



COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

Q&A: Everything You Should Know About Government Shutdowns Updated: January 7, 2019

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The fiscal year began on Oct. 1, 2018, and Congress has passed just five out of 12 appropriations bills setting discretionary spending levels. Lawmakers had until midnight on Dec. 21, 2018, to enact legislation to fund the programs covered by the remaining seven appropriations bills, but they allowed that funding to lapse. The federal government has now partially shut down. For more about how a partial shutdown differs, see [What Happens in a Partial Government Shutdown?](#).

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 sign budget legislation for the next fiscal year (FY), consisting of 12 appropriations bills, one for each Appropriations subcommittee. When the federal government's fiscal year began October 1, Congress had enacted five of the 12 appropriations bills for FY 2019. Lawmakers have not yet passed full-year appropriations for the departments and agencies covered by the other seven appropriations bills. These programs had been running on continuing resolutions (CRs) that extend current funding levels. A partial government shutdown began after midnight on December 21, the deadline specified in the most recent CR. 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" – 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, in a full shutdown:

- **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 one-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 during a shutdown. Most have been updated within the past year, but some have not been updated since a previous shutdown threat in late 2015.

How would federal employees be affected?

An [estimated 380,000 employees](#) have been furloughed during the late 2018-early 2019 shutdown, a smaller number than usual as large federal employers such as the VA and the Department of Defense have already been funded. Another 420,000 employees will report to work during the current shutdown but not receive pay until the shutdown ends. If any future full shutdowns are handled similarly to recent ones in 2013 and 2018, which covered the entire federal government, 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 20 “funding gaps,” including the current shutdown and the one in January 2018, when funds were not appropriated for at least one day. (An hours-long lapse in appropriations in February 2018, though sometimes characterized as a shutdown, did not result in federal employee furloughs.) However, before 1980, the government did not shut down but rather continued normal operations through six funding gaps. Since 1981, 10 funding gaps of three days or less have occurred, mostly over a weekend when government operations were only minimally affected.

There have now been four “true” shutdowns where operations were affected for more than one business day. 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 the Affordable Care Act resulted in a 16-day shutdown. The fourth shutdown, starting in December 2018 and continuing into early 2019, centered on a dispute over border wall funding.

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.

Five of the 12 appropriations bills for FY 2019 have passed both chambers and been signed by the President in the form of two minibuses, accounting for three-quarters of discretionary funding and ensuring those functions will not be at risk for shutting down until the start of FY 2020 (Oct. 1, 2019). The House and Senate have both voted on competing continuing resolutions, but none of the versions have been voted on by both chambers. For more about the status of specific appropriations bills, see [Appropriations Watch: FY 2019](#).

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. FY 2017 funding negotiations necessitated three CRs before passage of an [omnibus appropriations bill](#) in May, and FY 2018 negotiations required five CRs before [passage of an omnibus](#) in March. The most recent year when 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 enacted 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 Department of Defense and the Labor, Health and Human Services, and Education Departments was signed into law on September 28. This minibus included CRs to extend current funding for other federal agencies until December 21, after which the government faced a partial shutdown in the absence of appropriations or another CR.

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, passing partial sequester relief [in 2013](#) and [2015](#) and [more than fully reversing the sequester](#) in 2018. However, sequestration-level spending caps are set to return in FY 2020. 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 – [What Happens in a Partial 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](#)