
CAPLAW

Community Action Program Legal Services, Inc.

Government Shut Down: Three Critical Actions CAAs Must Take To Continue Operations

April 8, 2011 UPDATE

Congressional agreement on a final FFY 2010 budget before midnight tonight (April 8) is unlikely, and the possibility of another continuing resolution—a stop gap budget extension—is off the table, according to Senate leaders and the White House. CAAs may continue to operate during a shut down, but should carefully assess whether it is financially feasible to operate at 100 percent or whether operations should be reduced until the budget impasse is resolved.

CAAs must take three actions immediately to ensure enough funds are on hand to continue operating during a shutdown.

- 1. Talk to your state CSBG officials and find out how much money from pass-through programs (for example, CSBG, LIHEAP and Weatherization) is on hand to pay your CAA for its work on those programs.** Availability of funds depends on whether Congress appropriated your state's CSBG and other federal pass-through funds for federal fiscal year (FFY) 2010 or FFY 2011 and to what extent they have been obligated to the state by the federal government. FFY 2010 funds should be fully obligated and are not subject to the cuts Congress is currently debating. If funds are available, submit expense reimbursements to state CSBG and other pass through federal funding sources and draw down available grant funds to ensure your CAA has the maximum amount of cash available to meet short term obligations.
- 2. Assess and prioritize your CAA's short-term obligations.** Keep in mind if you suspend operations for one or more programs, you will forfeit the ability to request reimbursements for the inactive period. Also, resist the temptation to pay expenses for one program with funds from another program to meet these obligations. Continue to withhold and remit federal and state income and employment taxes.
- 3. Keep staff informed and calm.** Explain the potential effects of a shutdown to your staff. Be sure to share proactive measures taken to lessen any anxiety.

Looking Ahead: Plan for 2011 Budget Cuts

While the budget forecast appears grim, CAAs can be proactive and make strategic budget cuts and business decisions now to mitigate the impact of anticipated cuts on core operations and program services.

- 1. Take stock of “knowns” and “unkowns” across your agency, in your active grants and contracts, and your overall funding environment.**
Work out multiple agency-wide budgets based on best case, worst case, and most likely scenarios.
- 2. Hold off on hiring staff (if possible) or granting pay raises** until Congress has approved a budget for the rest of FFY 2011.
- 3. Review your CAA’s leases and contracts** to determine which ones may be terminated early—and at what cost. Consider where you can negotiate lower rates, revised payment terms, reduce services or goods to be supplied under the contracts, or not renew or notify vendors of nonrenewal in sufficient time for contracts with automatic renewal clauses.
- 4. Consider a new or increased line of credit** as bridge funds if other revenue sources, such as private grants and donations, increased earned income are possible. Exercise caution; do not use an open line of credit to avoid hard budget decisions. Also, keep in mind that interest on a line of credit is not an allowable expense under OMB Circular A-122 and would need to be paid from funds not subject to A-122.
- 5. Educate and engage your program directors in the process.**
Encourage them to think creatively about cross-program resource sharing and staff reconfiguration to ensure the core operation remains strong enough to support program delivery--while remaining in compliance, of course.
- 6. Determine whether outsourcing makes sense** for labor and cost-intensive services, such as information technology; maintenance and transportation; accounting and HR services (e.g., payroll, accounts payable, and benefits administration; or communications (e.g., printing, publishing, or web services).