# COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

## Q&A: Everything You Should Know About Government Shutdowns
### September 24, 2015

It's déjà vu all over again, again – Congress seems to be ignoring the gathering fiscal storm clouds. The most immediate of these is just around the corner: if lawmakers do not pass legislation to fund federal programs by September 30, the government will shut down.

### What is a government shutdown?

Many federal government agencies and programs rely on annual funding appropriations made by Congress. Since the government's fiscal year starts on October 1, a government shutdown will occur if Congress does not pass appropriations bills for next fiscal year by September 30. 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 example of activities that continue are activities funded by permanent user fees not subject to appropriations such as immigration services funded by visa fees.

Although a number of 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 over 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 FDA delayed just 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 over 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: 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. As well billions of dollars of tax refunds were delayed.

### Is the government preparing for a shutdown?

The administration has held a conference call with senior officials to discuss agencies' preparations for a possible shutdown. OMB indicated that agencies will be following similar procedures to the 2013 shutdown with plans updated for this year. Those updated plans have not yet been made public like they were in 2013.

### 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 recalled 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, in both 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, a more limited amount of activities were discontinued, including verifying benefits and providing new and replacement cards, but processing of benefit applications or address changes continued. At least one major mandatory program would pause: the Supplemental Nutrition Assistance Program

(SNAP, commonly known as "food stamps"). The USDA indicated they would not be able to administer the program during a shutdown this year because contingency funds that were used to administer the program during 2013's shutdown have been exhausted.

## 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 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, a number of 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.

This year, no appropriations bill has been passed by both chambers. The House Appropriations Committee has passed all twelve bills, but only six – Defense, Military Construction-VA, Energy-Water, Homeland Security, Commerce-Justice-Science, and Legislative – have made it through the full House of Representatives. Meanwhile, the Senate Appropriations Committee has passed all bills, but the full Senate has not passed any of them.

## 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 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 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, 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 ten 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 in the past few years, being used to fund the government entirely in FY 2011, when eight CRs were passed; in FY 2013, when two CRs were passed; and in FY 2014, when two CRs after the government shutdown bought time before final passage of the Ryan-Murray agreement. Even the less-contentious FY 2015 funding negotiations necessitated three CRs before passage of the CROmnibus appropriations bill, which still contained a CR for Homeland Security. 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 on 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 the House addressing funding?

As of September 24, the House has debated and passed a bill that would defund Planned Parenthood, which press reports suggest is demanded by many conservatives to be a part of any government funding bills. The House has not voted on a CR. No official bills nor time frame for votes are available at this time. The White House has threatened to veto the bill that defunds Planned Parenthood.

## How is the Senate addressing funding?

As of September 24, the text of a short-term CR (funding the government through December 11th) has been released with cloture votes scheduled, but it includes language defunding Planned Parenthood. Press reports suggest that specific language will not be able to get the 60 votes necessary to advance the bill and a regular CR will then likely be voted on extending government funding until mid-December.

## 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.

## How does a shutdown differ from "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 ten years, and set in motion the sequester if it did not identify at least $1.2 trillion. The Ryan-Murray Bipartisan Budget act negotiated around some of the sequester caps for FY 2014 and 2015; however, that agreement ends on October 1 and the full sequester-level caps return. FY

2016 appropriations, which are being negotiated at the moment, need to be at or under those caps if they are not changed.  If appropriations bills violate those caps, then across-the-board cuts are enforced in January. CRFB has released a separate plan to deal with the sequester caps called the Sequester Offset Solutions (SOS) plan.

**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 – Sequester Offset Solutions (SOS) Plan
- Roy T. Meyers – Late Appropriations and Government Shutdowns: Frequencies, Causes, Consequences, and Remedies
- Office of Management and Budget – Planning for Agency Operations During a Potential Lapse in Appropriations [FAQ for how the shutdown proceeded in October 2013]
- Congressional Research Service – Shutdown of the Federal Government: Effects on the Federal Workforce And Other Sectors
- 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 – Understanding The Bipartisan Budget Act
- Committee for a Responsible Federal Budget - Appropriations Watch: FY 2016