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Understanding a Government Shutdown

If Congress and the President cannot agree on at least short-term legislation funding federal operations, a government shutdown will result. This primer provides basic information to better understand what could happen.

What is a government shutdown?
Congress must agree on, and the President must sign, legislation funding federal agencies and many government programs on an annual basis. If funding is not approved by the beginning of the fiscal year on October 1 or if a temporary funding patch expires, a government shutdown will occur.

Do all federal government functions cease in a shutdown?
No. Essential functions like those associated with national security and public safety continue, as do beneficiary payments for mandatory programs like Social Security, Medicare and Medicaid.

How would federal employees be affected?
Each federal agency, based on guidance from the Office of Management and Budget (OMB), develops a shutdown plan. The plan designates which employees perform “essential” services and, therefore, must work during the shutdown. The other employees are furloughed. Government employees do not receive paychecks during a shutdown. While government employees have received back pay after previous shutdowns, it is not guaranteed.

Does a government shutdown save money?
No. The evidence from previous shutdowns indicates that they cost money. For example, agencies are forced to develop and implement contingency plans instead of performing their regular duties. In addition, many user fees and other charges are not collected. Moreover, although many federal employees do not work during a shutdown, they historically have received back pay.

How can a shutdown be avoided?
Passing the 12 government spending bills is the preferred method. However, that rarely occurs nowadays. Congress can temporarily avoid a shutdown by passing a stopgap measure known as a continuing resolution (CR), which usually funds the government at current levels for a short period of time. Lawmakers have often used this approach to buy time. Congress can also wrap up the appropriations bills into one “omnibus” package.

What is the difference between a shutdown and a default?
In a shutdown, the government temporarily stops paying employees and contractors who perform government services. In a default, the government exceeds the statutory debt limit and is unable to pay some of its creditors (or other obligations). All government spending, mandatory payments, interest on our debts, and payments to U.S. bondholders, are at risk. While a government shutdown would be disruptive, a government default could be disastrous.