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**Executive Office for
Administration and Finance
State House, Room 373
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Michael Heffernan
Secretary**

MEMORANDUM

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

From: Jeffrey S. Shapiro, First Deputy Comptroller, CTR
Bran Shim, Budget Director, ANF

Date: December 21, 2020

Re: Potential Federal Government Shutdown

Comptroller Memo FY#2021-12A

Executive Summary

This memo replaces a memo of Thursday, December 17. At this point, it appears likely that a federal budget will be adopted on Monday, December 21, with no gap in authorization. Accordingly, we are delaying the deadlines from Thursday's memo, and will revoke this memo if a federal budget is passed today.

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 continuing funding measure for appropriation bills for the federal fiscal year 2021 (which began October 1, 2020). These events could create potential challenges for certain spending accounts in the General Federal Grants Fund. In the midst of the holiday season, we are asking departments for a quick turnaround, with responses due on **Tuesday** by 2:00 pm for direct federal grant spending) or close of business (for all other federal money).

Background

The federal government has not adopted appropriations bills for any federal agencies. Instead, it is operating on Continuing Resolutions (CR) for all federal agencies for fiscal year 2021. In recent days, Congress adopted CRs extending authorization to Sunday night, and then Monday night. News coverage indicates Congressional leaders have an agreement in principle and expect to pass a federal budget and a COVID relief bill on Monday, December 21 (today).

While it now seems likely that Congress will enact, and the President will sign, all of the appropriations bills with no gap in spending authorization, we must be prepared for the possibility that federal government operations and/or federal funding for many purposes and programs 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 waiver services at MassHealth and DDS);
- (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, 2015, and 2019 agencies developed contingency plans to guide decision-making in the event of a federal shutdown. As we move further into our state fiscal year and federal authorizations in place continue to be drawn upon, it is crucial that grant obligations are monitored continually to assure grant programs meet requirements but do **not** rely on any Commonwealth resources without specific legislative authorization.

By COB **Tuesday, December 22**, affected agencies must email to their A&F analyst and the Office of the Comptroller (CTR) at: paymentsc@mass.gov, the CTR Team that is reviewing the potential impact of a federal shutdown, to confirm steps they can take to protect Commonwealth residents and resources in the event of a partial 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, we ask that you 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 2:00 pm on **Tuesday, December 22**, we request that affected agencies provide to their A&F analyst and to CTR's Federal Grants Unit at: CTRFedGrant@massmail.state.ma.us, as a specialized funding area that is most directly impacted by any potential shutdown this Team should be contacted, 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 all of state government.

It is the responsibility of each department to manage its respective federal grants. Until you indicate otherwise, CTR 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 CMIA) will continue in a "business-as-usual" mode.

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