



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

PAT MCCRORY
GOVERNOR

ART POPE
STATE BUDGET DIRECTOR

September 30, 2013

MEMORANDUM

TO: Department Heads, Chief Fiscal Officers and Personnel Directors

FROM: Art Pope, State Budget Director
Neal Alexander, State Human Resources Director

Handwritten signatures of Art Pope and Neal Alexander in black ink.

SUBJECT: Potential Federal Government Shutdown

As you are aware, there is a possibility of a Federal Government Shutdown. The federal budget authorization to spend federal funds in FFY 2013 will expire on midnight Monday, September 30, 2013. As of today, Congress has not adopted a temporary, continuing resolution and therefore it is anticipated that many federal programs will not have federal funds to operate and will subsequently be ordered to cease operations on Friday after midnight.

The US Office of Management and Budget (OMB) and each individual federal agency should provide specific guidance concerning the potential shutdown. Federal agency guidance is beginning to be released. We encourage you to review federal agency websites that are relative to your agency to receive additional guidance that is not covered in this memorandum.

OMB continues to report that federal agencies will be instructed to work directly with their state and local counterparts on programs under their respective jurisdictions, with detailed agency-by-agency contingency plans expected to be released publicly. OMB also continues to state that activities that would continue during a shutdown would fall into one of two categories: 1) activities that have a funding source other than annual appropriations, such as multiyear appropriations or programs funded by user fees; and 2) activities necessary for safety of life and protection of property, such as military and law enforcement. Details on how federally-funded state employees will be treated are still unclear.

We will be monitoring the progress of any potential continuing resolution. However, in the event Congress has not acted, state agencies should follow the guidelines for spending federal funds listed below effective October 1, 2013:

- I. State programs supported in whole or part by federal funds may continue for programs in the following categories:
 - a. Programs with multi-year appropriations and indefinite appropriations,
 - b. Programs with forward funded appropriations,
 - c. Federal grants with prior September 30th funding that is authorized and appropriated,
 - d. Functions that address emergency circumstances, such that the suspension of the function would imminently threaten the safety of human life or the protection of property,
 - e. Federal programs/grants designated by OMB to continue.

Federally funded programs under item I. above, shall not incur new obligations in the absence of federal cash on hand.

- II. Federally funded programs not covered in I. above, and operating within state government will cease to operate as of October 1, 2013. The following guidelines apply:
 - a. Effective October 1, 2013, state employees who are totally supported from federal funds will be placed on leave without pay until a continuing resolution is enacted.
 - b. Effective October 1, 2013, state employees who are partially supported from federal funds will have their pay and time reduced by the proportion supported by federal funds.
 - c. **Departments shall not spend any state monies on programs which are 100% federally funded or increase the state funding percentage in partially federally funded programs.** Due to lack of guidance from Federal OMB, state agencies should not expect any reimbursements for state dollars expended for federal salaries or grants. To be clear, from what has been communicated, there is no assurance that retroactive pay will be made available.

If you have specific cash flow issues and there is specific Federal authorization that will allow reimbursement of state funding, please forward written documentation of such authorization from the federal granting agency to the Office of State Budget and Management for confirmation.

Because of the uncertainty of federal support in FFY 2014 for specific programs operating in North Carolina's state departments and institutions, we ask you to:

- a. Closely monitor through your contacts in associations and organizations the federal budget for programs affecting your state department;
- b. Put in place a self-imposed limitation on all hiring for totally or partially federally funded positions which are not related to the delivery of direct patient health care, safety or the protection of property; and,
- c. Contact local government agencies and non-governmental organizations with information about the impact to them because of the delay in the enactment of a continuing resolution.

It is the responsibility of each department to manage its respective federal grants including federally funded state employees. If you have questions, please do not hesitate to contact staff in the Office of State Budget and Management or the Office of State Human Resources. In the meantime, we will continue to monitor the enactment of a continuing resolution and notify you of the progress of the Congress.

cc: Governor Pat McCrory