

DEPARTMENT OF SOCIAL SERVICES – IMPACT OF FEDERAL SHUTDOWN
September 30, 2013

It is important to note that the nature of the federal shutdown and the accompanying guidance from the cognizant federal agencies is evolving and is not fully articulated at this point in time. That which follows represents our best understanding as of this assessment.

The Department receives a significant level of federal funding. This occurs through three primary methods:

- Federal reimbursement of State “gross” appropriated expenditures for programs such as SNAP Administration, Child Support, TANF and CCDF
- Federal reimbursement to support Medicaid under the new “net funding”
- Grant based federal awards including items such as the LIHEAP, CSBG and SSBG block grants.

In SFY 2013, we received over \$3.5 billion in federal reimbursement and over \$178 million in federal grant awards. A summary of each of these is attached.

The potential cash flow impacts on the State will vary based upon the type of federal award. The impact upon client services and providers will also vary depending upon federal action and contingency plans for the shutdown, which in some cases is still evolving.

1. Revenue or reimbursement based awards

A significant portion of federal funds received by the agency represent reimbursement for major programs such as TANF, CCDF, Child Support, and SNAP administration. For these programs, we receive a State appropriation for the full “up front” costs and the federal reimbursement received is deposited as revenue to the State General Fund.

Funds for these programs are drawn down in a pre-set pattern during the quarter based upon the federal approval of our requested funding for that period. To the extent that the federal government shuts down and closes its draw down operation, the State may no longer be able to draw down these funds and a significant revenue loss could occur. Expenditures under these programs could only continue if the State Treasurer could manage the cash flow loss resulting from this revenue shortfall. In a massive federal government shutdown, this may place a significant burden upon the State related to the need for short term borrowing of funds.

Current information indicates that funding will be unavailable for TANF and CCDF after October 1st (combined revenue impact of \$25 million per month).

2. Net funded reimbursement based awards

Medicaid is clearly the most significant component of our reimbursement based federal programs, and has transitioned to a net funding arrangement for this

fiscal year. This makes the continuity of the flow of federal funds more important than ever for this critical health program.

For Medicaid, the federal government has established the quarterly award for the next quarter. We normally draw down funds against the award based upon a pre-determined draw schedule which is designed to match anticipated expenditure patterns during the quarter. This schedule is pre-set and agreed upon with the federal government in advance.

Under net funding, the majority of the funds we draw down are utilized to support the approximately 50% federal share of the expenditures under the program. Only 50% is funded through the State General Fund. Therefore, the lack of federal funds could have a direct impact on our ability to fund these services, leaving clients and providers alike without support.

Current information indicates that funding will continue to be available for Medicaid after October 1st.

3. Direct Federal Grant Awards

Some of our services are jointly funded by both a federal grant award allocation and a State General Fund allocation. For example, our Community Action Agencies are supported by both State and federal grant awards. In these situations, assuming the State component of the funding was sizable, federal funding shortfalls may be temporarily “covered” with additional allocations of General funds. This would clearly be a temporary solution as there will be limits to the State allocations. A prolonged federal shutdown would result in funding issues for these services.

For services that are solely funded with a federal grant award, the impact upon State services could be the most severe. It should be noted that these federal grant awards are normally granted on a quarterly basis. Grant awards are normally issued shortly after the start of a given quarter, and the normal process would be for the State to post that allocation on the Comptroller’s system. This action makes the funds available for expenditure. The State then draws from the federal payment system against the award as expenditures are incurred under that grant. In essence, a receivable is set up by the Comptroller and is replenished by federal draws that can only take place after we have a documented expenditure.

If the federal award is received for the next quarter before the shutdown, the funds could be posted to the Comptroller. If the federal government continues its payment operations (allowing the State to draw against expenses) and honors these funding commitments, no loss of funding would occur.

In the event that the federal government suspends its draw down operations, a loss of access to the replenishing federal funding would occur. As it is unlikely that expenses could be incurred in time to draw before the shutdown occurs, the State would need to decide whether it wished to continue to spend against that award, creating a receivable that would not be funded until the federal government resumed operations. Assuming the State will not be in a position to

support such sizable fiscal liabilities with no guarantee of eventual federal support, spending against these awards would stop and there would be no mechanism to fund these services.

This would directly affect employees funded via the federal grant. We have a limited number of such situations and they are noted in the documentation attached. Clearly, however, such funding limitations would have a severe impact on both clients and providers supported under these funding sources.

Current information indicates that funding will be unavailable for direct federal grant awards for FFY 2014 allocations.

SNAP Benefits

Another federal program that represents a unique funding arrangement is the federal Supplemental Nutrition Assistance program (SNAP). While the State receives federal reimbursement of administrative expenses for our State expenditures on these services, the actual SNAP benefits are not funded via the State or through a federal grant that “passes through” the State. The State manages the benefit issuances through an account which belongs to the federal government.

Current information indicates that funding will be available for SNAP Benefits for the month of October. We are uncertain as to how a prolonged shutdown would impact SNAP benefits as that has not yet been made clear by the federal government.

Other Information Related to Federal Block Grant Awards

As noted above, the span of services offered by the Department encompasses an array of federal programs. To give you a more specific sense of the impacts on individual programs, please see the additional information below on three of our most significant federal grant based program, our federal block grants.

Low Income Home Energy Assistance (LIHEAP)

- If the federal government shuts down, what impacts do you anticipate on your agency, programs, services, operations, and employees?

Currently, 1 DSS staff person (a Public Assistance Consultant) has 100% of their salary, plus indirect costs, charged to the LIHEAP Block Grant allotment. Historically, there have been 2, but one PAC retired last June. The position left vacant by the other PAC's retirement will likely be filled at some point later this fall. All DSS salaries for FFY 2013 have been charged. However, as of October 1st, the State may need to temporarily pay for the current PAC's salary from state funds until the first federal grant award is received, the timing of which is speculative in light of the potential federal shut-down.

There is approximately \$7,450,000 of LIHEAP funding being carried forward from FFY 2013 into FFY 2014. Once forwarded to Community Action Agencies

(CAAs), they should have enough funding on hand to pay for the first wave of fuel deliveries, which start on November 15th, but nothing more. A lengthy federal shut-down could jeopardize the ability of CAAs to meet payroll and to make timely payments to vendors.

FFY 2013 funds from HHS have been received, totaling \$76,013,951. FFY 2014 LIHEAP funding is estimated to be the same as that received in FFY 2013.

- What contingency plans do you have in place to address such impacts? (Each agency should identify available funding sources and services, prioritize them indicating which could be suspended and which may be essential and need to be continued.)

The development of Contingency Plans is in its preliminary stages. HHS has indicated that some federal databases will be accessible during any shut-down. The suspension of program activities at CAAs, which at this time of year is largely based on the processing of energy assistance applications, is not deemed necessary at this time.

Social Services Block Grant (SSBG)

- If the federal government shuts down, what impacts do you anticipate on your agency, programs, services, operations, and employees?

First quarter payments to the Social Services Block Grant contractors, administered by the Office of Community Services, will be partial payments using Federal carry forward funds available from FFY 2013. The SSBG contractors do not receive State funds and the available FFY 2013 funding in Core-CT will not be adequate to pay all the Office of Community Services Contractors their full quarterly payment. Failure to pay the SSBG contractors may jeopardize their ability to meet payroll and, therefore, to deliver all services for which the state contracts with them.

For SSBG-TANF funds, the following should be noted:

1. Nutrition Supplemental Program. This program appears to have FFY 2013 carry forward funds which results in no immediate funding impact to Contractors due to the Federal Shut-Down.
2. Emergency Shelter for Domestic Violence. This program appears to have FFY 2013 carry forward funds which results in no immediate funding impact to Contractors due to the Federal Shutdown.

SSBG funds allocated to Other State Agencies who administer those funds as they see appropriate. Those Agencies will need to develop their specific Contingency Plans due to the Federal Shutdown.

1. Department of Housing -DOH (SSBG/TANF & SSBG)
2. Department of Children and Families-DCF (SSBG/TANF)
3. Department of Public Health-DPH (SSBG/TANF)
4. Office of Early Childcare –OEC (SSBG/TANF)
5. Department of Rehabilitation Services DORS (SSBG and SSBG/TANF)
6. Department of Mental Health and Addiction Services (SSBG)

7. Department on Aging (SSBG)

DSS has drawn down the amount due for the current fiscal year (FFY 2103) and since there is no federal budget for FFY 2014 or continuing resolution, no FFY 2014 SSBG Federal Funds are expected to be received.

Community Services Block Grant (CSBG)

- If the federal government shuts down, what impacts do you anticipate on your agency, programs, services, operations, and employees?

One staff from the Audit Division has their salaries currently charged at 80% against CSBG administrative funding. As of today, there still is an unused balance of \$128,983 in Bud Ref 2013 CSBG Admin funds that can be used to pay for the position. The estimated annual salary charged to the CSBG Admin account for this staff member is \$133,716. No impact due to the federal shutdown is anticipated on staffing at this time.

DSS has proposed hiring 2 additional CSBG staff positions. DSS proposes that it be allowed to continue its recruitment activities and reevaluate the feasibility of hiring 2 staff members, within 30 days. At such time, if the budget standoff is not resolved, DSS shall hire 1 position and reevaluate the feasibility of hiring the 2nd position, once the budget standoff is resolved.

First quarter payments to Community Action agencies (CAAs) have not been issued as the contracts are in the process of being fully executed. Without the federal allocation of CSBG funds there are not sufficient funds currently available to cover the vendor payments in full for 10/1/13-12/31/13. Failure to pay CSBG funds to the CAAs may jeopardize their ability to meet payroll and, therefore, to deliver all services for which the state contracts with them.

Since, the FFY 2014 budget has not been finalized or a continuing resolution approved, these CSBG Federal Funds are not available to be drawn down.