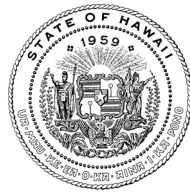


JOSH GREEN, M.D.
GOVERNOR



LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

December 20, 2024

FINANCE MEMORANDUM

MEMO NO. 24-18

TO: All Department Heads

FROM: Luis P. Salaveria /s/
Director of Finance

SUBJECT: Preparing for a Potential Federal Government Shutdown

The Department of Budget and Finance (B&F) is monitoring a potential federal government shutdown that would begin on December 21, 2024, unless action is taken by Congress to pass another continuing resolution (CR) to avoid a funding lapse and consequently, a government shutdown. Departments which anticipate needing to furlough federally funded employees are encouraged to contact the Department of Human Resources Development's Labor Relations Division for guidance and direction.

Should a shutdown occur, B&F will issue instructions to departments to assess whether departments have adequate funds to operate.

Attached is FFIS Budget Brief FFIS Budget Brief 24-20, December 20, 2024 "Q&A: Potential Impacts of a Government Shutdown on State Grant Programs"

Attachment



Budget Brief 24-20, December 20, 2024

Q&A: Potential Impacts of a Government Shutdown on State Grant Programs

By FFIS staff; contact: Marcia Howard • 202-624-5848 • mhoward@ffis.org

Summary

The federal government is hours away from a shutdown. To date, no final fiscal year (FY) 2025 appropriations have been enacted, and a continuing resolution (CR)—which has kept the government operating at FY 2024 levels—expires at the end of the day.

Should a shutdown occur, state officials will have questions about their ability to operate federal grant programs. First and foremost, a shutdown that lasts only a few hours or days would be of little consequence. A shutdown that extends beyond the end of the calendar year would be more disruptive.

While the impact of an extended shutdown would vary by program, most discretionary programs (and some mandatory programs funded in appropriations acts) would be affected because no new funding would be available during a lapse in appropriations.

A recent [Q&A](#) from the Committee for a Responsible Federal Budget provides useful information about shutdowns in general. In addition, [agency contingency plans](#) provide specifics on how departments will handle a shutdown.

The following questions provide a framework for thinking about how individual grant programs might be affected. Ultimately, the federal government will make final determinations. [Table 1](#) at the end of the brief summarizes the outlook for selected mandatory programs and [Table 2](#) highlights selected discretionary programs.

FAQs

Q. What is the impact of a shutdown on mandatory programs that bypass the appropriations process?

Funding for such programs is automatically available. Examples of programs outside the appropriations process include:

- Children’s Health Insurance Program (CHIP)
- The mandatory/matching portion of the Child Care Development Fund (CCDF)

Mandatory programs that bypass the appropriations process require an active authorization to receive funding in the new fiscal year. Several

such programs are set to expire on December 20 or December 31 and will not receive new funding absent congressional action. These include:

- Temporary Assistance for Needy Families (December 20)
- Personal Responsibility Education Program (December 31)
- Sexual Risk Avoidance Education (December 31)
- Mandatory portion of Community Health Centers (December 31)
- Medicare Enrollment Assistance Programs (December 31)
- Family-to-Family Health Information Centers (December 31)

Q. What about mandatory programs funded in appropriations acts (i.e., appropriated entitlements)?

Most of these programs will not have access to new funding during a shutdown, but states will be entitled to reimbursement once appropriations are enacted. Examples include:

- Social Services Block Grant (SSBG)
- Promoting Safe and Stable Families
- Child Nutrition
- Vocational Rehab – Basic State Grants
- Emergency Food Assistance Program (TEFAP) Commodities

In general, these programs will continue to have access to any carryover funding from previous years and states will have access to any awards provided during the first quarter of FY 2025.

Medicaid, Title IV-E Foster Care and Adoption Assistance, and Child Support Enforcement all received an appropriation for the first quarter of FY 2025 in the FY 2024 enacted budget.

In addition, the FY 2025 CR enacted in September allows certain mandatory benefits to be paid for up to 30 days after its expiration. This applies to Medicaid and Supplemental Nutrition Assistance Program (SNAP) benefits.

Q. How are transportation programs funded through contract authority affected?

These programs can largely continue, as contract authority is available for FY 2025. Most staff at Department of Transportation (DOT) agencies that provide grants to states are funded with contract authority. However, highway funding is unique due to the constraints placed on spending by the obligation limitation. In practice, states should take caution in obligating highway contract authority beyond the obligation limitation set by the first FY 2025 CR, which is provided on a pro rata basis through December 20 (available by state [here](#)). An explanation of why states should take caution based on a similar situation in FY 2019 is available [here](#).

Q. Do any programs already have FY 2025 funds available?

Some discretionary programs would not be immediately affected by a shutdown because they received FY 2025 funding in the FY 2024 appropriations act. Examples include:

- Title I Grants to Local Educational Agencies
- Special Education Grants to States
- Career and Technical Education state grants
- Workforce Investment Opportunity Act (WIOA) formula grants

The education programs listed above are funded for the 2024-2025 school year. WIOA adult and dislocated worker programs have funds for their program year (July 1, 2024-June 30, 2025). WIOA youth does not receive advance funding, but the enacted FY 2024 budget provided funding through June 30, 2025.

Q. What about grants funded in the IIJA?

The IIJA provided advance appropriations for a host of programs through FY 2026. These programs are not affected by the appropriations process and should continue as normal. Detail for specific programs is provided in Table 2.

Q. Can prior-year funds be used?

States need to determine if a program has prior-year funds available. If so, federal regulations may allow states to use unspent funds for obligations incurred in FY 2025. For example:

- Many education, health, and human services programs may use FY 2024 funds through September 30, 2025.
- Most Department of Justice grants may continue as long as sufficient funds remain.
- Some programs (Head Start, Public Health Emergency Preparedness) operate on a grant funding period that differs from the fiscal year; thus, funding is available into FY 2025 until the grant period ends.

Q. What if a program has a matching or maintenance-of-effort (MOE) requirement?

State spending during a shutdown may be used to meet federal matching or MOE requirements, unless Congress specifies otherwise. Presumably, states already have budgeted for these funds.

Q. What happens to federal financial management systems during a shutdown?

In general, automated payment systems are operational during a shutdown. There could be delays if the drawdown request is flagged because of internal controls. Moreover, some reimbursements may not be processed because staff certifying and executing the payments may not be available.

Grants.gov will remain operational, but with reduced federal staff.

Q. If states use their own funds to continue discretionary programs during a shutdown, will they be reimbursed?

Historically, the legislation that ends a shutdown has included language providing for state reimbursement. However, there is no guarantee; it is addressed by Congress on a case-by-case basis.

Next Steps

The processes and procedures triggered by a federal government shutdown are not set in stone. That said, FFIS has compiled [information](#) from previous shutdowns, which may inform how this one is handled. FFIS will continue to provide important updates as new information is made available.

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Impact of a Shutdown on Selected Mandatory Programs
 (\$ in millions; net of earmarks)

Programs	Assistance Listing No.	FY 2024 Funding	Bypasses Appropriations Process	Receives Advance Funding	May Carry Over Funds	Notes
MANDATORY						
Education						
Vocational Rehabilitation	84.126	\$3,725			X	States are entitled to reimbursement for incurred expenses. Funds are available for two years.
Food and Nutrition						
Supplemental Nutrition Assistance Program (SNAP) - Benefits	10.551	108,301			X	Excepted from shutdown but with only contingency reserves and multi-year funding available. First CR provides for payment of benefits for 30 days after it expires on December 20, 2024. Receives \$3 billion in contingency reserve funding each year.
SNAP - State Administration	10.561	5,874			X	See note for SNAP benefits.
Child Nutrition	10.553, 10.555, 10.558, 10.559, 10.560	33,271			X	Excepted from shutdown but with only contingency reserves and multi-year funding available. Funds are awarded on a two-year basis. Section 32 funding (a transfer of customs receipts for commodity purchases) can be made available absent appropriations. Operates on a reimbursement basis, with payment 30 days after service month.
Health and Human Services						
Medicaid - Vendor Payments + Administration	93.778	613,681		X		Funding provided through first quarter of FY 2025. Benefit payments can continue for 30 days after CR expiration.
TANF	93.558	16,512	X			TANF funding expires December 20, 2024, although states have received first quarter FY 2025 awards. Without an extension, no new funding will be available. During previous shutdowns, states have been able to access unspent federal TANF funds from previous years. States may also use TANF MOE funds.
Children's Health Insurance Program (CHIP) State Allotments	93.767	19,652	X			
Foster Care	93.658	5,033		X		Funding provided through first quarter of FY 2025.
Child Support Enforcement	93.563	5,266		X		Funding provided through first quarter of FY 2025. ACF's contingency plan indicates that working with the Office of Child Support Services will continue during a shutdown.
Community Health centers (mandatory portion)	93.224	4,627	X		X	Funding expires December 31, 2024. Without an extension, no new funding will be available.
Child Care Development Fund (CCDF) - mandatory/matching	93.596	3,550	X			Funding is permanently appropriated and shouldn't be affected by a shutdown.
Adoption Assistance	93.659	4,392		X		Funding provided for first quarter of FY 2025.
Social Services Block Grant	93.667	1,603			X	Funds are available for obligation for two years.
Promoting Safe and Stable Families (mandatory portion)	93.556	325			X	Funds are available for obligation for two years.
Maternal, Infant, and Early Childhood Home Visiting	93.505	519	X			Funding is appropriated through FY 2027.

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Impact of a Shutdown on Selected Discretionary Programs
 (\$ in millions; net of earmarks)

Programs	Assistance Listing No.	FY 2024 Funding	Bypasses Appropriations Process	Receives Advance Funding	May Carry Over Funds	Notes
DISCRETIONARY						
Education						
Title I Grants to Local Education Agencies	84.010	18,407		X		Funding already provided for 2024-2025 school year.
Special Education State Grants (Part B-611)	84.027	14,214		X		Funding already provided for 2024-2025 school year.
Supporting Effective Instruction	84.367	2,190		X		Funding already provided for 2024-2025 school year.
Career and Tech Ed	84.048	1,440		X		Funding already provided for 2024-2025 school year.
Health and Human Services						
Head Start	93.600	12,272			X	Grant year varies; grantees must request approval to carryover unobligated funds.
LIHEAP	93.568	4,125	See notes		X	IIJA advance funding for FY 2025 (\$100 million) and \$3.6 billion in FY 2025 funding has already been awarded to states. States can carry over 10% of funding.
Child Care and Development Block Grant	93.575	8,746			X	Funds are available for obligation for two years.
Ryan White AIDS Grants	93.914, 93.917+	2,571			X	Grants are awarded later in the year, so programs will not be affected by a short-term lapse. States must request approval to carry over unobligated funds.
Substance Use Prevention, Treatment, and Recovery Services Block Grant	93.959	2,008			X	Funds are available for obligation for two years.
State Opioid Response Grants	93.788	1,575			X	Funds are awarded later in the fiscal year and available for two years.
Community Services Block Grant	93.569	770			X	Funds are available for obligation for two years.
CDC - Public Health Preparedness	93.074	735			X	FY 2024 project period ends June 30, 2025.
Labor						
Workforce Innovation and Opportunity Act (WIOA) formula grants	17.258, 17.278, 17.259	2,929		X		Funding already provided through June 30, 2025.
Unemployment Insurance - State Administration	17.225	3,142			See notes	FY 2024 grant funds are available for obligation through December 31, 2024 (except funds for automation and certain other purposes are available through September 30, 2026).
Transportation						
Federal Aid Highways (contract authority)	20.205	60,096	X	X	X	Projects can continue because contract authority is already in place. Ability to obligate funds is constrained by the obligation limitation under the first CR.
Highway Funding (IIJA advance appropriations)	20.205	9,454	X	X	X	Funds are available.
Highway funding (annual appropriations)	20.205	341			X	Prior-year funds remain available for obligation for four years. Several programs also receive contract authority.
Transit and Bus Grants (contract authority + IIJA advance appropriations)	20.500+	18,240	X	X	X	Both contract authority and advance appropriations will be available. In general, these funds remain available for obligation for 3-5 fiscal years.
Transit and Bus Grants (annual appropriations)	20.500+	2,251			X	These funds mostly supplement contract authority or advance appropriations from the IIJA. The period of availability varies (3-5 years).
Other						
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	7,030			X	Excepted from shutdown but with only carryover funding (from FY 2024) and funding from the first FY 2025 CR available. Funds are available for two years.
EPA revolving loan funds (annual appropriations)	66.458, 66.468	1,346			X	Grant recipients may make drawdowns for previous obligations. Funds are available for two years.
EPA revolving loan funds (IIJA advance appropriations)	66.458, 66.468	8,831				Funds are available, but EPA's ability to operate at normal levels could be affected.
State and Local Law Enforcement Assistance	multiple	2,475			X	Grants are funded from no-year appropriations, as are the employees who administer them. Activities may continue as long as sufficient carryover funds remain.
State Homeland Security Grant Program	97.067	387			X	Period of performance is 36 months.
Weatherization	81.042	366			X	Awards last 3-5 years. Amount excludes \$3.5 billion from the IIJA, which remains available for obligation.