospitals and elderly patients who are dependent on Medicare payments, universities whose students are on federal grants and nonprofit organizations.

What could happen next week is that the country runs out of borrowed money and is forced to live on in-coming cash from tax revenues. The president will choose which obligations to pay, and which will have to wait.

As one independent analysis showed, the treasury would have to choose from among 80 million monthly payments so that 40-45 percent of the bills are not paid.

Failing that, a default could have a tremendous impact on investments, such as retirement accounts and stocks.

Here's how some area organizations are preparing.

Seniors and nonprofits

Bob Kulinski, president of United Way of Summit County, expressed doubt that the government will allow a default, and his worst-case scenario is a delay of payments.

"Since they always pay nonprofits late, in terms of reimbursement for services, it really won't make that much of a difference," Kulinski said.

What worries him most is the emotional impact.

"What I think is unconscionable is the scary rhetoric that is making people on Social Security nervous. I don't appreciate the psychological games that are affecting our clients who fear they may not receive their benefits," he said.

Linda Valentine, president and CEO at Akron-based Mature Services Inc., agrees.

Federal funding makes up 46 percent of Mature Services' budget. The local nonprofit provides programming for senior citizens, including employment, support and nutritional services.

She said federal funds usually are drawn down every two weeks, with the next date scheduled for Aug. 2. She'll do that Friday rather than wait.

"We project that we could continue to provide the same level of services to our clients for four weeks," if payments are halted, she said. After that, Mature Services will have to prioritize its clients.

Carmen M. Moreno, regional communications director for the Social Security Administration's Chicago area, said she "can't speculate" on what will happen.

"We are working through the things we need to work through," she said. "You know we are dealing with budget cuts

right now.”

Asked what she would say to someone expecting a Social Security check, she said “We tell them that at this point we have no reason to say they wouldn’t be getting a check.”

Health care

Summa Health System leaders have been closely monitoring the deficit debate but aren’t overly concerned that the issue will impact operations.

Summit County’s largest private employer and biggest hospital system relies on Medicare payments for about 47 percent of its hospital revenues.

Thomas O’Neill, interim chief financial officer, said the health system is “hopeful and confident that they’re going to be able to resolve their issues and get this settled in the not-so-distant future.”

Even if the issue isn’t resolved this week, he said, the worst-case scenario would probably be a slight delay in receiving payments.

“At the moment, we’re not anticipating any suspension of claims,” he said.

Regardless, he said, Summa and other health-care providers would continue to provide care to patients covered by Medicare.

College students

Almost \$134 billion in student aid could be at risk, the largest portion of which provides \$5,550 a year in Pell grants for low-income students.

But that does not mean that life would change, at least right away, for college students.

“In most scenarios, schools are going to try to do what they can to work things out with students in the short run,” said Justin Draeger, president of the National Association of Student Financial Aid Administrators in Washington, D.C.

The U.S. Department of Education has advised his office that the debt-ceiling issues likely will be resolved, but if not, “It comes down to plain old dollars and cents,” Draeger said. “They may have to pick and chose what they pay out, and we don’t have any sense if they will make some payments and not others.”

Air travel

Air traffic controllers and employees of the Transportation Security Administration will remain on the job as “essential services.”

However, Congress’ inability last week to agree on a separate budget for the Federal Aviation Administration is expected to result in about 4,000 layoffs nationwide, affecting Akron-Canton and Cleveland Hopkins airports.

That budget pays for construction projects.

A \$5 million enhancement of the north/south runway and runway resurfacing, scheduled for completion just before winter weather, could be suspended, said Akron-Canton spokeswoman Kristie Van Auken.

In addition, there is no funding mechanism for next year’s projects. “This is really a big deal for us,” she said.

Cleveland Hopkins communications manager Jackie Mayo said an upgrade of the airport’s “cross-wind” runway is in jeopardy.

“Construction will stop because we won’t be able to pay our people,” she said.

The national park

Officially, the National Park Service is confident that the debt debate will be settled.

“We are confident that everything will be resolved in time,” said Cuyahoga Valley national Park spokeswoman Mary Pat Doorley.

Unofficially, it is likely that the Cuyahoga Valley National Park would close visitor centers, facilities, park trails and park-sponsored programs. Parking lots would be padlocked.

That was the plan last April, when Congress failed to enact a budget in a timely manner.

Under that plan, the Cuyahoga Valley Scenic Railroad would have ceased operations because the park owns and maintains the rails.

Law-enforcement rangers would remain on the job in the park, but interpretive rangers and other nonessential personnel would not.

Also contributing to this report were Beacon Journal reporters Bob Downing and David Scott.

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