

Federal Government Shutdown Implications: Updated September 30, 2025

The Department of Economic and Community Development (DECD) has reviewed and assessed its federally funded programs in order to understand and prepare for the possibility of a shutdown of the federal government. Generally speaking, DECD administers various grants that will not need to be covered by state funding if a shutdown were to occur, and the impact on DECD will be minimal. Below, please find a summary of the implications of a federal government shutdown on DECD.

Office of Business Development (OBD)

STEP – The State Trade Expansion Program (STEP) grant, funded by the United States Small Business Administration (SBA), is designed to help Connecticut's small business community thrive in the global marketplace by increasing the value of small business exports, increasing the number of businesses that export, and increasing the number of businesses exploring significant new trade opportunities.

Status: Funds are disbursed to businesses upon completion of approved, eligible activities and demonstration of proof of payment. On a quarterly basis, DECD receives its STEP disbursement. If there is stoppage in federal funds, the processing of our federal quarterly reports and quarterly requests for federal funds would not occur. This would slow down or halt our ability to approve, process, and reimburse companies. STEP funds go directly to small businesses, and DECD does not utilize any of these funds for administration or staff.

OBD Technical Assistance Programs – OBD provides general and Manufacturing Assistance Act (MAA) funded match to the federal funds. These programs include:

CONNSTEP - The state's manufacturing extension program, CONNSTEP is funded by DECD and the National Institute of Science and Technology (NIST). DECD provides general and manufacturing assistance act funding totaling \$1.8M. This funding provides administrative support so that the organization can provide technical assistance to the manufacturing industry. DECD has completed the contract process with CONNSTEP for FY25 funding.

Status: Federal funding is needed to keep the program operational. There is no immediate direct impact, but CONNSTEP will be unable to draw down funds until the payment system reopens.

Small Business Development Centers (SBDC) – The Connecticut Small Business Development Center (CT SBDC) is a statewide program that provides expert management and technical assistance to startup and existing businesses throughout the State of Connecticut. The CT SBDC is hosted by the University of Connecticut (UConn) and operates in partnership with the U.S. SBA, DECD, the Metro Hartford Chambers of Commerce and hundreds of service providers, lenders, and business partners across the State of Connecticut.

Status: CT SBDC operations will continue to operate in the event of a shutdown for an estimated twelve months, assuming that UConn does not curtail CT SBDC. Beyond twelve months, SBDC's ability to operate without federal funding or additional state funding would be limited.

Procurement Technical Assistance Programs (CT APEX) – CT APEX is a statewide program serving all cities and towns in Connecticut. Its mission is to provide marketing and procurement assistance to Connecticut businesses interested in selling their goods or services to federal, state, or local governments. It is funded in part through a cooperative agreement from the Department of Defense (DOD) through a program that is administered by the Defense Logistics Agency (DLA). CT APEX is also funded by a grant by DECD and administered by SouthEastern Connecticut Enterprise Region (SECTER).

Status: DECD has provided a \$335,000 matching grant for program year 2025. The government shutdown should not have any effect on the current funding. CT APEX has a sufficient state match and resources to continue operations. In the event of a shutdown, operations could continue for a period of 6–12 months. The Program Year 2026 NOFO was recently released, with applications due November 12. If federal funds are delayed, this could impact the program in 2026. In that case, the \$335,000 in state funds would need to be supplemented with additional state support to ensure continuity.

Office of Manufacturing

DOD Office of Local Defense Diversification Grant – DECD was awarded \$1.6M with DECD providing a match of \$325K. The grant is for the Scaling Model-Based Definition program (SMBD) will leverage learnings and collateral created during the Digital Model Initiative program to develop additional tools required to scale digital transformation across the state to the full defense supply chain (700+ companies).

Status: DECD has received federal grant dollars and this program is ongoing. The program has a DECD match and therefore program administration can continue running through a short federal shutdown.

Office of Manufacturing and Energy Supply Chain State Leadership Grant – DECD secured a \$2 million grant from the Department of Energy’s Office of Manufacturing and Energy Supply Chains for DECD’s Smart Manufacturing Assessment and Access to Reduce Technology Emissions (CT SMARTE) program to accelerate the deployment and adoption of smart manufacturing and High-Performance Computer (HPC) technologies for SMMs in disadvantaged areas while leveraging existing partnerships with industry, academic, technology, and community partners to support the State’s green energy, aerospace and defense, and semiconductor industries.

Status: DECD has received federal grant dollars and this program is ongoing. The program has a DECD match, with \$510,763.08 available as of August 31, 2025, and therefore program administration can continue running through a short federal shutdown.

EDA Regional Technology and Innovation Hubs – DECD was awarded a 2023 Tech Hubs Strategy Development Grant in support of the Model-Based Enterprise Tech Strategy Development Consortium to advance the regional framework to scale the adoption of Model-Based Definition (MBD)—which uses high-performance computing, automation, and cybersecurity to manage the product lifecycle with three-dimensional, semantic digital representations—in the commercial manufacturing sectors of aerospace, medical devices, and clean energy.

Status: DECD has received federal grant dollars and this program is ongoing. The program has a DECD match, with \$87,382 available as of August 31, 2025, and therefore program administration can continue running through a short federal shutdown.

Connecticut Office of the Arts (COA)

DECD has federal awards of \$1,026,100 from the National Endowment of the Arts (NEA) for the funding period of July 1, 2024 through December 31, 2025, of which \$33,830 remains. COA operates via a line of credit from the state, which is reimbursed by the NEA. DECD has a second federal award of \$1,128,138 from the NEA for the funding period of July 1, 2025 through December 31, 2026.

Status: The line of credit is sufficient to meet FY25 and FY26 grant needs and the single staff salary paid by the NEA grant. Reimbursement of line of credit would be delayed by a federal shutdown. Consideration of NEA Grant application covering the period of July 1, 2025 to December 31, 2026 would be delayed by a federal shutdown.

DECD has a federal award of \$317,000 from the National Park Service (NPS) for the Save America's Treasures program, with a funding period through March 2026. This funding is for stabilization and restoration of the Four-Story Cell Block structure at Old New-Gate Prison & Copper Mine in East Granby, CT, owned by the state and operated by SHPO. This award is currently in the construction phase and the plans and specifications call for the vegetation to be fully cleared from the historic Cell Block ruin, as well as an entire dismantle and rebuild of the historic Retaining Wall within the prison yard.

Status: DECD has received federal grant dollars and this program is ongoing. The program has a DECD match, with \$319,658.30 available as of August 31, 2025, and therefore program administration can continue running through a short federal shutdown.

DECD has federal awards of \$1.25M from the National Park Service (NPS) for Semiquincentennial Grants. The \$1.25M is divided between two projects at Old New-Gate Prison & Copper Mine (\$750,000) and the Henry Whitfield Museum (\$500,000).

Status: DECD has received federal grant dollars and the program is ongoing, though no funds have been drawn down for FY2025 due to delays in applying for federal funding due to the federal transition.

State Historic Preservation Office (SHPO)

SHPO – The State Historic Preservation Office administers a range of federal and state programs that identify, register, and protect the buildings, sites, structures, districts, and objects that comprise Connecticut's cultural heritage. Five SHPO staff members are funded through the Historic Preservation Fund (HFP) Grant administered by the National Park Service (NPS). The NPS also provides technical assistance, processes historic preservation tax credit applications, advances nominations of properties to the National Register of History Places, reviews impacts from federally funded projects to historic properties under Section 106 of the National Historic Preservation, and reviews applications for the Certified Local Government (CLG) program.

Status: Funds for staff have been awarded and have already been drawn down by OPM. There are 3 National Register nominations that are being prepared to send down to the National Park Service in DC for review in the next few weeks, as well as two federal historic preservation tax credits applications that are currently awaiting review at NPS, all of which would be on hold in the event of a shutdown.

Office of Brownfield Remediation and Development (OBRD)

Brownfields EPA Revolving Loan Fund (RLF) – The Brownfields EPA Revolving Loan Fund (RLF) enables states, political subdivisions, and tribal entities to issue low-interest loans to support cleanup activities at brownfield properties. We are currently in the post-closeout period, during which we may continue to utilize loan income for eligible activities, including environmental remediation and related project support.

- One project was awarded grant funds under this program in the past fiscal year (an executed Assistance Agreement is in place).
- Additional projects may be considered for funding, pending availability and eligibility.
- Training and professional development activities also remain eligible uses of RLF income.

Status: In the event of a federal government shutdown, the Office of Brownfield Revitalization and Development (OBRD) will not be able to approve funding for new projects. Additionally, the use of RLF funds for training or professional development will be suspended during the shutdown period.

Additional Federal Programs

Tourism Award – This is a grant of \$8.7 million as part of the EDA's ARPA Travel, Tourism & Outdoor Recreation program. As of August 31, 2025, a grant balance of \$273,544.13 remains. This investment supports

marketing, infrastructure, workforce and other projects to rejuvenate safe leisure, business, and international travel.

Status: Federal government shutdown will prevent payment to grant recipients.

State Small Business Credit Initiative (SSBCI) Capital Program – This program is managed and administered by Connecticut Innovations, Incorporated. Connecticut received approximately \$119M over 10 years to help underserved and clean environmentally focused companies recover from the pandemic. DECD has received, committed, and expended \$33 million of the \$119 million. DECD has provided CI funding to administer and pass through funding to businesses. The remaining funding will be disbursed by Treasury in additional tranches based on formulas and milestones.

Status: Advanced funds have been distributed to the subrecipient. A federal government shutdown will not have an immediate impact on the program because DECD has funds for the current tranche, as well as the next tranche of funding. This funding will last until early summer 2026.

State Small Business Credit Initiative (SSBCI) Technical Assistance - This program is managed and administered by Connecticut Innovations, Incorporated. Connecticut received approximately \$1.9M to provide financial assistance to eligible recipients that will provide legal, accounting and financial services to very small businesses and business enterprises owned and controlled by socially and economically disadvantaged individuals. Approximately \$1.3M remains to be spent.

Status: Advanced funds have been distributed to the subrecipient. A federal government shutdown will not have an immediate impact on the program because DECD has funds for the current tranche, as well as the next tranche of funding. This funding will last until early summer 2026.

Federal Grant Applications – DECD has a federal funds team to work on federal opportunities which support the agencies' mission. This team researches and analyzes federal grant opportunities, project-manages the application process, contracts with relevant federal agency, oversees awarded grant, and conducts post-grant administrative requirements. In addition, this team provides technical assistance to businesses and nonprofit organizations that are applying for direct federal funding. Below are those federal programs that the DECD and/or business/industry have applied for and are awaiting determination:

NEA Old New-Gate Prison Project: funds would be used to support the Old New-Gate Revolutionary War Play Project as part of America 250, which will fund the production costs for an originally commissioned play to be performed for 8 weeks in Summer, 2026.

Dep't of Commerce EDA Fiscal Year 2023 Disaster Supplemental: Funding would be used for a planning study to bring New London and the surrounding region towards economic growth and resilience through the creation of a clear, actionable strategic plan for a Blue Economy Energy Corridor, aligned with the state's Offshore Wind Strategic Roadmap.

Dep't of Commerce EDA Economic Adjustment Assistance Program: Funding would be used to create a clean economy innovation cluster and Innovation Hub centered in Bridgeport to create a resilient base of a green economy industry for long-term and good paying jobs for residents of Bridgeport. The focus will be on the Green Economy, specifically batteries and hydrogen.