



Preparing for a Possible Federal Government Shutdown

With the possibility of a federal government shutdown looming, what should Community Action Agencies (CAAs) be doing to prepare?

- 1. Don't panic.** A federal government shutdown will not result in an immediate stoppage of government funds to CAAs if the state has drawn down funds that it has yet to either distribute as an advance payment or reimbursement. Nor would CAAs necessarily need to close in the event of a shutdown. They would only need to do so if they do not have enough funds on hand to continue operating during the shutdown. If CAAs stop operating one or more programs, they will not be able to claim reimbursements for those programs during that time. If a shutdown occurs, the most likely initial result will be delays in receiving federal grant funds.
- 2. Submit expense reimbursements to federal and state funding sources and draw down available grant funds ASAP.**
- 3. Talk to your state** and find out how much money from pass-through programs (for example, CSBG, LIHEAP and Weatherization) the state has on hand to pay your CAA for its work on those programs and whether the state anticipates delays in payment to CAA in the event of a federal shutdown.
- 4. Assess your CAA's ability to meet its short-term obligations** in the event federal funding is delayed or cut. 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.
- 5. Obtain or increase a line of credit** to tide your CAA over in case reimbursements are delayed. However, 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.
- 6. Communicate with employees.** Explain the likely effects of a shutdown to your staff. Keep staff informed and, if your policy requires notice of layoffs, consider notifying affected staff of possible layoffs as of October 1.
- 7. Hold off on hiring staff (if possible) or granting pay raises** until Congress has passed a continuing resolution or approved a budget for federal spending in FFY 2014.