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Michael Heffernan
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M E M O R A N D U M

To: Chief Fiscal Officers, Budget Directors, and General Counsels

From: Jeffrey S. Shapiro, First Deputy Comptroller, CTR
Catharine M Hornby, Budget Director, ANF

Date: December 1, 2017, **Revised December 2, 2017** (Response Date Change)

Re: Potential Federal Government Shutdown

Comptroller Memo **FY#2018-12R**

Executive Summary

The purpose of this memo is to provide information and guidance in the event of a federal government shutdown resulting from Congress failing to adopt a temporary funding measure for the federal fiscal year 2018 (which began October 1, 2017). These events could create potential challenges for spending accounts in the General Federal Grants Fund.

Background

The federal government has not adopted a formal budget for fiscal year 2018. Discussions with the House, Senate, and the President continue. While there is a chance that a CR (Continuing Resolution) will be adopted by December 8th it is also possible that a partial resolution for the holiday season may be reached, only to begin discussions again in January. We must be prepared for the possibility that federal government operations and/or federal funding for states will not be authorized. This memo describes the potential impacts of a shutdown, suggested actions to be taken by agencies, and the information being sought in preparation for such an occurrence.

Federal Funding Received by the State

Programs of federal financial participation (FFP) for which the accounting and reporting is done via MMARS can be placed into three categories:

- (1) joint federal-state programs, where the Commonwealth appropriates 100% of the total program, and the FFP is accounted for as reimbursement revenue (example: Medicaid);
- (2) authorized spending by the Commonwealth in a specialized fund and the FFP is accounted as reimbursement revenue (example: the federal highway capital project fund); and
- (3) the General Federal Grants Fund (referred to as MMARS Fund 0100) which is itemized on a grant-by-grant and account-by-account basis (example: FEMA grants).

Contingency Planning

In 2013 and 2015, agencies developed contingency plans to guide decision-making in the event of a federal shutdown. In a similar vein we ask that agencies describe what actions, if any, they expect to take in the event of a federal shutdown, both in the short-term (Dec 1- 8) and the longer term (after December 8).

By COB **Monday, December 11th**, please describe what steps agencies can take to protect Commonwealth residents and resources in the event of a federal shutdown, including the use of other funding sources currently available to them. Please describe the impact of utilizing such funds on other state-operated programs and services. Agencies should not assume that additional state funding will be available. Therefore, please identify any state funding that would be required for the state to take on responsibility for critical federal programs, and indicate whether and when legislative authorization would be required.

Review Accounts in Federal Grants Fund.

The third category listed above, the General Federal Grants Fund, is most at risk of disrupted fiscal operations if the federal government were to shut down. The measures we are asking agencies to take below directly relate to this category of federal funding.

If your department has spending accounts in the General Federal Grants Fund, which is designated fund 0100 in MMARS, A&F has already reached out to you for information on your account(s). You should refine data as necessary and take the following actions:

- (1) For each such grant/account, contact the relevant federal granting department to get updated information on the amount and timing of the expected federal grant awards and to confirm how funding would be affected by a federal government shutdown; and
- (2) If you conclude the continuation of your grant is unlikely, prepare actions to discontinue spending against such grant. To the extent continued spending depends on further federal budget legislation, you should not incur obligations against the grant beyond the date through which the federal granting department has made funding available.

By COB **Wednesday, December 13th**, we request that agencies provide to your A&F analyst and Catherine Quan in the Comptroller's Office any concerns they have with available federal funding, particularly as it relates to their ability to make bi-weekly payroll for employees currently paid from federal sources. We currently estimate that roughly 3,600 benefited and non-benefited employees are paid from federal funding sources across state government.

It is the responsibility of each department to manage its respective federal grants. Until you indicate otherwise, the Comptroller's Office will assume each grant in the General Federal Grants Fund will have ongoing funding and, therefore, transactions in MMARS and performance of the central draw (for CMAA) will continue in a "business-as-usual" mode.

As you conduct your grant-by-grant review, the information should be sent to your A&F Analyst and CTR's Federal Grants Unit at: CTRFedGrant@massmail.state.ma.us). Further guidance will likely be provided to state agencies once the prospects/impacts of a federal shutdown become clearer over the days ahead.

Cc: Cabinet Secretaries, Department Heads, MMARS Liaisons and Payroll Directors