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**Commonwealth of
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**Executive Office for
Administration and Finance
State House, Room 373
Boston, MA 02133
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, A&F

Date: September 27, 2021

Re: Potential Federal Government Shutdown

Comptroller Memo FY#2022-07

Executive Summary

This memo provides information and guidance in the event of a federal government shutdown resulting from Congress failing to authorize spending for the federal fiscal year 2022 (which begins on October 1, 2021). This event could create challenges for certain spending accounts in the General Federal Grants Fund. We are asking departments for a quick turnaround, with responses due on Monday, October 4th by 2:00 pm (for direct federal grant spending) and by Monday, October 4th, close of business (for all other federal money).

Background

The federal government has not adopted appropriations bills for any federal agencies for the new federal fiscal year, which begins on Friday, October 1, 2021. A Continuing Resolution, which would in most cases extend FFY21 levels of spending through December 3, 2021, has passed the House and is now before the Senate. However, news reports indicate agreement has not yet been reached on all aspects of the bill, so 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 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, and 2020, departments were asked to develop 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 **Monday, October 4**, affected departments must email 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). Affected departments must confirm steps they 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. Departments 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 **Monday, October 4**, 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 CTR's Federal Grants Unit at: ctrfedgrant@mass.gov. We currently estimate that some 3,000 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 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