



Commonwealth of Virginia
Office of Governor Bob McDonnell

April 8, 2011

MEMORANDUM

TO: Executive Branch Agency Heads
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 current fiscal year.

The federal government has not adopted a formal budget for its fiscal year 2011. Since October 1, 2010, 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 2010 levels until midnight Friday, April 8, 2011, or until Congress takes subsequent action. To date, Congress has not enacted any budgetary measure to extend the deadline.

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:

(1) In the event of a partial federal shutdown, will your federal program(s) be affected? Ie. 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 not subject to this appropriation process?

(2) 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?

If the answer to question (2) is no or it cannot be confirmed, agencies with programs that are federally funded (in whole or in part) should cease incurring obligations and expenditures for which federal funding has not already been received. However, agencies may continue federally funded state employees on the payroll until midnight April 12, 2011, 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:

- 1) Agencies may use other funding to the extent it is available (All such expenditures should be charged back to federal funds via ATV after federal funding is restored);
- (2) 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 April 12, 2011, those employees should be notified, effective midnight April 8, 2011, 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 contact their respective Secretary to obtain further guidance as necessary.

Please ensure that you notify your Cabinet Secretary and 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 April 12, 2011 cut-off date.

Some informal notes put together by staff of the National Governor's Association based on their contacts with various federal agencies are [attached](#) for your assistance.

Thank you for your prompt attention to this issue.