



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

To: Agency Heads

From: Benjamin Barnes, Secretary

A handwritten signature in blue ink that reads "Benjamin Barnes".

Date: September 24, 2013

Subject: Federal Government Shutdown Contingency Planning

At Governor Malloy's request, OPM is undertaking to work with Connecticut state agencies to plan for the potential of a federal shutdown or default in the coming months. As you know, Connecticut's fiscal situation has greatly improved over the past few years: from a worst-in-the-nation per capita deficit to modest surpluses; from a reliance on gimmicks and one-time revenues to a commitment to Generally Accepted Accounting Principles; a reduction in long-term pension and health care liabilities; and a leaner and more effective state government. In the aftermath of the Great Recession, our state's economy—like that of the other states—has seen steady recovery. Unfortunately, the Governor and I are both deeply concerned that the United States Congress, particularly the House, may take reckless actions in the coming weeks that will undermine the improvement that we have seen, and threaten our fiscal condition in the months to come.

As you may be aware, the federal government has not enacted a budget for the upcoming federal fiscal year, and action will soon be required to adjust the federal debt ceiling. Accomplishing these essential fiscal tasks would provide stability to the national and state economies, and also assurances to those who rely on (and administer) government services. Unfortunately, the U.S. House of Representatives appears ready to tie action on the budget and the debt ceiling to repeal or de-funding of the Affordable Care Act. In the event that the federal government fails to reach an agreement to avoid a shutdown or default, there could be a significant impact on both your operations (especially staff and programs that rely on federal funding), and on the overall economy. By extension, such negligent action could have a serious negative impact on state revenues this year and in FY 2015. As a result, the Governor has directed that we begin contingency planning in order to mitigate the impact of a shutdown or default on the state's residents and to ensure that the state budget remains in balance.

A federal shutdown or default would not only derail the economic recovery and significantly affect state revenues, it would also affect state programs that rely on federal funds (the most significant of which is the Medicaid program), and state employees funded, either wholly or

partially, through federal funds. The state's exposure may include responsibility for paying the salaries of state employees working on federally funded programs, covering the federal share of entitlement programs such as Medicaid, and potentially entering into short-term cash flow borrowing if revenues and/or federal reimbursements significantly lag state outlays.

Accordingly, please provide, by October 1st, a written assessment of the potential impact on your agency's programs and operations as well as recommended steps for mitigating any risks. Note that the federal Office of Management and Budget has issued a reminder¹ to federal agencies to plan for the possibility of a shutdown; however, detailed federal guidance does not yet appear to be available to help you ascertain the specifics of any federal contingency actions.

² As part of these assessments, please identify programs and positions which are funded by grants and/or other outside funding which may be impacted by the potential federal government shutdown or default. While lists of impacted positions do not need to be provided to OPM at this time; guidance will be provided if collection of such information becomes necessary.

You should also be aware that my office is considering various contingencies to ensure that the state's budget remains in balance if tax revenues falter in the face of a shutdown, such as the implementation of allotment reductions (rescissions), further tightening hiring controls (including a hiring freeze which would encompass both state- and federally-funded positions), and limits on contracting. Executive branch agencies should provide your assigned OPM analyst with the impact assessment requested above as well as ideas and recommendations for rescissions. By way of this letter, I also strongly recommend that Legislative and Judicial branch agencies and the constituent units of higher education prepare contingency plans and to also prepare for the possibility of gubernatorial rescissions.

My office continues to monitor federal events, and updates will be provided as necessary. Thank you in advance for your attention to maintaining stability and essential services for Connecticut's residents.

c: Hon. Dannel P. Malloy, Governor
Hon. Nancy Wyman, Lieutenant Governor
Hon. Donald Williams, Senate President Pro Tempore
Hon. Martin Looney, Senate Majority Leader
Hon. Brendan Sharkey, Speaker of the House of Representatives
Hon. Joseph Aresimowicz, House Majority Leader
Hon. John McKinney, Senate Minority Leader
Hon. Larry Cafero, House Minority Leader
Hon. Chase T. Rogers, Chief Justice
Hon. Barbara M. Quinn, Chief Court Administrator

¹ <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-22.pdf>

² Federal agency contingency plans, last updated in 2011, are available at <http://www.whitehouse.gov/omb/contingency-plans>

Hon. Patrick L. Carroll III, Deputy Chief Court Administrator
Susan O. Storey, Chief Public Defender
Susan Herbst, President, University of Connecticut
Gregory Gray, President, Board of Regents
Agency Fiscal Officers
Agency Human Resource Directors
Alan Calandro, OFA