

Vermont State Government - Federal Shutdown Implications

Vermont Department of Finance & Management

Status as of: **October 8, 2013, 4PM; expect revisions as new information is received**

Pre-shutdown preparations:

- The Department of Finance and Management and the Treasurer's Office are actively monitoring the State's expenditures and cash-flow position to minimize the impact – as much as possible – of the shutdown to Vermont State Government and citizens.
- During the week prior to the shutdown, departments were instructed to “draw down” all eligible federal funds through September 30, 2013.
 - Based on these instructions as well as the normal course of business, the State of Vermont's cash position improved by \$97.3 million (\$93 million of which are federal funds) over the three business days prior to the shutdown.

Post-federal shutdown:

- **It should be noted that two significant non-State programs – Social Security and Medicare – are not affected by a shutdown; nor is Medicaid (a federal/state shared program).**

State Programs that are not affected:

- **Health Care Exchange (Vermont Health Connect) under Affordable Care Act:** because much of the funding contained in ACA was mandatory and/or provided under multi-year appropriations, the federal shutdown did not affect the implementation of certain provisions of health care reform that took effect on October 1, 2013.
- **Medicaid:** This entitlement program continues State operation, with reimbursement by the federal government, despite federal shutdown. For example, a federal reimbursement was disbursed on October 1, despite the shutdown.
- **SSI/AABD:** The State provides a supplement to certain SSI benefits under the Aid to the Aged, Blind, and Disabled (AABD) program. The SSI program is similar to Medicaid in that the first quarter of the fiscal year is already appropriated. Therefore, benefits should be available for the first quarter even with the lapse in appropriations.
- **Title IV-E-Foster Care and Adoption Assistance:** Title IV-E-Foster Care and Adoption Assistance are also appropriated entitlement programs that received an advance appropriation for the first quarter of FY 2014 in the FY 2013 appropriations package. As such, they are not affected by a short-term shutdown.

Local programs that are NOT affected:

- **K-12 Education.** The major federal education programs that Vermont districts participate in (Title I Grants to LEAs, Improving Teacher Quality State Grants, special education, and career and technical education) are forward-funded. These programs will continue to operate without

a Continuing Resolution (CR), subject only to availability of necessary federal staff to process activity.

State Programs that are not affected AT THIS TIME:

Some state programs could continue to operate assuming that the shutdown is short-lived, with the expectation that the federal government will ultimately reimburse the State. However, should the shutdown continue, the State would need to revisit the decision whether to continue to operate, given the strains on State cash and the risk of non-reimbursement from the federal government. For these programs, reimbursement is not assured, and the issue would be addressed – positively or negatively – in any legislation ending the shutdown.

- **WIC (Special Supplemental Food Program for Women, Infants, and Children (WIC)) (Health Dept):** WIC is a discretionary grant program. As such, without an appropriation there are no new funds available for it. However, Vermont intends to continue to provide WIC benefits using funds carried over from the prior federal year to the extent allowed, at least initially, depending on the length of the shutdown. The Health Department advises that such carry-over should be sufficient to cover food benefits for October; however, there are no federal funds available to cover October administrative expenses during the shutdown.
 - The U.S. Department of Agriculture (USDA) has provided the following guidance: *USDA is working with WIC State agencies to use all available funding resources to provide benefits to participants. The Food and Nutrition Service (FNS) has allocated both contingency and carryover funds to State agencies for use in operating their FY 2014 WIC Program. If a lapse extends past late October, federal WIC funding may not be sufficient to cover benefits. Potential FY 2014 funding resources State agencies may use to pay their FY 2014 food and nutrition services and administration (NSA) include WIC Contingency funds, NSA Spend-forward funds, reallocated carryover funds, rebates and State appropriated or general funds.*
- **Temporary Assistance for Needy Families (TANF):** This program is branded in Vermont as “ReachUp.” The program’s authorization officially expired after September 30, 2013. The federal department advises that states may use prior-year funds or non-federal dollars required to meet matching/maintenance-of-effort (MOE) requirements. States may seek reimbursement for nonfederal funds afterwards, unless Congress specifies otherwise. Based on this guidance, Vermont intends to provide ReachUp benefits at least initially, depending on the length of the shutdown.
- **Child Care Assistance:** Same as TANF above.
- **Unemployment Insurance (UI).** While UI benefits are mandatory and do not require an annual appropriation, state administrative funds are subject to the annual appropriations process. Thus, UI benefits will continue through a government shutdown; however Vermont will have to utilize reserves for administrative expenses, and reimbursement is unclear. It should be noted that a reimbursement of state administrative expenses was recently made by the U.S.

Department of Labor prior to the shutdown; the next reimbursement payment is not due until the end of October.

- **Workforce Investment Act (WIA):** The Vermont Department of Labor (VDOL) advises that it has sufficient funds, including prior-year carry-over of federal funds, so that it does not anticipate any interruption of staffing or client services at this time; however, reimbursement of some of these expenses is unclear.
- **Other Labor Programs (“Project WorkSAFE”; VOSHA; Veterans Employment Counselors):** VDOL advises that the above programs are reliant on a significant federal contribution (match rate varies). While the State has continued to operate these programs to date, at some point in the near future, the State will need to revisit that decision, given the State cash demands as well as uncertain commitments from the federal department as to whether the State will be reimbursed the full federal match.

Local Programs that are not affected AT THIS TIME:

- **Child Nutrition:** The child nutrition programs—School Lunch, School Breakfast, Special Milk, Summer Food Service, and Child and Adult Care Food programs—are individual entitlement programs with benefits paid entirely by the federal government. Funds are available through October 1. October’s claims for reimbursement are not made until November 1. Hence, schools could continue to operate these programs assuming the shutdown is short-lived; but at some point, local education agencies will face cash-flow challenges and uncertainties about federal reimbursement.

Non-State Program that is not affected AT THIS TIME:

- **Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps):** In Vermont, this program is branded “3 Squares Vermont.” For the vast majority of participants, this benefit is paid directly by the federal government to the participant on the first of each month. The U.S. Department of Agriculture advises that it utilized reserve funds to pay October monthly benefits to participants. However, the federal department has not committed beyond October, if the shutdown continues.

Non-State Programs that ARE affected:

- **Head Start:** Head Start grant recipients will face various circumstances depending on their "grant year." Each recipient organization can establish its own grant year. A recipient whose grant year starts early in the fall might have to reduce or cease operations during the non-funded period.

Transportation:

- **FHWA** – Federal Highway Administration will be only minimally affected by the shutdown. The reason is that FHWA funding operates under “contract authority” established in multi-year

federal transportation authorization bills. Ongoing projects will not be affected because the funding for these projects has already been obligated, and reimbursement of expenditures incurred by FHWA will continue to occur on a weekly basis. FHWA provides the vast majority of all of VTrans' federal funding. New projects scheduled for advertising are not affected because VTrans can still use a concept known as "advanced construction" to authorize projects and only obligate the funds at later time. Moreover, budgetary spending authority established for SFY2014 continues to be available for VTrans to reimburse contractors even for new projects. The State Treasurer's Office cash flow management could be affected in the event of a long-term shutdown as VTrans will not be able to bill FHWA for expenditures that we incur on projects utilizing advanced construction. Any amounts expended on such projects cannot be billed for reimbursement until the obligation occurs. Because of the time of year – end of construction season – any such impacts are anticipated to be minimal.

- **FTA** – Federal Transit Administration will be significantly affected by a shutdown. No new grants will be approved and payments to States for reimbursements will not occur until Congress passes an annual funding bill. FTA is a much less significant funding source to VTrans than FHWA, so the impact will be minimal. Moreover, budgetary spending authority established for SFY2014 continues to be available for VTrans to reimburse transit providers. The State Treasurer's Office cash flow management could be affected as VTrans will not be able to bill FTA for expenditures that we incur. This would affect approximately \$21 million annualized for SFY2014, so a short shutdown will have minimal impact.
- **FEMA** – Federal Emergency Management billings and reimbursements are anticipated to continue normally as these funds are already obligated to eligible disasters and project worksheets and do not rely on passage of a new spending bill.
- **FAA** – Federal Aviation Administration - Aviation projects VTrans already has under grant agreement could conceivably see some delays in reimbursement through the federal Delphi system/E-invoicing. Turn around for payments in Delphi are 7 days. All critical decisions, requiring FAA involvement, are in hand so projects could continue on with no delay. Similar to FTA, budgetary spending authority established for SFY2014 continues to be available for VTrans to reimburse contractors and other entities working on projects. The State Treasurer's Office cash flow management could be affected as VTrans *may not* be able to bill FAA for expenditures that we incur. This would affect approximately \$7 million annualized for SFY2014, so a short shutdown will have minimal impact if any.
- **FRA** – Federal Rail Administration will have the least impact of any of VTrans' federal funding sources. FRA represents less than \$7 million annualized for FY2014. The impact to VTrans' ability to bill and be reimbursed for FRA expenditures is uncertain. But any such amounts are not significant.
- **Overall AOT impact minimal**

Federally-funded positions:

- A variety of positions across State government are funded by federal grants, and payment of these grants (i.e., federal reimbursement of eligible incurred State expenses) may be delayed or otherwise impacted by the federal shutdown;
 - however these State employees are continuing to perform their activities and getting paid by the State.

General points:

- Reduced staffing at the federal level may cause delays even for programs that are not “shut down.” For instance, the federal automated payment system will function with limited staffing and Vermont will be able to draw federal funds for payments that have been “obligated.” But for payments where an obligation has not been made – or where payment approval requires manual effort by federal employees, these payments may be delayed.

Unemployment Benefits for Furloughed Federal Employees:

The following is a press release from the State Department of Labor:

In response to the federal government shutdown, the Vermont Department of Labor staff has geared up to assist any federal employees, or other workers, who may be eligible for unemployment as a result of being furloughed without pay from their jobs.

The Vermont Department of Labor has posted information on its website that will guide and assist Vermonters who are trying to determine their eligibility for Unemployment benefits during the period of shutdown. Visit the Department’s website at www.labor.vt.gov. Two specific links for federal employees have been set up:

<http://www.labor.vermont.gov/FederalEmployees>, and

<http://www.opm.gov/policy-data-oversight/pay-leave/furlough-guidance/#url=Shutdown-Furlough>

According to Labor Commissioner Annie Noonan, the state’s unemployment insurance program will continue without interruption and no lapse of payments to unemployed workers during the federal government shutdown.

For individuals considering unemployment, UI claims can be filed as early as the first week of the shutdown (assuming the individual has not worked more than 35 hours during that week). Once a claim has been established, a statutory one-week waiting period is required before benefits can be issued.

Contact the State Department of Labor by telephone at (877) 214-3330, and a staff member will talk with you to help you with your claim. Please review the Vermont Department of Labor

website (www.labor.vt.gov) and have ready the required information prior to calling in to open a claim.