



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

PAT MCCRORY  
GOVERNOR

LEE HARRISS ROBERTS  
STATE BUDGET DIRECTOR

September 28, 2015

**MEMORANDUM**

**TO:** Department Heads, Chief Fiscal Officers, General Counsels and Human Resource Directors

**FROM:** Lee Harriss Roberts, State Budget Director   
Neal Alexander, State Human Resources Director 

**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 2015 will expire at midnight on Wednesday, September 30, 2015. As of today, Congress has not enacted a temporary continuing resolution, and failure to do so by Wednesday at midnight would result in a federal government shutdown. If this occurs, it is anticipated that many federal programs will not have federal funds to operate and will subsequently be ordered to cease operations on Wednesday after midnight.

It is the responsibility of each state department head to manage its respective federally funded programs and employees in the event of a federal government shutdown. Department heads are expected to fully utilize their general counsels, chief financial officers, human resources directors and other critical managers to manage and fully comply with this and all federal and State of North Carolina guidance.

**In the event of a federal shutdown, if you anticipate a disruption in public benefits or direct services relating to the health, well-being or safety of our citizens, all agencies must consult with OSBM prior to taking any actions to terminate such benefits or services.**

Further guidance and requirements from the Office of State Budget and Management (OSBM) include:

- 1. Federal Grants:** Provide documentation of all of the federal grants received by your agency and identify grants that will be or likely will be impacted by a potential federal shutdown. Preliminary agency responses must be received by 3:00 pm on Wednesday, September 30. In the event of a federal government shutdown, this information must be updated by noon on Friday, October 2, and as frequently as needed thereafter to communicate to OSBM all impacted federal funds. If a continuing resolution is passed before the end of the federal fiscal year, the preliminary responses are still necessary given that a continuing resolution is likely to be short term.
- 2.** This documentation should include your assessment of the impact of a lapse in appropriations and the extent to which prior year federal cash balances exist to extend services from federal funds after September 30, 2015. Include any identified risk mitigation strategies. Some agencies may be able to update reports provided to OSBM in 2013. The format of such information is less important than the content and impact analysis.

3. **Cash Flow for Reimbursements:** If you have cash flow issues and there is specific federal authorization that will allow reimbursement of state funding for your program or service, provide written documentation of such authorization from the federal granting agency to (OSBM) for confirmation.

We anticipate that the US Office of Management and Budget (OMB) and individual federal agencies will provide specific guidance concerning the potential shutdown. Detailed agency-by-agency contingency plans are currently being released publicly (<https://www.whitehouse.gov/omb/contingency-plans>). 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.

In the event a federal shutdown occurs, please follow the guidelines below for spending federal funds, effective October 1, 2015 (based on federal guidance issued before the 2013 federal shutdown):

- 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 30<sup>th</sup> 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.

NOTE: 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, 2015. The following guidelines apply:
  - a. Effective October 1, 2015, 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, 2015, state employees who are partially supported from federal funds, including employees whose salaries are cost allocated to 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. From what has been communicated to date, there is no assurance that retroactive pay will be made available.

Because of the uncertainty of federal support in FFY 2016 for specific programs operating in North Carolina's state departments and institutions, all agencies are expected 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 incumbent upon the department head to manage its department's respective federal grants, including federally funded state employees. If you have questions, please do not hesitate to contact staff in OSBM 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 any progress. As necessary, further guidance will be forthcoming.

cc: Governor Pat McCrory