

What to expect in a government shutdown

A look at government funding status
and what happens when the government shuts down



October 1, 2025

Roadmap

- **Status of federal funding**
- Effects of a government shutdown

Current Status of Funding

As of October 1, the federal government has entered a shutdown after Congress failed to pass funding legislation before the fiscal year deadline. Hundreds of thousands of federal workers are facing furloughs, with many estimates suggesting that as many as 750,000 being affected daily. Essential personnel, (defense, law enforcement, air traffic control, etc.) are required to continue working without immediate pay.

Many non-essential services and programs have already been scaled back or suspended pending funding resolution. Meanwhile, both parties remain deadlocked. Republicans have pressed for a short-term continuing resolution, while Democrats demand expanded healthcare subsidies. The White House has directed agencies to prepare for potential reductions-in-force if the shut down lingers.

Roadmap

- Status of federal funding
- **Effects of a government shutdown**

Who goes to work in a government shutdown?

Federal programs and employee groups not affected by government shutdowns still go to work but cannot be paid until appropriations are enacted

EMPLOYEE GROUP	EXAMPLES	IMPACT
National security	<ul style="list-style-type: none"> • US military • Embassies abroad 	<ul style="list-style-type: none"> • Some defense contractors will still bill for work, but payments may be delayed
Security of people and property	<ul style="list-style-type: none"> • Air traffic control • Emergency medical care • Border control • Federal prisons • Banking oversight • Meat and egg inspection • National Weather Service 	<ul style="list-style-type: none"> • Air traffic controllers continue to work during a government shutdown, which means airlines will continue to run • FDA would continue select vital activities including maintaining critical consumer protection to handle emergencies, high-risk recalls and import entry review
Permanent programs or programs with multi-year funding	<ul style="list-style-type: none"> • Social Security • Veterans' benefits • Unemployment and food stamps • Medicare and Medicaid 	<ul style="list-style-type: none"> • Social Security checks will go out as usual • Medicare and Medicaid recipients will continue to receive healthcare benefits
Agencies with independent sources of funding	<ul style="list-style-type: none"> • US Postal Service • Federal Reserve 	<ul style="list-style-type: none"> • USPS will continue to provide mailing services and Postal Service workers get paid normally • Active service military members get paid regardless of length of shutdown
User fee-funded staff	<ul style="list-style-type: none"> • Patent and Trademark Office • Visa and passport processing • Parts of HHS • Grain inspections 	<ul style="list-style-type: none"> • Employees will continue to process patent applications, possibly for up to four weeks, but cannot accept new ones • The State Department would keep most of its passport agencies and consular operations open as long as it has the funds to do so

Several federal programs and resources are disrupted in a government shutdown

KEY FEDERAL PROGRAMS AFFECTED BY A GOVERNMENT SHUTDOWN



> SNAP, WIC, and Head Start

- **SNAP and WIC, two key nutrition assistance programs have limited contingency funds** which will be used to continue the programs in the case of a government shutdown
 - The WIC fund is projected to only last a few days
 - SNAP is funded for 30 days after a shutdown begins
- Head Start programs serving over 10,000 children immediately lose funding in a government shutdown

> Federal government contractors

- **Federal contractors do not receive government reimbursed back pay** in a government shutdown

> Health and Human Services

- A government shutdown would **block the National Institutes of Health (NIH) from admitting patients or processing applications for grants**
- In the 2013 government shutdown, states contributed funding to continue key grant programs such as Temporary Assistance for Needy Families (TANF)

> IRS and tax returns

- The IRS has yet to release an updated contingency plan for a shutdown; **the agency has historically scaled back operations to a large degree**
- In the last shutdown, the agency was **unable to conduct case work or resolve taxpayer disputes**

> Public health and safety

- Emergency public health measures will continue throughout a shutdown, but **many inspections and services will be delayed or scaled back**
- In a government shutdown, agencies responsible for public health and safety, such as the FDA and EPA, will be forced to operate in a reduced capacity

> National parks

- The National Park Service (NPS) will only keep essential staff working in a shutdown as well as **pause maintenance and support activities**
- Historically, the service has allowed some parks and memorials to remain open without administrative support activities; **in 2013, the NPS turned away millions of park and monument visitors**

Several essential federal programs are largely unaffected in a government shutdown

KEY FEDERAL PROGRAMS MOSTLY UNAFFECTED BY A GOVERNMENT SHUTDOWN



> Military and veterans

- **Active duty military personal and reserves will remain on duty** and receive backpay at the conclusion of the shutdown
- **Veterans' benefits, such as health care and pensions, will continue throughout a shutdown**

> Social Security checks and benefits

- **Recipients of Social Security will continue to receive checks throughout the shutdown**; the program is funded by payroll tax and as such is unaffected by appropriations

> Travel and passports

- **Federal employees crucial to travel safety (e.g., TSA and FAA) will continue to work**; they will receive backpay at the end of a shutdown
- The **State Department will not halt passport distribution in the US or abroad** since it is considered an essential national security function
- Despite being operational, airports frequently experience delays during a shutdown with workers not reporting to work due to the paycheck pause

> Medicare and Medicaid

- **Medicare and Medicaid** are funded independently from appropriations and **benefits will continue throughout a shutdown**
- The Social Security administration will suspend several administrative services such as benefit verification and Medicare card replacement

> Border enforcement

- As an essential department, **US Border Patrol agents will remain on duty** during a government shutdown; Immigration and Customs Enforcement agents will also continue to operate, albeit without pay






> Student loan payments

- **Student loan payments** are scheduled to resume and **will be unaffected by a government shutdown**
- Delays may occur with federal aid applications and disbursements for FASFA and Pell Grants

> US Postal Service

- **USPS operations are unaffected by a government shutdown**; the agency is mainly funded through postage product sales

Mandatory programs operate during government shutdowns, but still feel impact

PROGRAM	IMMEDIATE IMPACT	30-DAY IMPACT
 Supplemental Nutrition Assistance Program (SNAP)	<ul style="list-style-type: none"> No immediate impact within the first 30 days of a government shutdown 	<ul style="list-style-type: none"> Program cannot be utilized after 30 days Merchants will not be able to process benefits cards transactions
 Temporary Assistance for Needy Families (TANF)	<ul style="list-style-type: none"> Potential service disruptions with a lapse in federal funding Service disruptions could be avoided if states fund the program 	<ul style="list-style-type: none"> Potential pause in operations depending on state Funding continues to decrease
 Medicare/Medicaid	<ul style="list-style-type: none"> 51% of staff will be furloughed Coverage to continue as normal Card replacement will be paused 	<ul style="list-style-type: none"> Customer service delays and backups Extended wait times Providers may see a delay in payments
 Social Security	<ul style="list-style-type: none"> New cards will not be issued Benefit verification could pause Benefit checks will still be distributed 	<ul style="list-style-type: none"> Delays and backlogs for new cards
 Federal employee benefits	<ul style="list-style-type: none"> Federal employee health and retirement benefits will continue to be paid out Employee retirement contributions will not be available 	<ul style="list-style-type: none"> Retirement contributions can't be processed until the shutdown resolves

SOURCE AARP, Committee for a Responsible Budget, Federal News Network, GovExec, National Alliance to End Homelessness, NPR

The economic effects of a government shutdown depend on the shutdown's length and scope

ECONOMIC EFFECTS OF A GOVERNMENT SHUTDOWN



> Government spending and GDP

- **Government shutdowns decrease discretionary government spending** which accounts for approximately **27%** of federal government spending
 - Mandatory spending for programs such as Social Security are not affected by a shutdown
- Federal government goods and services make up 7% of GDP
- The 2018 partial shutdown was estimated to have **reduced inflation adjusted GDP growth by 0.4% across 2018 Q4 and 2019 Q1**
 - The decrease was mostly made up for in subsequent quarters

> Employment

- Excluding “excepted” workers, **many federal employees, private government contractors, and other affected business personnel are furloughed** and cannot contribute to US production
- Although furloughed federal workers receive back pay at the conclusion of the shutdown, **shutdowns reduce the number of hours worked and decrease inflation adjusted GDP**

> Indirect effects

- **Personal consumption expenditures**, which accounts for around two-thirds of GDP, **typically falls during government shutdowns**
- Consumer and investor sentiment, and subsequently **private consumption and investment, can be impacted by a shutdown**