

## Overview

Numerous federal government agencies and initiatives depend on yearly funding allocations approved by Congress. Annually, Congress must pass budget legislation for the upcoming fiscal year, consisting of 12 spending bills, one for each subcommittee overseeing appropriations. As we approach the fiscal year deadline of September 30th, lawmakers have made little progress towards averting a crisis that would hit homes across the country the first of October. While certain government functions remain unaffected, such as the distribution of Social Security checks and the administration of the Medicare program, others face significant cutbacks. Federal agencies suspend non-essential activities, and millions of federal employees, including military personnel, go without their paychecks. This type of shutdown occurs when neither a full-year spending bill nor a continuing resolution for a department or agency whose budget has an expiration date has been put into effect. A continuing resolution keeps programs and activities funded for a specific period of time as determined by Congress—usually weeks or months—at specific funding levels, often the same as the prior fiscal year.

During a shutdown, federal agencies must cease non-essential discretionary operations until new funding legislation is enacted. Vital services and mandatory spending programs continue to operate. Since 1980, the federal government has undergone 14 shutdowns, with the most recent one spanning a total of 36 days in December of 2018. So what are the implications of this type of shutdown, and how does it affect everyday Americans and the economy?

## Previous Shutdowns

Since Congress introduced the modern budget process in 1976, twenty “funding gaps,” including the 2018-2019 shutdown, have occurred when 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 fewer have occurred, mostly over a weekend when government operations were only minimally affected.

Over time, four “true” shutdowns have occurred 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, causing the government to shut down twice, for a total of 26 days. The third was in 2013, when a House and Senate standoff over funding for the Affordable Care Act resulted in a 16-day shutdown, and the fourth shutdown came in December 2018 through January 2019.

Although the 2018-2019 episode was the longest in history, it was only a partial shutdown. A 2023 shutdown might look more similar to the 2013 shutdown, rather than the 2018-2019 shutdown, both in scale, timing, and impact. The 2013 shutdown affected all departments and agencies funded by annual appropriations, since Congress had passed no full-year spending bills before funding was set to expire. The effects of a 2023 shutdown would be similar to the 2013 shutdown, at least in the early weeks.

## Center Forward Basics

Center Forward brings together members of Congress, not-for-profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit [www.center-forward.org](http://www.center-forward.org)

## Impact of the Shutdown

Each federal agency formulates its own shutdown strategy, adhering to guidelines established in previous shutdowns and coordinated by the Office of Management and Budget. This plan outlines which government activities will be temporarily halted until appropriations are reinstated, necessitating furloughs, and the suspension of numerous agency functions. Essential services, primarily those related to public safety, remain operational, and payments for any incurred obligations are covered only when appropriations are authorized. In past shutdowns, essential services have encompassed border protection, air traffic control, law enforcement, and power grid maintenance, while certain legislative and judicial staff members have also received considerable protection. Additionally, mandatory spending programs not subject to annual appropriations, such as Social Security, Medicare, and Medicaid, continue without interruption.

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

- **Social Security and Medicare:** Checks are sent out, but benefit verification, as well as card issuance, would cease.
- **Environmental and Food Inspection:** During the 2013 shutdown, the Environmental Protection Agency halted site inspections for 1,200 different sites that included hazardous waste, drinking water, and chemical facilities, and the Food and Drug Administration delayed almost 900 inspections.
- **National Parks:** In 2013, the National Park Service turned away millions of visitors to more than 400 parks, national monuments, and other sites. It was also estimated that the shutdown led to more than \$500 million in lost visitor spending nationwide.
- **Air Travel:** During the 2018-2019 shutdown, air travel was strained as a result of air traffic controllers and Transportation Security Administration agents working without pay. Travelers faced longer lines as some TSA agents did not report to work and security checkpoints were closed, while the absence of ten air traffic controllers temporarily stopped travel at some airports.
- **Health and Human Services:** The National Institutes of Health would be prevented from admitting new patients or processing grant applications.
- **Internal Revenue Service:** In 2013, a backlog of 1.2 million income and Social Security number verification requests delayed mortgage and other loan approvals, and billions of dollars of tax refunds were also delayed.
- **Supplemental Nutrition Assistance Program (SNAP):** Though funding for the SNAP program is mandatory, the ability to send out “food stamp” benefits could be affected by a shutdown, since continuing resolutions have generally only authorized the Agriculture Department (USDA) to send out benefits for 30 days after a shutdown begins. In addition, during any shutdown, stores are not able to renew their Electronic Benefit Transfer card licenses, so those whose licenses expire would not be able to accept SNAP benefits during a shutdown.

## Lasting Effects on Americans

Everyday Americans face the consequences of service unavailability during a shutdown, including vital programs like veterans' benefits. In the case of the 2013 shutdown, had it persisted for just one more week, 5.1 million veterans would have been denied the compensation they rightfully earned. Other crucial services, such as air travel and airport security managed by the Transportation Security Administration, may continue to function but with reduced service levels, as only select employees are exempt from furlough and are required to work.

Government employees experience the impact of a shutdown either through unpaid furloughs or by being compelled to work without pay if they are exempt from furlough until the shutdown concludes. The absence of paychecks can create financial strain for their households and have a ripple effect that negatively affects local economies throughout the United States.

Many small businesses suffer during a shutdown as well. Firstly, the federal government holds contracts worth tens of billions of dollars with small businesses for various goods and services, and these contracts may be suspended during a shutdown. Secondly, a shutdown can disrupt the operations of the federal Small Business Administration, an entity that provides billions of dollars in direct and guaranteed lending, along with other forms of support to small businesses across the nation.

## Conclusion

The best way to avoid a government shutdown is for Congress to reach an agreement on full-year spending or, failing that, a continuing resolution. History shows that government shutdowns are damaging but not catastrophic, with relatively predictable outcomes. A continuing resolution in 2023 could buy lawmakers time to reach a bipartisan agreement on full-year spending before the end of the calendar year and limit the impact a shutdown might have on Americans.

## Links to Other Resources

- Bipartisan Policy Center -  
<https://bipartisanpolicy.org/explainer/what-happens-if-the-government-shuts-down-in-2023/>
- Committee for a Responsible Federal Budget -  
<https://www.crfb.org/papers/government-shutdowns-qa-everything-you-should-know#moreinfo>
- CNBC -  
<https://www.cnbc.com/2023/09/23/the-us-federal-government-is-headed-into-a-shutdown-what-does-it-mean-whos-hit-and-whats-next.html>
- Forbes -  
[https://www.forbes.com/sites/bill\\_stone/2023/09/24/the-economic-and-market-impacts-of-a-government-shutdown/?sh=159de3755b7a](https://www.forbes.com/sites/bill_stone/2023/09/24/the-economic-and-market-impacts-of-a-government-shutdown/?sh=159de3755b7a)
- How Likely Are We to Have a Shutdown -  
<https://www.brookings.edu/articles/what-is-a-government-shutdown-and-why-are-we-likely-to-have-another-one/>
- NBC Washington -  
<https://www.nbcwashington.com/news/local/will-the-government-shut-down-funding-deadline-impact-on-workers/3430276/>
- Washington Post -  
<https://www.washingtonpost.com/business/2023/09/26/government-shutdown-agencies-services-affected/>