

Subject: Potential Impact of Federal and State Government Shutdown on Michigan State University Community
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From: DeVooght, Rebecca
To: DeanDirChair

Dear Colleagues,

This is an update on the rapidly evolving budget situations in Washington and Lansing. While the federal government has entered a shutdown, state leaders have announced progress toward a short-term budget solution.

Federal Update

- Congress had until midnight to pass a short-term funding measure, known as a Continuing Resolution (CR), to avoid a potential federal government shutdown and continue funding the federal government at current FY24 levels while congressional leaders continue to negotiate FY26 appropriations levels.
- Last week, following House approval of a GOP-proposed CR, the Senate rejected both this legislation and a Democratic Party alternative.
- Earlier this evening the Senate rejected both proposed CRs again, making a federal shutdown at midnight certain.

Therefore, MSU Government Relations wanted to provide an update regarding the latest proposed CRs and the impact of a shutdown on Michigan State University (MSU) and our stakeholders.

- The proposed GOP CR would have continued to fund all federal agencies and departments at FY24 levels until November 21.
- The Democratic Party's [alternative CR](#) would last through October 31 and would include permanent extension of enhanced Obamacare premium tax credits, reversal of One Big Beautiful Bill Act Medicaid cuts, a ban on future rescissions and restoration of public-broadcasting funding.

It is important to understand the potential implications for our university community if a shutdown does occur. The last federal shutdown lasted from December 22, 2018, to January 25, 2019.

General Background on Federal Government Shutdowns:

- **Shutdown Length:** Historically, short federal government shutdowns have had limited direct impact on MSU. However, more extended shutdowns could cause more significant disruptions, particularly in areas like research, international student services, and student financial aid.
- **Contingency Plans:** Over recent days, federal agency and department have released its plans for a shutdown. The Council on Governmental Relations has established a virtual [document hub](#) for these plans:

Potential for Restructuring and Reducing the Size of the Federal Government: During last week's negotiations, the White House Office of Management & Budget sent an email to heads of

federal agencies and departments instructing them to consider further reductions in force. (RIFs). To date, agencies/departments with plans for additional RIFs include the Department of Agriculture, the Department of Education's Financial Student Aid program, the Centers for Disease Control & Prevention and the Environmental Protection Agency. The MSU Office of Government Relations is monitoring this situation carefully and will report on any such plans.

Potential Impacts of a Shutdown:

1. International Students:

- The **State Department's** consular services, including visa issuance, would likely remain operational in the short term.
- However, the Department of Homeland **Security's U.S. Citizenship and Immigration Service (USCIS)** and the **Student and Exchange Visitor Program (SEVP)**, which are both user-fee funded, could expect minimal operations, potentially leading to delays in services.
- Additionally, Department of Labor processes such as Labor Condition Applications and prevailing wage determinations would likely halt.

2. Research:

- Historically, research activities that have already received federal funding have been able to continue without interruption during shutdowns.
- Automated systems for federal grant proposals would remain open, and deadlines are expected to stay in place.
- However, it would not be possible to: a) receive new grant or contract funding, b) communicate with program managers and other federal officials that are not designated as "essential", c) host federal site visits, or d) obtain required approvals or technical assistance from federal agencies.
- We anticipate that operations will follow a similar pattern if a shutdown occurs this year, and we are closely monitoring for any new directives. Please also note that extended shutdowns tend to introduce greater complications and uncertainties.
- The Office of the Vice President for Research & Innovation has set up a [website](#) for updates related to a shutdown.

2. Student Financial Aid:

- Short-term shutdowns are not expected to affect student aid or GI Bill benefits, and loans will continue to accrue interest. However, there would be limited support for students seeking assistance from the Department of Education as non-essential employees may be furloughed.
- New funding requests or changes to financial aid might be delayed due to a reduction in federal staff available to address these concerns.
- FAFSA processing could be delayed for currently enrolled students who have not yet completed their 2025-26 FAFSA.

State of Michigan Update

Early this morning, Governor Whitmer signed HB 4161 (now **Public Act 14 of 2025**), providing \$1.57 billion in spending authority (\$272.4 million General Fund) to fund state operations through **October 8**. The signing occurred at 4:07 a.m. on October 1, the first day of the new fiscal year.

This short-term continuation budget ensures that state government operations will continue uninterrupted, preventing a shutdown. However, it also underscores that Michigan has entered its fiscal year without a completed budget for the first time in 16 years.

Key Context:

- The continuation budget provides an eight-day window for drafting, legal review, and floor votes on the complete FY 2025–26 budget.
- Legislative leaders have said the agreement reached last week remains intact, but the timing of final passage is uncertain.
- The Jewish holiday of Yom Kippur, beginning at sundown today and ending tomorrow evening, will likely limit legislative activity this week, pushing substantive work to Friday or beyond.

Implications for MSU:

- With the continuation budget in place, **state appropriations, financial aid, and government services will continue without interruption this week**.
- However, until a full budget is passed and signed into law, there remains risk of disruption if the Legislature does not complete action by October 8.
- If the process stalls, potential impacts for MSU include:
 - **State Appropriations & Financial Aid:** if finalized budget is not signed by the Governor in the coming week, payments could be delayed.
 - **Regulatory and Administrative Services:** Slowed or suspended licensing, inspections, and approvals.
 - **Public Services:** As in 2007, curtailments of departmental operations and public-facing services could occur.

MSU Government Relations will continue monitoring closely as legislative leaders move toward finalizing the FY 2025–26 budget and will provide updates as the situation evolves.

Next Steps

- **Federal:** Until Congress enacts a CR, MSU leadership should prepare for disruption in grant processing, student aid services, and international student support if the shutdown extends into the long term.CR.
- **State:** We expect state services and appropriations to continue in the near term but will monitor the budget's final passage and report back on risks if votes are delayed.
- **Communications:** Government Relations will provide timely updates. Additional information and resources are posted on the MSU Government Relations website.

Please let us know if you would like further detail on potential impacts to your unit. We will keep you informed as the federal shutdown begins and as the state budget process continues.

Best regards,

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