



# COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

## Q&A: Everything You Should Know About Government Shutdowns Updated: October 4, 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  
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.

The fiscal year began on September 30, has only passed 5 of 12 appropriations bills setting spending levels. If lawmakers do not pass legislation to fund other federal programs before December 7, the federal government will partially shut down.

### What is a government shutdown?

Many federal government agencies and programs rely on annual funding appropriations made by Congress. Every year, Congress must pass and the President must approve the budget for the next fiscal year (FY), which comes in the form of 12 appropriations bills that determine the funding for each of the government subcommittees. A partial government shutdown will occur if Congress does not pass remaining appropriations bills for the fiscal year or another continuing resolution by December 7. 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. In instances where appropriations are not passed in time, Continuing Resolutions (CRs) can be made to extend current funding levels (or occasionally with spending uniformly scaled up or down by some amount) until all yearly appropriations are signed into law.

### 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 must stop until appropriations are restored, requiring furloughs and the halting of many agency activities. However, “essential services” – many of which are 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. Many parks remained open during the 1-day shutdown in 2018.
- 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. Many were updated in January 2018 and December 2017, but some have not been updated since a previous shutdown threat in late 2015.

### **How would federal employees be affected?**

If any future shutdowns are handled similarly to the most lengthy one in 2013, 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 19 “funding gaps,” including the one in January 2018, 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. Since 1981, ten funding gaps of three days or less occurred, mostly over a weekend when government operations were only minimally affected.

There have been three “true” shutdowns where operations were affected for more than three days. 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.

Currently, five appropriations bill have been passed for all of FY 2019 in two minibuses accounting for three-quarters of discretionary funding, so there is no danger of those functions being shut down until the start of FY 2020 (October 1, 2019). The other seven appropriations bills are operating under a CR until December 7. At that point, Congress would need to approve appropriations bills or another CR to prevent those parts of the government from shutting down.



## 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. More recently, CRs funded the government for the majority of FY 2017 before passage of an [omnibus appropriations bill](#) in May, while CRs funded the government for nearly half of FY 2018 before an omnibus was passed in late March. The most recent year for which a full-year appropriations bill passed before the fiscal year began and no CRs were necessary was FY 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?**

So far, Congress has passed five appropriations bills covering three-quarters of discretionary funding. Specifically, a “minibus” of three bills addressing Energy & Water, the Legislative Branch, and Military Construction & VA was signed into law on September 21, and a second minibus addressing funding for the Departments of Defense, and the Labor, Health and Human Services was signed into law on September 28. This minibus included CRs to extend current funding for all remaining federal agencies until December 7, after which the government will face a partial shutdown in the absence of appropriations or another CR for the remaining seven bills.

### **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 were raised for FY2018 and FY2019 via the 2018 Bipartisan Budget Act. 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](#)
- 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 2019](#)