



Budget Brief 25-02, March 7, 2025

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

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Summary

A government shutdown looms. No final fiscal year (FY) 2025 appropriations bills have been enacted, and a continuing resolution (CR) that has kept the government operating at FY 2024 levels expires on March 14. While a brief shutdown would be of minimal consequence, each additional day would increase the disruption.

The impact of an extended shutdown would vary by program. Most discretionary grant programs—plus mandatory programs funded in appropriations acts—would be affected because no new funding would be available.

FFIS periodically addresses the risks to states from federal government shutdowns. The questions and answers are generally the same from year to year and are summarized below. What is different this time is the political and budgetary environment.

[Table 1](#) at the end of the brief summarizes the outlook for selected mandatory programs and [Table 2](#) highlights selected discretionary programs.

Q. What makes this potential shutdown different from earlier ones?

Past shutdowns have usually been characterized by federal agencies working to minimize the impact on state grant programs by, for example, making prior-year carryover funds available. The current administration has adopted a less accommodating attitude and is subjecting some programs to enhanced scrutiny and payment delays even without a shutdown. Accordingly, states should be cognizant that the past may not be precedent.

Q. What happens to mandatory programs that operate outside the appropriations process?

As long as there is a current program authorization, funding for these programs is automatically available.

Examples of such programs include:

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

That said, the authorizations for several mandatory programs that bypass the appropriations process are set to expire on March 14 or March 31. These programs will not receive new funding absent congressional action. They include:

- Temporary Assistance for Needy Families (March 14)
- Personal Responsibility Education Program (March 31)
- Sexual Risk Avoidance Education (March 31)
- Mandatory portion of Community Health Centers (March 31)
- Medicare Enrollment Assistance Programs (March 31)
- Family-to-Family Health Information Centers (March 31)

Table 1 identifies programs that are funded independently of the appropriations process.

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

With a funding lapse, 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 of such programs include:

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

The programs listed should have access to carryover funds from previous years (see Table 1) and states should have access to FY 2025 awards provided prior to a shutdown. This could vary by agency and program.

The FY 2025 CR enacted in December 2024 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. Do any programs already have FY 2025 funds available?

For some discretionary formula programs, states should have access to any FY 2025 awards provided in previous CRs. In addition, several discretionary programs 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.

Table 2 identifies programs that receive advance funding.

Q. Can prior-year funds be used?

Such funds may be limited at this point in the fiscal year, so states will need to determine if a program has prior-year funds available. If it does, federal regulations may allow states to use unspent funds for obligations incurred in FY 2025. In addition:

- 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.

Table 2 identifies programs that are permitted to carry over funds.

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 most recent FY 2025 CR, which is provided on a pro rata basis through March 14 (available by state [here](#)). An explanation of why states should take caution based on a similar situation in FY 2019 is available [here](#).

Q. What about grants funded in the Infrastructure Investment and Jobs Act (IIJA)?

These programs are not affected by the FY 2025 appropriations process and could continue if the administration permits them to do so. The IIJA provided advance appropriations for a host of programs through FY 2026 (identified in Table 2).

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

State spending during a shutdown may be used to meet matching or MOE requirements.

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

In the past, automated payment systems were operational during a shutdown; whether that will be true under the current administration is unknown. Assuming the systems are operational, there could be delays if a drawdown request is flagged by internal controls. Moreover, some reimbursements may not be processed if the employees certifying and executing the payments are not 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?

There is no guarantee. Historically, the legislation that ends a shutdown has included language providing for state reimbursement. However, Congress addresses this on a case-by-case basis.

Next Steps

A recent [Q&A](#) from the Committee for a Responsible Federal Budget provides useful information about shutdowns in general. In addition, agency contingency plans outline how departments will manage operations during a federal shutdown. Federal agencies are typically required to update these plans ahead of a potential shutdown. If updated plans are released, they will reveal how the new administration intends to operate during such an event. A centralized website is reportedly in development, but no updated plans have been released; selected agency materials include the following (which refer to previous potential shutdowns):

[Department of Health and Human Services](#) (scroll to the bottom of page for individual agencies)

[Department of Transportation](#)

[Department of Education](#)

[Department of Justice](#)

[Department of Agriculture](#)

[Department of Labor](#)

[Environmental Protection Agency](#)

[Department of Energy](#)

[Department of Homeland Security](#)

FFIS has compiled [information](#) from previous shutdowns and will continue to provide updates as new information is made available.

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[Back to Text](#)**Table 1****Potential Impact of a Shutdown on Selected Mandatory Programs**

(\$ in millions)

Program	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, multi-year funding, and FY 2025 CR funding available. Second CR provides for payment of benefits for 30 days after it expires on March 14, 2025. 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, multi-year funding, and FY 2025 CR 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		Advanced funding provided through first quarter and additional funding through FY 2025 CR. Benefit payments can continue for 30 days after CR expiration.
TANF	93.558	16,512	X			TANF funding expires March 14, 2025, although states have received second 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		Advanced funding provided through first quarter and additional funding through FY 2025 CR.
Child Support Enforcement	93.563	5,266		X		Advanced funding provided through first quarter and additional funding through FY 2025 CR. ACF's previous 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 March 31, 2025. 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		Advanced funding provided through first quarter and additional funding through FY 2025 CR.
Social Services Block Grant	93.667	1,603			X	States have received funding through FY 2025 CRs. 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. No FY 2025 funds have been awarded.
Maternal, Infant, and Early Childhood Home Visiting	93.505	519	X			Funding is appropriated through FY 2027.

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[Back to Text](#)**Table 2****Potential 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. States have received funding from FY 2025 CRs.
Ryan White AIDS Grants	93.914, 93.917+	2,571			X	Some grants are awarded later in the year and some have received funding from FY 2025 CRs. States must request approval to carry over unobligated funds.
Substance Use Prevention, Treatment, and Recovery Services Block Grant	93.959	2,008			X	States have received funding through FY 2025 CRs. 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	States have received funding through FY 2025 CRs. 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 provided through June 30, 2025.
Unemployment Insurance - State Administration	17.225	3,142			X	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 second FY 2025 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 FY 2025 CRs 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.

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