



Q&A: Everything You Should Know About Government Shutdowns Updated: January 10, 2018

CHAIRMEN

MITCH DANIELS
LEON PANETTA
TIM PENNY

PRESIDENT

MAYA MACGUINEAS

DIRECTORS

BARRY ANDERSON
ERSKINE BOWLES
CHARLES BOWSHER
KENT CONRAD
DAN CRIPPEN
VIC FAZIO
WILLIS GRADISON
WILLIAM HOAGLAND
JIM JONES
LOU KERR
JIM KOLBE
DAVE MCCURDY
JAMES MCINTYRE, JR.
DAVID MINGE
MARNE OBERNAUER, JR.
JUNE O'NEILL
PAUL O'NEILL
BOB PACKWOOD
RUDOLPH PENNER
PETER PETERSON
ROBERT REISCHAUER
ALICE RIVLIN
CHARLES ROBB
ALAN K. SIMPSON
JOHN SPRATT
CHARLIE STENHOLM
GENE STEUERLE
DAVID STOCKMAN
JOHN TANNER
TOM TAUKE
PAUL VOLCKER
CAROL COX WAIT
JOSEPH WRIGHT, JR.

As we've learned to expect, Congress seems to be waiting until the last minute to address several important fiscal priorities. One of the most important of these obstacles is just around the corner: if lawmakers do not pass legislation to fund federal programs before January 20, the federal government will shut down.

What is a government shutdown?

Many federal government agencies and programs rely on annual funding appropriations made by Congress. While the government's fiscal year began October 1, Congress has not yet passed full appropriations legislation funding the government for the remainder of fiscal year (FY) 2018 and has since been running on continuing resolutions. A government shutdown will occur if Congress does not pass appropriations bills for the fiscal year or another continuing resolution by January 19. In a "shutdown," federal agencies must discontinue all non-essential discretionary functions until new funding legislation is passed and signed into law. Essential services continue to function, as do mandatory spending programs.

What services are affected in a shutdown and how?

Each federal agency develops its own shutdown plan, following guidance released in previous shutdowns and coordinated by the Office of Management and Budget (OMB). The plan identifies which government activities may not continue until appropriations are restored, requiring furloughs and the halting of many agency activities. However, "essential services" – mainly those related to public safety – continue to operate, with payments covering any obligations incurred only when appropriations are enacted. In prior shutdowns, border protection, in-hospital medical care, air traffic control, law enforcement, and power grid maintenance have been among the services classified as essential, while some legislative and judicial staff have also been largely protected. Mandatory spending not subject to annual appropriations, such as for Social Security, Medicare, and Medicaid, also continues. Other examples of activities that continue are those funded by permanent user fees not subject to appropriations, such as immigration services funded by visa fees.

Although many programs are exempt, the public is still likely to feel the impact of a shutdown in a number of ways. For example:

- **Social Security and Medicare:** Checks are sent out, but benefit verification as well as the issuance of cards would cease. While unlikely to happen again, in 1996 [more than 10,000 Medicare applicants](#) were temporarily turned away every day of the shutdown.



- Environmental and Food Inspection: In 2013, the Environmental Protection Agency halted site inspections to 1,200 different sites that included hazardous waste, drinking water, and chemical facilities. The Food and Drug Administration delayed almost 900 inspections.
- National Parks: During the 2013 shutdown, the National Park Service turned away millions of visitors to more than 400 parks, national monuments, and other sites. The National Park Service estimated that the shutdown led to more than half a billion dollars in lost visitor spending nationwide.
- Health and Human Services: The National Institutes of Health would be prevented from admitting new patients or processing grant applications. In 2013, states were forced to front the money for formula grant programs such as Temporary Assistance for Needy Families (cash welfare).
- Internal Revenue Service (IRS): In the event of a shutdown, the IRS, which verifies income and Social Security numbers, would again not be able to perform this service. In 2013, a backlog of 1.2 million such requests potentially delayed mortgage and other loan approvals. Billions of dollars of tax refunds were also delayed.

Is the government preparing for a shutdown?

OMB has [compiled a list](#) of the various contingency plans federal agencies will follow in the possible event of a shutdown. Some were updated in December 2017 but many have not been updated since late 2015, the last time the government came close to a shutdown.

How would federal employees be affected?

If agency shutdown plans are similar to those in place in 2013 (the last time there was a shutdown), approximately 850,000 of 2.1 million non-postal federal employees would be furloughed. In 2013, most of the 350,000 civilian employees of the Department of Defense were summoned back to work within a week. Furloughed employees would not be allowed to work and would not receive paychecks. While Congress has historically granted back pay, it is not guaranteed.

How and why do mandatory programs continue during a shutdown?

Whereas discretionary spending must be appropriated every year, mandatory spending is authorized either for multi-year periods or permanently. Thus, mandatory spending generally continues during a shutdown. However, some services associated with mandatory programs may be diminished if there is a discretionary component to their funding. For instance, during the 1996 shutdowns and the 2013 shutdown, Social Security checks continued to go out. However, staff who handled new enrollments and other services, such as changing addresses or handling requests for a new Social Security card, were initially furloughed in 1996. In 2013, certain activities were discontinued, including verifying benefits and providing new and replacement cards, but processing of benefit applications or address changes continued.



How many times has the government shut down?

Since Congress introduced the modern budget process in 1976, there have been 18 “funding gaps,” where funds were not appropriated for at least one day. However, before 1980, the government did not shut down but rather continued normal operations through six funding gaps. Between 1981 and 1994, all nine funding gaps occurred over a weekend, and government operations were only minimally affected.

There have been three “true” shutdowns. The first two happened in the winter of 1995-1996, when President Bill Clinton and the Republican Congress were unable to agree on spending levels and shut down the government twice, for a total of 26 days. The third was in 2013 when the House and Senate standoff on funding resulted in a 16-day shutdown.

Does a government shutdown save money?

While estimates vary widely, evidence suggests that shutdowns tend to cost, not save, money. For one, putting contingency plans in place has a real cost. In addition, many user fees and other charges are not collected during a shutdown. Contractors sometimes include premiums in their bids to account for uncertainty in being paid. And although many federal employees are forced to be idle during a shutdown, they have historically received back pay, negating much of those potential savings. OMB [official estimates](#) of the 2013 government shutdown found that \$2.5 billion in pay and benefits was paid to furloughed employees for hours not worked during the shutdown, as well as roughly \$10 million in penalty interest payments and lost fee collections.

How can Congress avoid a shutdown?

There are essentially two ways to avoid a government shutdown – by passing appropriations or a continuing resolution (see below question on “What is a Continuing Resolution?”). Theoretically, the House and Senate Appropriations committees are supposed to pass 12 different appropriations bills, broken up by subject area and based on funding levels allocated in a budget resolution. Often, these bills are combined into a larger “omnibus” or “minibus” set of appropriations.

No FY 2018 appropriations bills have passed both chambers. The House passed all 12 appropriations bills as part of an omnibus package in September. Meanwhile, the Senate Appropriations Committee has approved only eight bills, and the full Senate has not passed any FY 2018 appropriations bills.

What is a Continuing Resolution (CR)?

A continuing resolution temporarily funds the government in the absence of full appropriations bills, often by continuing funding levels from the prior year. Traditionally, CRs have been used to give lawmakers a short period of time to complete their work on remaining appropriations



bills while keeping the government operating. CRs sometimes apply to only a few categories of spending, but they can also be used to fund all discretionary functions and can be used for an entire year.

CRs differ from normal appropriations bills in that they often “continue” the funding allocations from previous bills at the prior year’s rate or through a formula based on the prior year’s rate. Even when overall funding levels have differed, lawmakers have often simply scaled up all accounts by a percent change in spending rather than making individual decisions on spending accounts. However, CRs often do include certain “anomalies,” where specific items are increased or decreased to work around some problems that would occur from continuing the previous year’s policies, or “policy riders,” specifying certain statements of policy. Colloquially, a “clean CR” does not contain policy riders or politically-motivated changes to funding levels.

How often does Congress pass CRs?

Congress frequently passes CRs when it is unable to agree on appropriations before a deadline, and occasionally multiple CRs are necessary to fund the government for an entire fiscal year. They have also sometimes been relied on during presidential transition years. In FY 2001, for instance, a series of intense congressional negotiations leading up to the 2000 elections led to a series of 10 one-day CRs. In total, Congress funded the first three months of that fiscal year with 21 continuing resolutions.

Not surprisingly, CRs have been quite prevalent recently and were used to fund the government entirely in FY 2011, when eight CRs were passed, and in FY 2013, when two CRs were passed. In FYs 2012, 2014, 2015, 2016, CRs were used to fund the government for roughly a quarter of the year each. Even last year’s FY 2017 funding negotiations necessitated three CRs before passage of the [omnibus appropriations bill](#) in May. The most recent year when a full-year appropriations bill passed and no CRs were necessary was 1997.

What are the disadvantages of using CRs?

Continuing resolutions have several negative implications for the budget’s overall efficiency. CRs usually continue funding at the past year’s level without any regard for changing policy needs or the value of each program within an agency. Using a continuing resolution wastes hundreds of hours of careful consideration and program evaluation incorporated into each agency’s budget submission. For instance, the president’s budget annually proposes a list of eliminations and reductions of programs that are duplicative or ineffective; a continuing resolution will continue to fund these unwanted programs. Finally, the use of continuing resolutions disrupts activities within agencies, makes it difficult to plan or start future projects, and costs staff time to revise work plans every time the budget changes.



How is Congress addressing funding?

As of January 10, lawmakers are still negotiating FY 2018 spending levels. Press reports suggest Congress is trying to work out a broader budget deal that possibly addresses the current discretionary spending caps. Other issues may also be addressed along with a spending package, including funding for the Children’s Health Insurance Program, the expiring Deferred action for Childhood Arrivals program, and expired tax breaks.

How does a shutdown differ from a default?

In a shutdown, the government temporarily stops paying employees and contractors who perform government services, whereas in a default the list of parties not paid is much broader. In a default, the government exceeds the statutory debt limit and is unable to pay some of its creditors (or other obligations). Without enough money to pay its bills, any of its payments are at risk—including all government spending, mandatory payments, interest on our debts, and payments to U.S. bondholders. While a government shutdown would be disruptive, a government default could be disastrous. (See our [Q&A: Everything You Should Know About the Debt Ceiling](#) for more on a default)

How does a shutdown differ from “sequestration” or “sequester”?

A government shutdown closes down non-essential government operations due to lack of funding, whereas sequester or sequestration is shorthand for the reductions in discretionary spending caps in place that constrain the total amount of funding for annually-appropriated programs.

The first example of sequestration was included in the Gramm–Rudman–Hollings Balanced Budget and Emergency Deficit Control Act of 1985. The current version of sequestration is a product of the Budget Control Act (BCA) that resolved the 2011 debt ceiling negotiations. The BCA called on a Joint Select Committee on Deficit Reduction (the “Super Committee”) to identify at least \$1.5 trillion in deficit reduction over 10 years, and it set in motion the sequester if it did not identify at least \$1.2 trillion. The failure of the Super Committee triggered sequestration, causing discretionary spending caps to be automatically lowered for both defense and non-defense. Congress has never allowed the full sequester to take effect, and passed partial sequester relief [in 2013](#) and [2015](#). However, sequestration-level spending caps are set to return in FY 2018. If appropriations bills violate those caps, then across-the-board cuts will be triggered.

For more information, see the following:

- Congressional Research Service – [Shutdown of the Federal Government: Causes, Processes, and Effects](#)
- Office of Management and Budget – [Impacts and Costs of the October 2013 Federal Government Shutdown](#)
- Committee for a Responsible Federal Budget – [A Mini-Bargain to Improve the Budget](#)



- Roy T. Meyers – [Late Appropriations and Government Shutdowns: Frequencies, Causes, Consequences, and Remedies](#)
- Office of Management and Budget – [Agency Contingency Plans](#)
- Office of Management and Budget – [Planning for Agency Operations During a Potential Lapse in Appropriation](#)
- Congressional Research Service – [The FY2014 Government Shutdown: Economic Effects](#)
- Congressional Research Service – [Federal Funding Gaps: A Brief Overview](#)
- Government Accountability Office – [Uncertainty Limited Management Options and Increased Workload in Selected Agencies](#)
- Committee for a Responsible Federal Budget – [Appropriations Watch: FY 2018](#)