



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**



Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

KRISTIN WALKER
STATE BUDGET DIRECTOR

May 26, 2023

MEMORANDUM:

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

From: Kristin Walker *Kristin Walker*

Subject: Potential Federal Debt Ceiling Breach

As you are aware, there is a possibility of the federal government failing to have sufficient resources to pay for approved expenditures in the month of June 2023. This date, known as the "X Date," is due to the federal government not having adequate borrowing authority under the statutory debt limit, known as the debt ceiling. If Congress fails to pass legislation extending the debt ceiling, federal funding may be affected for a variety of programs.

We currently do not know with certainty which programs will be impacted or how funding from the Federal government will be distributed should a debt ceiling breach occur. We are asking all agencies to provide information to OSBM that outlines the breadth and scope of federal funding so that we may better understand the impacts on agency operations, personnel, and programmatic risk. Specifically we are asking about federal funding to be received in June: the amount of funds, how those funds are anticipated to be spent, and any obligations that may not be met if funds are not received.

Please complete the Potential 2023 Federal Debt Default Agency Impact Questionnaire (Microsoft Form) to provide this information to the Office of State Budget and Management (OSBM). Agency responses should be submitted by May 31, 2023, at noon.

Because of the uncertainty of continued federal support in FFY 2023 for specific programs operating in North Carolina state departments and institutions, all agencies are expected to:

- Closely monitor through your contacts in associations and organizations the federal budget for programs affecting your department;
- Put in place a self-imposed limitation on hiring for totally or partially federally funded positions which are not related to the delivery of direct patient health care, safety, or the protection of property;

- Contact local government agencies and non-governmental organizations with information about the potential impact to them due to a potential federal default; and,
- Monitor any impacts of potential federal legislation extending the federal debt ceiling that may include spending caps, additional federal requirements on program recipients, or any rescission of federal funds.

Please contact us if you have any questions. We will continue to monitor the federal legislation impacting the debt ceiling and appropriations and notify you of any progress. As necessary, further guidance will be forthcoming. We appreciate your continued partnership and all you do to ensure good stewardship of the state's resources.