IMPACTS OF A GOVERNMENT SHUTDOWN: GRANTS

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US Policy and Regulatory Alert

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INTRODUCTION

Current federal funding expires this Saturday. As we approach the deadline, it is looking less likely that Congress will pass a continuing resolution, a short-term stopgap measure that continues appropriations, to avoid a government shutdown. Our Government Shutdown Task Force will continuously monitor the situation and assist clients impacted by the shutdown. This is the third alert in a series focused on the potential impacts of government shutdowns. Today's focus: What is the impact on federal grants?

NEW AND RENEWED GRANTS

The government shutdown will have the most impact on new applicants and new grant proposals. New and renewed grants are traditionally processed at the beginning of the fiscal year. For all grant proposals submitted before 1 October 2023, the review process will be delayed. Grant applicants who have not yet submitted a proposal may want to delay sending in a new proposal until the shutdown is resolved, due to the limited number of federal agency staff available for the review process. Likewise, new grant awardees who are negotiating the terms of their award as appropriations lapse on 1 October 2023 should expect a pause in negotiations if the government shutdown lingers. If the grant application deadline falls during the shutdown, grant applicants may want to consider asking the agency whether it will accept applications during a shutdown, or moving up submission of their application to before the shutdown starts. While an agency may choose to extend the grant application deadline in such circumstances, it is not necessarily required to do so.

Aside from actual funding, agencies handling grants also face administrative issues. Agencies will have to furlough grant personnel, which will slow down the processing of grants. An agency during a lapse in new appropriations might simply lack authority to complete necessary actions such as revising grant program regulations and guidelines, reviewing grant applications, and calculating formula allocations. Federal departments that distribute grants have unique contingency plans in the event of a shutdown. Applicants and current grantees funded by a specific department or program should review their latest updated agency contingency plan on the Office of Management and Budget's (OMB) website.

EXISTING GRANTS

During a shutdown, OMB may not allow federal agencies to process payments, inspect, administer, or engage in any other grant management activities for existing grants. State and local governments depend upon federal aid

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to fund projects and provide services that benefit communities and individuals. The operation of federally funded and state-administered programs will differ based on the amount of advanced payments, the amount in reimbursement payments, and the flexibility of program funding. Smaller grant recipients, such as those in rural communities, will likely struggle more because of smaller budgets and limited resources. The longer the shutdown persists, the greater the impact becomes. The state contingency funds will decrease, grants will expire, and state and local governments will grow increasingly unable to advance the money to run joint federal-state programs.

LOOKING AHEAD

Advanced communication and coordination with your affiliated agency is always the best course of action. Unfortunately, not all contingency plans are up to date and some plans give very little guidance. It is important to ask questions and engage now.

Be on the lookout for more alerts in this series focused on the impacts of government shutdowns, including the impacts on the issuance of guidance and regulations, fly-in meetings with executive and congressional offices, and other important matters.

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