

Bond Case Briefs

Municipal Finance Law Since 1971

U.S. Threat to 'Sanctuary' City Funds Likely to Have Little Impact: S&P

SAN FRANCISCO — U.S. Attorney General Jeff Sessions' threat to strip Justice Department grants from cities and local governments that shield illegal immigrants from deportation would have minimal impact on municipal credit ratings, according to S&P Global Ratings.

The financial rating firm said on Thursday that an analysis of 10 large so-called sanctuary jurisdictions found the Justice Department funds made up on only 0.2 percent of budgets, on average.

The term sanctuary is not an official designation but has come to be used generally to describe cities and local governments that offer safe harbor to illegal immigrants and often do not use municipal funds or resources to advance the enforcement of federal immigration laws.

The 10 jurisdictions reviewed were: Cambridge, Massachusetts; Detroit; Josephine County, Oregon; Los Angeles County, California; New York City; Oakland, California; San Francisco; Santa Fe, New Mexico; Seattle; and Washington, D.C.

Of the places reviewed by S&P, funding from the Justice Department made up the largest share of federal funding in Oakland, with 8 percent of federal funding, and Seattle, with 7 percent.

S&P said it expected both cities' financial strength and economic growth to offset any potential losses.

Grants for health, community development and transportation generally make up the largest share of federally derived revenue for jurisdictions. But this funding is typically allocated by formulas set in statute and lack any connection to immigration enforcement. As a result, S&P said it viewed "the likelihood of Congress withholding or deferring these funds to sanctuary jurisdictions as more remote."

Justice Department grants were among the most at risk, because this funding is "generally provided on an annual basis in the form of competitive grants," said S&P.

Some local governments receive as much as 41 percent of their budgets from the federal government, while others receive none at all. Counties tend to have more exposure than cities, as counties generally administer their own criminal justice programs, according to S&P.

By REUTERS

MARCH 30, 2017, 3:06 P.M. E.D.T.

(Reporting by Robin Respaut; Editing by Bill Rigby)

