

Tens of thousands of residents could lose paychecks, retirement pay

By EARL KELLY, Staff Writer

Labor unions and the Chamber of Commerce don't often see eye-to-eye on anything, but both are saying it would be devastating for Congress to let the country default on its debt.

If the nation doesn't increase its borrowing limit before hitting the current debt ceiling on Tuesday, thousands of federal employees and government contractors in Anne Arundel County may not get paid.

The damage will trickle down to private-sector businesses and their employees.

"I suspect we would see a number of agencies closing," American Federation of Government Employees, or AFGE, regional Vice President Joseph Flynn said.

"There are 9,000 active federal employees in Anne Arundel County. If they're out of work, they're not drawing a paycheck," Flynn said.

That number doesn't include the roughly 14,000 federal retirees the National Federation of Federal Employees said live in the county.

In all, active federal workers and retirees bring about \$604 million a year into the county, according to the state Department of Labor, Licensing and Regulation.

What will happen if the debt ceiling isn't raised by Tuesday is anyone's guess.

"The U.S. has never defaulted on its debt, so we really don't know what the fallout of that would be," NFFE Legislative Director Randy Erwin said.

Besides all those federal workers and retirees here, more than 40,000 military and civilian personnel work at Fort George G. Meade, according to the Maryland Department of Business and Economic Development.

"As for the military, the paychecks would continue to go out, but the civilians at Army posts and other military bases are probably going to get hit with furloughs," AFGE's Flynn said.

The federal government borrows about 40 cents of each dollar it spends. If that 40 cents is suddenly cut off, the government still must pay its existing debts out of what it receives from taxes.

The government would have to decide which workers and contractors get paid, and which must wait, Flynn said.

U.S. House of Representatives Minority Whip Steny Hoyer, D-St. Mary's, explained the situation late Thursday on the House floor:

"If America fails to pay its bills, and default comes, the wound - to the global economy, to jobs across this country, to our standing among nations - will be entirely self-inflicted. It cannot and must not come to that," said Hoyer, whose district includes part of Anne Arundel County.

In a phone interview with *The Capital* Thursday morning, he said that defaulting on the nation's debts would make investors and lenders nervous. The result would be higher interest rates for the federal government, and for citizens looking to borrow money.

Higher interest rates would dampen investors' enthusiasm.

"The value of 401(k) retirement funds would go down if the stock market declined," Hoyer said.

The business community also wants the debt limit raised, at least for now.

"No one wants to increase our debt, but in the short term we have to raise our debt ceiling," Maryland Chamber of Commerce President and CEO Kathy Snyder said yesterday. "And there really has to be some (spending) cuts. But, the ceiling has to be raised in the short run."

Compromise between Democrats and Republicans seems unlikely, and some Republicans, including presidential candidate Tim Pawlenty, say a default would be beneficial because it would reduce the size of government.

These Republicans say the debt crisis was created by letting government grow so large that government has to borrow to keep going.

Even if a default is avoided, AFGE's Flynn said he expects to see reductions in the federal work force.

Republicans want to eliminate the Environmental Protection Agency and abolish the food inspection branch of the Department of Agriculture, Flynn said.

"The devil is in the details," Flynn said, and "some of the things being laid out here are very Draconian."

Federal default would hurt county

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