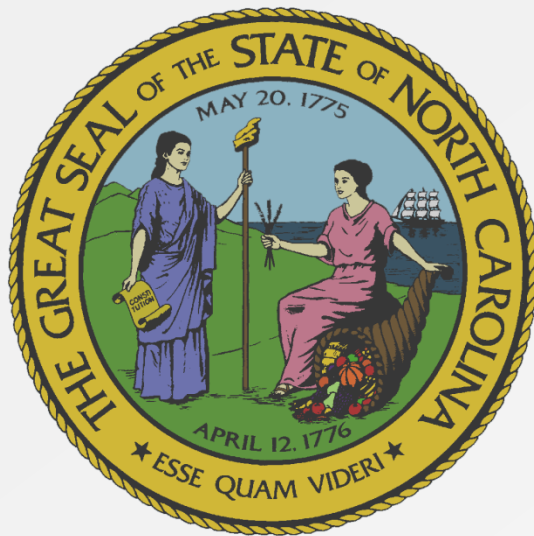




Office of State Budget and Management  
*Balancing Needs - Improving Government*



# Potential Federal Shutdown

*Prepared by  
The Office of State Budget and Management  
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# State Budget Director Remarks

## Administration for Families and Children: Guidance to TANF and Child Care Officials, September 30, 2013

“If legislation extending funding for TANF and CCDF is not enacted before October 1, 2013, TANF MOE and CCDF State Match and MOE funds can be used during the period between October 1, 2013, and the date an extension is enacted to provide benefits and services. At the point that legislation to extend funding for TANF and CCDF is enacted, allowable expenditures states, DC, or territories make during this period would count toward the TANF MOE and CCDF Match/MOE requirements **unless Congress specifies otherwise**. Similarly, allowable expenditures jurisdictions make between October 1, 2013, and the date that an extension is enacted would be eligible for reimbursement with federal TANF or CCDF funds made available under an extension, **unless Congress specifies otherwise**. Once there is legislation extending the funding, and **provided Congress does not specify otherwise**, a TANF expenditure could qualify either for federal reimbursement or to count as a maintenance-of-effort expenditure, and the state, DC, and territory will be permitted to choose whether to receive reimbursement or count the expenditure toward satisfying its maintenance-of-effort requirement.”



# State Budget Director Remarks

## H.R. 2775 - Continuing Appropriations Act, 2014

### Section 116.

(a) If a State (or another Federal grantee) used State funds (or the grantee's non-Federal funds) to continue carrying out a Federal program or furloughed State employees (or the grantee's employees) whose compensation is advanced or reimbursed in whole or in part by the Federal Government—

(1) such furloughed employees shall be compensated at their standard rate of compensation for such period;

(2) the State (or such other grantee) shall be reimbursed for expenses that would have been paid by the Federal Government during such period had appropriations been available, including the cost of compensating such furloughed employees, together with interest thereon calculated under section 6503(d) of title 31, United States Code; and

(3) the State (or such other grantee) may use funds available to the State (or the grantee) under such Federal program to reimburse such State (or the grantee), together with interest thereon calculated under section 6503(d) of title 31, United States Code.

(b) For purposes of this section, the term State and the term grantee shall have the meaning as such term is defined under the applicable Federal program under subsection (a). In addition, to continue carrying out a Federal program means the continued performance by a State or other Federal grantee, during the period of a lapse in appropriations, of a Federal program that the State or such other grantee had been carrying out prior to the period of the lapse in appropriations.

**(c) The authority under this section applies with respect to any period in fiscal year 2014 (not limited to periods beginning or ending after the date of the enactment of this joint resolution) during which there occurs a lapse in appropriations with respect to any department or agency of the Federal Government which, but for such lapse in appropriations, would have paid, or made reimbursement relating to, any of the expenses referred to in this section with respect to the program involved. Payments and reimbursements under this authority shall be made only to the extent and in amounts provided in advance in appropriations Acts.**



# State Budget Director Remarks

## North Carolina Emergency Management Act

### § 166A-19.3. Definitions.

The following definitions apply in this Article:

(6) Emergency. - An occurrence or imminent threat of widespread or severe damage, injury, or loss of life or property resulting from any natural or **man-made accidental**, military, paramilitary, weather-related, or riot-related cause.

## Savings Reserve Account

### § 143C-4-2. Savings Reserve Account and appropriation of General Fund unreserved fund balance.

(a) Creation and Source of Funds. - The Savings Reserve Account is established as a reserve in the General Fund. The Controller shall reserve to the Savings Reserve Account one-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal year.

(b) Use of Funds. - The Savings Reserve Account is a component of the unappropriated General Fund balance. Funds reserved to the Savings Reserve Account **shall be available for expenditure only upon an act of appropriation by the General Assembly.**

(c) Goal for Savings Reserve Account Balance. - The General Assembly recognizes the need to establish and maintain sufficient reserves to address unanticipated events and circumstances such as natural disasters, economic downturns, threats to public safety, health, and welfare, and other emergencies. It is a goal of the General Assembly and the State to accumulate and maintain a balance in the Savings Reserve Account equal to or greater than eight percent (8%) of the prior year's General Fund operating budget. (2006-203, s. 3.)



Congress failed to enact a budget for Federal Fiscal Year 2014, thus causing the October 2013 Federal Government shutdown. It lasted 17 days.

Key HHS impacts included Temporary Assistance to Needy Families and related programs, and Women, Infants and Children (WIC) services. Outside of HHS:

- Head Start education funding
- Environmental programs
- Transportation programs
- Other federally funded programs

Congress enacted a continuing resolution which authorized appropriations for FFY 2014 through mid-January 2014



## Recent events and upcoming deadlines

**September 30, 2013** – Certain federal authorizations expired

**October 1, 2013** – Partial Federal shutdown began

**October 17, 2013** – Continuing Appropriations Act of 2014 (H.R. 2775) enacted by Congress, signed by the President. Shutdown ends

**December 13, 2013** – Congressional budget conference committee deadline to reach a budget deal

**January 15, 2014** – Current CR expires

**February 7, 2014** – Suspension of debt ceiling expires



## **What we know now**

October shutdown occurred at the start of the Federal Fiscal Year. January 15, 2014 falls in the middle of the first month of the second FFY quarter. Impact is uncertain

**HR 2775 includes a provision that guarantees states will be reimbursed for state funds expended during the shutdown to continue a Federal program and furloughed employees compensated with back-pay. Stipulates this applies to any period in FFY 2014 when a lapse in appropriations occurs**



## North Carolina considerations

States face constraints and challenges that restrict ability to backfill federal programs in the event of another shutdown

Timing of revenue collections, state budget expenditure commitments, taxpayer refunds, cash flow limitations

State Budget Act limits appropriations by department

Legislature could appropriate funds for Federal program expenditures





## North Carolina considerations

In the absence of federal appropriations, executive branch guidance would be similar to October 2013

Programs supported in whole or in part from federal funds with a lawful appropriation from Congress can continue (multi-year appropriations, forward funded appropriations, residual grant balances).

Functions that support emergency circumstances where suspension would imminently threaten the safety of human life or protection of property can continue  
Cash flow for these programs resulting from the shutdown will be managed



## Some lessons from the October shutdown

- Limited Federal guidance
- State agencies provide critical information on impacted grants, financial exposure and state and local service impacts
- Local service partners are critical to managing during a shutdown
- Timely and clear communication is critical

### OSBM

- Working with state agencies to assess impacted programs and options
- Participating with state and local leaders through NC Association of County Commissioners to exchange critical information
- Monitoring federal and other sources - Federal Funds Information to States (FFIS), National Association of State Budget Officers, National Governors Association, Other



# Conclusion and Thank You

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