



# STATE OF CONNECTICUT

## STATE BOARD OF EDUCATION



TO: Governor Dannel P. Malloy

FROM: Stefan Pryor  
Commissioner of Education

DATE: October 1, 2013

SUBJECT: Federal Shutdown Considerations

The Connecticut State Department of Education (CSDE) has examined the impact of the federal shutdown on our agency. Our primary concern is the well-being of Connecticut students, who receive crucial services and assistance through federal grants administered to school districts by the CSDE. The extent of financial hardship felt in Connecticut's schools and districts will be dependent upon the duration of the federal shutdown. A prolonged shutdown would raise serious concerns about the ability of towns and school districts to provide educational and nutritional services to students in the absence of the federal revenue streams that support the delivery of these services.

The CSDE administers over 30 federal grant programs from the U.S. Department of Education (USED) (e.g., Title I and IDEA Special Education Grants) and Department of Agriculture (USDA) (e.g., Child Nutrition Grants). A complete listing is attached. All of these programs are on a letter-of-credit basis that allows the State access to funds regardless of the shutdown. Guidance posted to the USED and USDA Web sites indicate that neither agency expects an interruption in federal funding during a federal shutdown of short duration. Indeed, during the last shutdown, the letter-of-credit system was not affected.

In the event that the letter-of-credit system is impacted, either due to the shutdown lasting more than a short period or some other short-term issue at USED or USDA, our concerns are as follows:

- On October 20, the CSDE is scheduled to release payments of approximately \$10 million to vendors for child nutrition programs. Three business days following the release, the CSDE will request funds from the federal letter-of-credit system to cover those payments. Normally, those funds would be available to the State Treasurer the following day. If not, the Treasurer will need to find other available resources. If the shutdown continues, this shortfall will occur monthly.
- On October 25, the CSDE is scheduled to release payments to vendors of approximately \$35 million for various federal programs. Three business days following the release, the Department will request funds from the federal letter-of-credit system to cover those payments. Normally, those funds would be available to the State Treasurer the following day. If not, the Treasurer will need to find other available resources. If the shutdown continues, this shortfall will occur monthly.
- On October 3, and each subsequent two-week period, the Department will experience a \$700,000 payroll obligation that covers approximately 130 federally funded employees. Two business days after each payroll, the Department will request funds from the federal letter-of-credit system to cover those payments. Normally, those funds would be available to the State Treasurer the following day. If not, the Treasurer will need to find other available resources.

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Our contingency plan includes notifying districts that they could expect a possible delay in receiving dollars from the State for their federally funded programs. We anticipate that an interruption to the revenue flow would lead to anxiety at the local level as to when the revenue stream would be restored. This would be particularly acute for the non-profit organizations that do not have other revenue sources to draw down during a shutdown period. We may need to consider temporarily financing grant payments to districts in order to support local level programs.

Additional consideration must be taken to monitor the effects of USDA programs beyond October 2013, because the carryover funding available to support FY2014 meal service may be limited.

We plan to continue discussions internally and with the Office of Policy and Management as to the appropriateness of the actions to be taken by our Department so that a coordinated response at the state level is delivered.

Thank you for the opportunity to reassess our Department's considerations.

SP:kd/gp

Attachment