



JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT 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

September 22, 2023

FINANCE MEMORANDUM

MEMO NO. 23-14

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 possible federal government shutdown that would begin on October 1, 2023 unless action is taken by Congress to avert a shutdown. To date, Congress has not yet enacted any appropriations measures for the federal fiscal year 2024, nor a continuing resolution (CR) which would keep the government temporarily operating at current-year levels.

Many federal government agencies and programs rely on annual funding appropriations passed by Congress. Every year, Congress must pass, and the President must sign budget legislation for the next fiscal year, consisting of 12 appropriation bills, one for each Appropriations subcommittee. Congress has not yet enacted any of the 12 bills for federal fiscal year 2024 that make up the discretionary spending budget. In a "shutdown," federal agencies must discontinue all non-essential discretionary functions until new funding legislation is passed and signed into law. Essential services continue to function, as do mandatory spending programs.

Please review the attached Federal Funds Information for States Budget Brief 23-21 and begin discussions within your department to identify potential impacts to your federally funded programs.

B&F will monitor this situation and provide further instructions should a shutdown be imminent.



Budget Brief 23-21, September 14, 2023

# FAQs: Potential Impacts of a Government Shutdown on State Grant Programs

By FFIS staff; contact: Marcia Howard • 202-624-5848 • [mhoward@ffis.org](mailto:mhoward@ffis.org)

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## Summary

The federal government is days away from a shutdown. To date, no fiscal year (FY) 2024 appropriations have been enacted, nor has a continuing resolution (CR), which would keep the government operating at current-year levels.

Should a shutdown occur, state officials will have questions about their ability to operate federal grant programs. While the answers to those questions vary by program, most discretionary programs (and some mandatory programs funded in appropriations acts) would be affected by a shutdown 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.

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## 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)

Such mandatory programs require an active authorization to receive funding in the new fiscal year. Several such programs are set to expire on September 30, and will not receive new funding absent congressional action. These include:

- Some Farm Bill programs, including the Senior Farmers Market Nutrition Program

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- Airport Improvement Program (AIP)
  - Temporary Assistance for Needy Families (TANF)
  - The mandatory portion of Community Health Centers

**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
- Supplemental Nutrition Assistance Program (SNAP)
- Emergency Food Assistance Program (TEFAP) Commodities

In general, these programs will continue to have access to any carryover funding from previous years. For example, funding for Child Nutrition programs is available for two years, so unspent funds from FY 2023 (if any) will remain available.

Medicaid, Title IV-E Foster Care and Adoption Assistance, and Child Support Enforcement all received an appropriation for the first quarter of fiscal year (FY) 2024 in the FY 2023 enacted budget. Accordingly, states would have access to that funding.

With regard to SNAP, its funding authorization is set to expire September 30. Even with that expiration, Congress can continue to fund it through the appropriations process. During a shutdown, however, the program will not have access to new funding. It may continue operations using multi-year carryover funds and contingency reserves.

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

According to the Department of Transportation’s (DOT’s) contingency plan for FY 2023, these programs— including those administered by the Federal Transit Administration (FTA)—would continue to operate as normal during a shutdown.

Prior to enactment of the Infrastructure Investment and Jobs Act (IIJA), FTA programs would have been mostly halted during a shutdown because administrative funding was provided through annual appropriations bills. The IIJA provides FTA with administrative funds from the Highway Trust Fund through FY 2026, making funds available without congressional action.

At the time the FY 2023 plan was drafted, agencies in DOT had sufficient liquidating cash balances to reimburse states for project costs. It is unknown whether this is the case heading into FY 2024.

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**Q. Do any programs already have FY 2024 funds available?**

Some discretionary programs would not be immediately affected by a shutdown because they received FY 2024 funding in the FY 2023 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 2023-2024 school year. WIOA adult and dislocated worker programs have funds for their program year (July 1, 2023-June 30, 2024). WIOA youth does not receive advance funding, but the enacted FY 2023 budget provided funding through June 30, 2024.

**Q. What about grants funded in COVID-19 relief or infrastructure legislation?**

For the most part, COVID-19 activities would continue during a shutdown, including those administered by the Department of Education (ED) and the Department of Health and Human Services (HHS). Much of this funding was distributed during FY 2021 and can be carried over from year to year.

The IJA 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.

**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 2024. For example:

- Many education, health, and human services programs may use FY 2023 funds through September 30, 2024.
- 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 2024 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 have already budgeted for these funds.

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**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.

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## 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 update this page as events unfold in the coming days.

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

| Programs  | Assistance Listing No.                 | FY 2023 Funding | Bypasses Appropriations Process | Receives Advance Funding | May Carry Over Funds | Notes   |
|---|--|-----------------|---------------------------------|--------------------------|----------------------|---|
| <b>MANDATORY</b>  |  |                 |                                 |                          |                      |   |
| <b>Education</b>  |  |                 |                                 |                          |                      |   |
| Vocational Rehabilitation                                   | 84.126                                 | \$3,725         |                                 |                          | X                    | States are entitled to reimbursement for incurred expenses. Funds are available for two years.  |
| <b>Food and Nutrition</b>                                   |  |                 |                                 |                          |                      |   |
| Supplemental Nutrition Assistance Program (SNAP) - Benefits | 10.551                                 | 125,127         |                                 |                          | X                    | Excepted from shutdown but with only contingency reserves and multi-year funding available. Receives \$3 billion in contingency reserve funding each year.  |
| SNAP - State Administration                                 | 10.561                                 | 5,708           |                                 |                          | X                    | See note for SNAP benefits.   |
| Child Nutrition   | 10.553, 10.555, 10.558, 10.559, 10.560 | 28,550          |                                 |                          | X                    | Funds are awarded on a two-year basis. Excepted from shutdown but with only contingency reserves and multi-year funding available. Section 32 funding (a transfer of customs receipts for commodity purchases) can be made available absent appropriations. |
| <b>Health and Human Services</b>                            |  |                 |                                 |                          |                      |   |
| Medicaid - Vendor Payments + Administration                 | 93.778                                 | 658,928         |                                 | X                        |                      | Funding already provided for first quarter of FY 2024.  |
| TANF (including Contingency Fund)                           | 93.558                                 | 17,120          | X                               |                          |                      | TANF funding expires September 30, 2023. 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                                 | 18,650          | X                               |                          |                      | Funding already provided for first quarter of FY 2024.  |
| Foster Care   | 93.658                                 | 6,368           |                                 | X                        |                      | Funding already provided for first quarter of FY 2024.  |
| Child Support Enforcement                                   | 93.563                                 | 4,357           |                                 | X                        |                      | Funding already provided for first quarter of FY 2024.  |
| Community Health centers (mandatory portion)                | 93.224                                 | 3,905           | X                               |                          | X                    | Funding expires September 30, 2023. 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                                 | 4,128           |                                 | X                        |                      | Funding already provided for first quarter of FY 2024.  |
| Social Services Block Grant                                 | 93.667                                 | 1,603           |                                 |                          | X                    | Funds are available for obligation for two years.   |
| Promoting Safe and Stable Families                          | 93.556                                 | 325             |                                 |                          | X                    | Funds are available for obligation for two years.   |
| Maternal, Infant, and Early Childhood Home Visiting         | 93.505                                 | 500             | 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 2023 Funding | Bypasses Appropriations Process | Receives Advance Funding | May Carry Over Funds | Notes   |
|---|------------------------|-----------------|---------------------------------|--------------------------|----------------------|---|
| <b>DISCRETIONARY</b>  |                        |                 |                                 |                          |                      |   |
| <b>Education</b>  |                        |                 |                                 |                          |                      |   |
| Title I Grants to Local Education Agencies                                    | 84.010                 | 18,387          |                                 | X                        |                      | Funding already provided for 2023-2024 school year.   |
| Special Education State Grants (Part B-611)                                   | 84.027                 | 14,194          |                                 | X                        |                      | Funding already provided for 2023-2024 school year.   |
| Supporting Effective Instruction  | 84.367                 | 2,190           |                                 | X                        |                      | Funding already provided for 2023-2024 school year.   |
| Career and Tech Ed  | 84.048                 | 1,430           |                                 | X                        |                      | Funding already provided for 2023-2024 school year.   |
| <b>Health and Human Services</b>  |                        |                 |                                 |                          |                      |   |
| Head Start  | 93.600                 | 11,997          |                                 |                          | X                    | Grant year varies; grantees must request approval to carryover unobligated funds.   |
| LIHEAP  | 93.568                 | 6,100           | See notes                       |                          | X                    | States can carry over 10% of funding. IJIA advance funding for FY 2024 (\$100 million) is available.  |
| Child Care and Development Block Grant  | 93.575                 | 8,021           |                                 |                          | 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                    | 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             |                                 |                          | See notes            | FY 2023 project period ends June 30, 2024. States may usually carry forward unobligated balances, but this doesn't apply from 7/1/23 - 6/30/24 because it is the last 12 months of the five-year budget/performance period. |
| <b>Labor</b>  |                        |                 |                                 |                          |                      |   |
| Workforce Innovation and Opportunity Act (WIOA) formula grants                | 17.258, 17.278, 17.259 | 2,929           |                                 | X                        |                      | Funding already provided through June 30, 2024.   |
| Unemployment Insurance - State Administration                                 | 17.225                 | 3,135           |                                 |                          | See notes            | FY 2023 grant funds are available for obligation through December 31, 2023 (except funds for automation and certain other purposes are available through September 30, 2025).   |
| <b>Other</b>  |                        |                 |                                 |                          |                      |   |
| Federal Aid Highways (contract authority + IJIA advance appropriations)       | 20.205                 | 68,958          | X                               | X                        | X                    | Projects funded through the Highway Trust Fund (HTF) can continue because of contract authority already in place. Advance appropriations are available.   |
| Highway funding (general fund)  | 20.205                 | 1,555           |                                 |                          | X                    | Prior-year funds remain available for obligation for four years. Several programs also receive contract authority, which is available.  |
| Transit and Bus Grants (contract authority + IJIA advance appropriations)     | 20.500+                | 17,884          | 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 (general fund)   | 20.500+                | 2,392           |                                 |                          | X                    | These funds mostly supplement contract authority or advance appropriations from the IJIA. The period of availability varies (3-5 years).  |
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) | 10.557                 | 6,000           |                                 |                          | X                    | Funds are available for two years.  |
| Community Development Block Grant (CDBG)                                      | 14.218, 14.228         | 3,300           |                                 |                          | X                    | HUD will continue to disburse CDBG funds that have been obligated or in cases where the failure to address issues results in a threat to safety of life or property.  |
| EPA revolving loan funds (annual appropriations)                              | 66.458, 66.468         | 1,293           |                                 |                          | X                    | Grant recipients may make drawdowns for previous obligations. Funds are available for two years.  |
| EPA revolving loan funds (IJIA advance appropriations)                        | 66.458, 66.468         | 8,304           |                                 |                          |                      | Funds are available, but EPA's ability to operate at normal levels could be affected.   |
| State and Local Law Enforcement Assistance                                    | multiple               | 2,695           |                                 |                          | 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                 | 430             |                                 |                          | X                    | Period of performance is 36 months.   |
| Weatherization  | 81.042                 | 366             |                                 |                          | X                    | Awards last 3-5 years.  |

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