



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



JOSH STEIN
GOVERNOR

KRISTIN WALKER
STATE BUDGET DIRECTOR

September 29, 2025

MEMORANDUM

TO: Department Heads, Chief Financial Officers, General Counsels, and Human Resource Directors

FROM: Kristin Walker, State Budget Director
Staci Meyer, State Human Resources Director

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SUBJECT: Potential Federal Government Shutdown

If Congress does not pass a spending bill or an extension of the continuing resolution by the end of Tuesday, September 30th, the federal government will shut down. Typically, when this occurs, the US Office of Management and Budget (OMB) issues federal government shutdown guidance on the next business day. Federal shutdowns historically have lasted only a few days, with the 2018-19 shutdown lasting 35 days, but we are in unprecedented times.

[OMB](#) has signaled that this shutdown will not be handled in the same manner as previous shutdowns. It is recommended that agencies review the [Q&A document from FFIS](#), which provides helpful context on how the current federal government shutdown differs from previous occurrences. Additionally, it is critical that all agencies thoroughly review federal grant awards and commitments supported by federal funds and mitigate service and operational disruptions while not overextending the state's resources.

During a federal shutdown each state agency manages their respective federally funded programs and employees. Agency heads should consult with their general counsels, chief financial officers, human resources directors, and other critical managers to manage and fully comply with all federal and state guidance.

Under federal shutdown conditions, **state agencies should consider available options to continue vital services but remain mindful that reimbursements from the federal government for expenditures are not guaranteed. As your agency implements a contingency plan, please consider and take the following action:**

1. Monitor the federal budget(s) and guidance affecting your agency as available. Federal agency shutdown contingency plans are available on their respective websites.

2. Determine whether it is necessary to use funds available, including remaining federal funds and/or cash balance, to continue critical programs and services. Agencies should only use funding available within the General Fund or special funds if such use would *not* cause a deficiency in another appropriated program or purpose.

At the end of the shutdown, 31 U.S.C. §1341(c)(2) requires furloughed *federal* employees to receive full back pay. Although federally funded state employees have historically been treated the same, OSBM cannot guarantee what the federal government will do. Agencies are encouraged to take this into account when deciding whether to proceed with using available funding.

Agencies **must** notify Assistant State Budget Officers [Mark Bondo](#) and [Brett Altman](#) which programs and for how long they plan to operate using state funding. OSBM can issue additional allotments as needed. Please note that allotments cannot exceed the certified budget.

It is also important for agencies to coordinate with their OSBM Budget Execution Analyst regarding any necessary budget revisions and potential implications for monthly close-out.

3. Cabinet agencies **must** use this [form](#) to notify OSBM and OSHR when they are actively furloughing employees and/or reducing their work schedules (note, this is a different form that used to collect information about the potential shutdown impact). Non-cabinet agencies and university institutions are also encouraged to use the form to notify OSBM and OSHR of furloughs and/or reduced work schedules.

For more information on furloughs and work schedule reductions visit the FAQ for Employee Relations staff on the [OSHR SharePoint site](#) or the FAQ for employees at the [Furlough Resource Center](#). If your agency is uncertain about the need to furlough employees, reduce work schedules, or requires additional support contact [Mark Bondo](#) and [Brett Altman](#) at OSBM, and [Nancy Astrike](#) and [James Harris](#) at OSHR. This process helps ensure that appropriate procedures are followed and all potential alternatives are thoroughly considered.

4. Notify OSBM and OSHR immediately if your agency receives a “stop work order” or federal guidance stating grants or other activities will not be reimbursed.
5. Communicate shutdown impacts to local government agencies and non-governmental organizations.

OSBM and OSHR will host virtual office hour sessions (using [this link](#)) for agencies to answer questions on Tuesday, September 30th from 11:00 AM – 12:00 PM and Wednesday, October 1st from 11:00 AM to 12:00 PM. Human resources directors and chief financial officers from agencies with federally-funded employees are requested to attend these sessions. If Congress takes action, one or both of these office hours may be cancelled.

OSBM and OSHR will continue to monitor federal guidance and congressional activity, and we will issue further guidance as needed. We appreciate your continued professionalism and partnership as we navigate these uncertain times.