



September 30, 2025

Honorable Joni Ernst  
United States Senate  
Washington, DC 20510

*Re: Potential Effects of a Federal Government Shutdown*

Dear Senator Ernst:

You have asked the Congressional Budget Office to assess the possible effects of a lapse in discretionary appropriations (often called a government shutdown) on the pay of federal employees, including members of the Armed Forces, as well as Members of Congress. You also have asked CBO to describe possible effects on the economy, business activity, procurements and contracts, and the operation of national parks and monuments. Some of your questions focused on the daily cost to the government for providing back pay to furloughed workers, for delayed procurements, and for contracts that may lapse during a shutdown.

The Antideficiency Act generally prevents federal agencies and employees from obligating or expending federal funds in advance of or in excess of an appropriation and from accepting voluntary services. Specifically, that law requires most federal employees to stop working during a lapse in appropriations unless they are considered “excepted” and thus are required to perform specific tasks other than the regular functions of government.<sup>1</sup>

The effects of a shutdown depend on its duration and on an Administration’s decisions about how to proceed. An Administration is required, for example, to determine which executive branch employees are excepted and which to furlough.

In this instance, the Administration has indicated that it might subject some employees, who might otherwise be furloughed, to a reduction in force. The

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1. See the Antideficiency Act, 31 U.S.C. §§ 1341-1342, 1517.

Administration also could decide to use mandatory funding provided in the 2025 reconciliation act or other sources of mandatory funding to continue activities financed by those direct appropriations at various agencies, including the Department of Defense (DoD), the Department of the Treasury, the Department of Homeland Security, and the Office of Management and Budget (OMB). In general, a longer lapse will have larger effects than a shorter one will.

The analysis in this letter is based largely on work CBO published in 2019 after the five-week partial shutdown from December 22, 2018, until January 25, 2019.<sup>2</sup>

### **Pay for Federal Employees**

Once discretionary appropriations for the federal government are enacted after a lapse, current law requires employees to be paid at their regular rate of pay—whether they are excepted employees who work during a shutdown or others who have been furloughed.<sup>3</sup> Excepted employees carry out activities for the protection of life or property or other activities defined in a federal agency’s contingency plan in accordance with guidance from OMB and the Department of Justice.<sup>4</sup>

Using information from the agencies’ contingency plans and the Office of Personnel Management (OPM), CBO estimates that under a lapse in discretionary funding for fiscal year 2026 about 750,000 employees could be furloughed each day; the total daily cost of their compensation would be roughly \$400 million. The number of furloughed employees could vary by the day because some agencies might furlough more employees the longer a shutdown persists and others might recall some initially furloughed employees.

An OMB memo, later referenced by OPM, directed agencies to consider notifying their employees of a reduction in force if their work is for programs, projects, or activities that would be subject to a lapse in appropriations; are

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2. Congressional Budget Office, *The Effects of the Partial Shutdown Ending in January 2019* (2019), [www.cbo.gov/publication/54937](http://www.cbo.gov/publication/54937).

3. 31 U.S.C. § 1341(c).

4. For previous legal guidance, see Department of Justice, Office of Legal Counsel, “Memorandum Opinion on Government Operations in the Event of a Lapse in Appropriations” (August 16, 1995), [www.justice.gov/opinion/file/844116/dl](http://www.justice.gov/opinion/file/844116/dl), and “Authority for the Continuance of Government Functions During a Temporary Lapse in Appropriations,” 5 Op. O.L.C. 1 (January 16, 1981), [www.justice.gov/file/149426/dl?inline](http://www.justice.gov/file/149426/dl?inline).

otherwise unfunded; and are not consistent with the President's priorities.<sup>5</sup> A reduction in the number of federal employees would reduce the daily cost of compensation for furloughed workers. Some agencies could use mandatory funding to decrease the number of workers they furlough. Doing so also would reduce the daily cost of compensation for furloughed workers.

### **Pay for the Military**

Active-duty military personnel generally are considered excepted employees and thus are required to work during a government shutdown. Like other federal employees, they are paid once appropriations are enacted. Some of the funds in DoD's direct appropriation under the 2025 reconciliation act could be used to pay active-duty personnel during a shutdown, thus reducing the number of excepted workers who would receive delayed compensation. CBO has no specific information about the Administration's plans in that regard, however.

### **Pay for Members of Congress**

Pay for Members of Congress is required by the Constitution and is considered mandatory spending. Thus, Members of Congress would continue to be paid during a lapse in discretionary appropriations.

### **Effects on Overall Economic Activity**

The effects of a government shutdown on the economy would depend on its extent and duration. For example, CBO reported that the five-week partial shutdown ending in January 2019 delayed discretionary spending for compensation and for purchases of goods and services and suspended some federal services. Once the government reopened, most of the payments were made. At the time, CBO estimated that although most of the real gross domestic product (GDP; real GDP is adjusted to remove the effects of inflation) that was lost during the fourth quarter of 2018 and the first quarter of 2019 eventually would be recovered, about \$3 billion would never be. In its report, CBO projected that amount at 0.02 percent of annual GDP in 2019.

### **Effects on Business Activity and Income**

In 2019, CBO estimated that in the near term, the shutdown also reduced aggregate demand in the private sector for goods and services, pushing down GDP. The delay in federal compensation reduced consumer spending—especially, CBO estimated, among federal workers who missed paychecks. In

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5. See Office of Personnel Management, "Special Instructions for Agencies Affected by a Possible Lapse in Appropriations Starting on October 1, 2025" (accessed September 29, 2025), <https://tinyurl.com/3hzeb6vv>.

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addition, stalled federal spending on goods and services led to a loss of private-sector income that further reduced demand for other goods and services in the economy. CBO reported that one result was a dampening of economic output that reversed once people returned to work.

The effects of a government shutdown on business activity are uncertain, and their magnitude would depend on the duration of a shutdown and on decisions made by the Administration. CBO expects that if a government shutdown persisted for several weeks, some private-sector entities would never recover all of the income they lost as a result of the suspension of federal activity.

### **Costs of Delayed Procurements and Lapsed Contracts**

It is difficult to assign a daily cost to the federal government from delayed procurements and lapsed contracts during a shutdown. Those effects would depend on the duration of the shutdown and on decisions made by the Administration. Using information from the effects of previous shutdowns, CBO expects that disruptions would be minor if a shutdown lasted for only a few days.

### **Effects on National Parks and Monuments**

Decisions about which national parks and monuments remain open but unstaffed during a lapse in appropriations are made by the Administration and have varied from one shutdown to another.

I hope this information is useful to you. Please contact me if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip L. Swagel", with a long, sweeping flourish extending to the right.

Phillip L. Swagel  
Director

cc: Honorable Lindsey Graham  
Chairman  
Senate Committee on the Budget

Honorable Jeff Merkley  
Ranking Member  
Senate Committee on the Budget