



Commonwealth of Virginia
Office of Governor Bob McDonnell

September 24, 2013

MEMORANDUM

TO: Executive Branch Agency Heads and
Presidents of Institutions of Higher Education

CC: Cabinet Secretaries, Deputy Secretaries

FROM: Martin L. Kent, Chief of Staff

SUBJECT: Federal Government Partial Shutdown

The purpose of this memorandum is to provide information and guidance in the event of a partial federal government shutdown resulting from Congress and the President not agreeing on and adopting a budget for the new fiscal year.

As you know, the federal government has not adopted a formal budget for its fiscal year 2014. Since March 6, 2013, a "Continuing Resolution" (CR) has been in effect, which generally provides that discretionary funding (not including Medicaid, Medicare, and other entitlements) shall be funded at fiscal year 2013 sequestered levels until Monday, September 30, 2013. To date, Congress has not enacted any budgetary measure to extend the deadline.

The general policy of the Commonwealth is that no agency should incur obligations or expenses against federal programs or grants after October 4, 2013, unless such expenditures will be reimbursed from ongoing federal programs not affected by the October 1, 2013, deadline (federal services deemed "essential" or federal services funded with prior year authorizations). This policy should be implemented according to the following procedures.

Since the shutdown is referred to as a "Partial Shutdown" and federal grants are typically governed by the terms and conditions specific to each grant, you should contact your Federal Cognizant Negotiator (FCN) to ascertain the following:

- In the event of a partial federal shutdown, will your federal program(s) be affected (i.e. are your federally funded positions deemed by the federal granting agency to be "essential" or "non-essential" or are they covered by other federal funds from prior year grants not subject to the FY2014 appropriation process)?

- In the event the Commonwealth continues to fund otherwise federally funded programs with state resources, will the Commonwealth be reimbursed retroactively to the date of the shutdown? (Note: No general fund appropriations can be used to continue federal programs unless confirmation is received that such general fund expenses will be reimbursed.)

If the answer is that you have an affected program or grant and the answer to the second question is “no” or it cannot be confirmed, agencies should cease incurring obligations and expenditures against such federally funded programs or grants for which federal funding has not already been approved or received. However, agencies may continue federally funded state employees on the payroll through October 4, 2013, in order to prevent unnecessary furloughs **so long as the agency can absorb the costs**. It is our hope that this will give budget negotiators additional time to reach a resolution of the budget impasse.

If you receive confirmation that you will be reimbursed retroactively for federal programs for which the Commonwealth provides temporary funding, you may take either of the following steps to extend funding beyond the October 4, 2013 cutoff:

- Agencies may use other state funding to the extent it is available (all such expenditures should be charged back to federal funds via ATV after federal funding is restored); or
- Agencies may seek a Treasury Loan from the Department of Accounts (DOA). Please be advised that DOA will not provide treasury loans without a written confirmation from your FCN demonstrating the federal government will reimburse the Commonwealth retroactively to the date of the shutdown.

If your agency has employees that are funded (in whole or in part) with federal grants affected by the shutdown that cannot be funded with either option presented above and the agency is unable to absorb personnel costs through October 4, 2013, please submit to the Director of the Department of Planning and Budget in writing the following information: the name of the federal program (or activities) affected, the number of employees involved, why the temporary costs (4 days) through October 4, 2013, cannot be absorbed, and the impact of what will happen if the program (or activity) is shut down. (Note: The Department of Planning and Budget will provide you with separate instructions on how to submit this material.) All affected employees should also be notified by October 4, 2013, that they are not to work until federal funding has been restored (either by the adoption of an official budget or a new Continuing Resolution).

Should an agency encounter a situation that involves a threat to life, safety, or health as a result of this interruption of federal funding, they should immediately contact their respective Secretary and submit the documentation required above to the Director of the Department of Planning and Budget.

Please ensure that you notify your Cabinet Secretary and your DPB analyst of the information you obtain from your FCN regarding whether the program is deemed essential and, if not, whether you will be reimbursed by the federal government once the budget impasse is resolved. Additionally, please notify them of the number of impacted positions you may have that will be subject to the October 4, 2013 cut-off date. Finally, if you are able to continue services from prior year federal grants, please give your Cabinet Secretary and your DPB analyst an estimate of how long you can continue to operate such programs given available federal funds.

Thank you for your prompt attention to this issue.