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Matthew Gorzkowicz
Secretary

MEMORANDUM

To: Chief Fiscal Officers, Budget Directors, and General Counsels
From: Thomas Smith-Vaughan, Chief Operating Officer, Office of the Comptroller
Christopher Marino, Assistant Secretary for Budget, Exec. Office for Administration and Finance
Date: September 23, 2025
Subject: Potential Federal Government Shutdown

Comptroller Memo FY2026-05

Executive Summary

This memo provides information and guidance in the event of a federal shutdown resulting from Congress failing to enact a new fiscal year budget or authorize a continuing resolution. A shutdown could create challenges for certain spending accounts in the General Federal Grants Fund, revenue collected through federal reimbursement, and for programs run and funded primarily by the federal government. We are asking departments for a quick turnaround, with responses to this memo due on **Tuesday, September 30 by 5:00 pm.**

Background

In a “shutdown,” federal agencies must discontinue all non-essential discretionary functions until new funding legislation is passed and signed into law. Essential services continue to function, as do mandatory spending programs such as Social Security. The federal fiscal year begins on October 1. Congress has not passed any of the 12 full-year appropriations bills needed to fund the government for the fiscal year beginning October 1, 2025.

Negotiations are ongoing to attempt to reach a budget deal before the October 1 deadline. However, we must be prepared for the possibility that federal government operations and/or federal funding for many purposes and programs will not be authorized beyond that date.

This memo describes the potential impacts of a shutdown, suggests action to be taken by state agencies, and requests information in case of a shutdown.

Federal funding received by the Commonwealth

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 for 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, 2019, 2020, 2021, and 2024, departments were asked to develop contingency plans to guide decision-making in the event of a federal shutdown. As we move further into the 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 the close of business on **Tuesday, September 30**, please email your A&F analyst and the Office of the Comptroller (paymentsc@mass.gov), confirming steps affected agencies 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 close of business on **Tuesday, September 30**, we request that departments provide a summary of any concerns that they have with the continued availability of federal funding, particularly as it relates to their ability to make bi-weekly payroll for employees currently paid

from federal sources. Departments should submit this information to their A&F analyst and also to the Office of the Comptroller at: paymentsc@mass.gov.

It is the responsibility of each department to manage its respective federal grants. Until you indicate otherwise, the Office of the Comptroller 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 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, Payroll Directors, Federal Grant Liaisons, and Internal Distribution