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September 26, 2025

FINANCE MEMORANDUM

MEMO NO. 25-16

TO: All Department Heads

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

SUBJECT: Cash Flow Requirements in the Event of a Federal Government Shutdown  
Federal Fiscal Year 2026 - REVISED

This revision is to correct the year in the first and third paragraphs in the FM 25-16 dated September 25, 2025, from October 15, 2026 to October 15, 2025

Further to Finance Memorandum (FM) No. 25-15, "Preparing for a Federal Government Shutdown in the Absence of a Federal Fiscal Year 2026 Budget" dated September 19, 2025, we are now asking departments to confer with their programs that manage federal awards to assess whether they will have sufficient cash to cover expenditures through October 15, 2025. Programs should draw down funds as allowable in a timely manner should a shut-down occur on October 1, 2025.

Cash requirements should be assessed for fully or partially federally funded programs for the following categories:

- 1) Payroll costs (salary and fringe) for positions.
- 2) Vendor payments for purchase of service contracts.
- 3) Payments to beneficiaries.
- 4) Other operating (other current expenses) costs.

All programs should prepare to first address cash shortfalls internally within their State FY 26 operating budget allocation through October 15, 2025. However, if a program anticipates that they will be unable to do so, the department should contact their Department of Budget and Finance (B&F) analyst and provide information regarding the estimated deficits using the attached form. The form should indicate the date that the program anticipates the shortfall will start and the deficit amounts for the remaining period for each of the above categories.

Please note that should a federal shutdown occur, the Hawai'i Information Portal (HIP) payroll system will continue to process federally funded payroll costs through November 5, 2025. This should not impact the estimated payroll deficits for the programs listed on your department's form. Further, departments are responsible for

clearing such payroll shortfalls with the Department of Accounting and General Services as soon as the respective federal funds are available. Other payments from accounts with payroll shortfalls will not be processed until the payroll shortfalls are addressed. Note the following, according to the attached Federal Fund Information for States (FFIS) Budget Brief 25-16 dated September 25, 2025:

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 furloughed or terminated.

During previous shutdowns, Grants.gov remained 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.

Forms shall be submitted to B&F, with a transmittal letter from your department head, in PDF format by September 29, 2025 from your department's designated email account to DBF.DOCS@hawaii.gov. Should you have any questions, please contact your B&F analyst.

Attachment: Cash Flow Requirements in the Event of a Federal Government Shutdown  
FFY 26- Worksheet

FFIS Brief 25-16, September 25, 2025 "Government Shutdown Q&A:  
Times Have Changed"