



MEMORANDUM

TO: U.S. Chamber Members
FR: Neil Bradley, Executive Vice President, Chief Policy Officer, and Head of Strategic Advocacy
DT: September 18, 2023
RE: Potential for an Extended Government Shutdown

Despite the fact that the Biden Administration and Congressional leaders from both parties in the House and Senate want to avoid a government shutdown, there is a substantial consensus that a shutdown will occur at the beginning of the fiscal year on Oct. 1.

If a government shutdown does occur, it is likely to be significant in duration with no clear path for reopening the government.

The Chamber is providing more detail about the possible length of a shutdown and the implications for the business community and the economy so that our members can prepare accordingly.

Background on Shutdowns

A government shutdown at the beginning of the fiscal year would mark the fourth shutdown in a decade and the sixth since 1995. In each case, the government was shuttered because a portion of the Congress (always on a partisan basis) refused to support legislation to keep the government open absent some change in spending or policy. In other words, some group of policymakers leverage the “must-pass” legislation to keep the government open to secure their own priorities. While members of both parties have attempted to leverage the necessity of an open and operating government, no one has successfully used a shutdown to change policy in at least the last 25 years.

Each of the previous shutdowns came to an end when the leveraging party relented and supported / allowed for the passage of a bill to reopen the government. This is usually the result of a combination of public pressure and a realization that shutting down the government as a means of leverage is a flawed legislative strategy, and ultimately bad for the American people.



Potential Length

The last government shutdown, from December 2018 to January 2019, was 35 days in length, two-thirds longer than the previous record of 21 days in 1995/96.

It is difficult to predict how long any shutdown would last because the conclusion of the shutdown is largely dependent on when the leveraging party feels the need / ability to support or allow for a reopening of the government.

The history of government shutdowns since 1995 shows a decreasing willingness on the part of the leveraging party to agree to reopen the government. This is important because the best way out of a shutdown is to demonstrate that those wanting to keep the government closed are a small minority within their *own* party.

As illustrated in the table below, in 1995 and 1996, the votes to reopen the government enjoyed near unanimous support from both parties. Beginning in 2013, the leveraging party, especially in the House, has shown an increasing willingness to oppose reopening:

- In 2013, House Republicans opposed reopening 144 to 87;
- In 2018, House Democrats opposed reopening 144 to 45; and
- In 2019, House Republicans opposed reopening 183 to 6.

At the moment, there is no clear path to reopening the government should a shutdown occur. This is due to the following reasons: the very tight margins in the House, the likely difficulty in securing a majority of the majority to reopen the government, and the threats by supporters of a shutdown to utilize a motion to vacate to attempt to throw the House into chaos.

On the other hand, the increasing need for disaster aid funding combined with the normal build-up of pressure during a shutdown could bring it to a quick end, but those pressures are likely to only change marginally from the conditions present at the outset.

Bottom line: In the current environment, as hard as it may be to avoid a shutdown, it would be even harder to get out of it. This points to an extended shutdown.



Modern Shutdown History

Date	Length in Days	Make-up of Government	Issue	Vote to Reopen
Nov. 14, 1995	5	GOP House & Senate President Clinton	Impasse over deficit reduction	House: 416-0 (R: 225-0) (D:190-0) Senate: Unanimous Consent (UC)
Dec. 16, 1995	21	GOP House & Senate President Clinton	Impasse over deficit reduction	House: 399-25 (R: 214-20) (D:184-5) Senate: 88-11 (R: 41-11) (D: 47-0)
Oct. 1, 2013	16	GOP House Dem Senate President Obama	Attempts to defund Obamacare	House: 285-144 (R: 87-144) (D:198-5) Senate: 81-18 (R: 28-18) (D: 53-0)
Jan. 19, 2018	2	GOP House & Senate President Trump	Attempt to codify DACA	House: 266-150 (R: 221-6) (D:45-144) Senate: 81-18 (R: 47-2) (D: 34-16)
Dec. 22, 2018	35	GOP House* & Senate President Trump *The shutdown started with the GOP in the majority and ended in the new Congress with Democrats in the majority.	Funding for a Border Wall	House: 229-184 (R: 6-183) (D: 223-1) Senate: Voice vote



Implications for the Business Community and the Economy

Economists often assert that the macroeconomic impact of a government shutdown is relatively mild. This conclusion is largely based on viewing the economic impact solely through the lens of federal spending in the economy. During a shutdown mandatory spending continues and, while discretionary spending halts, when the government reopens federal employees and agencies are made whole meaning total federal spending is unchanged.

This approach fundamentally misses the microeconomic impacts for the private sector and Americans and communities across the country. Individuals and businesses rely on the discretionary functions of government on a daily basis. From passports and permits to clinical trials and contractors, a well-functioning economy requires a functioning government.

In a 2018 report, the non-partisan Congressional Research Service [detailed](#) some of the impacts of past government shutdowns:

- **Health.** New patients were not accepted into clinical research at the National Institutes of Health (NIH) clinical center; the Centers for Disease Control and Prevention ceased disease surveillance; and hotline calls to NIH concerning diseases were not answered.
- **Law Enforcement and Public Safety.** Delays occurred in the processing of alcohol, tobacco, firearms, and explosives applications by the Bureau of Alcohol, Tobacco, and Firearms; work on more than 3,500 bankruptcy cases were suspended; recruitment and testing of federal law enforcement officials were cancelled, including the hiring of 400 border patrol agents; and delinquent child-support cases were delayed.
- **Parks, Museums, and Monuments.** Closure of 368 National Park Service sites (loss of 7 million visitors) occurred, with loss of tourism revenues to local communities; and closure of national museums and monuments (reportedly with an estimated loss of 2 million visitors) occurred.
- **Visas and Passports.** Approximately 20,000-30,000 applications by foreigners for visas went unprocessed each day; 200,000 U.S. applications for passports went unprocessed; and U.S. tourist industries and airlines reportedly sustained millions of dollars in losses.
- **American Veterans.** Multiple services were curtailed, ranging from health and welfare to finance and travel.



- **Federal Contractors.** Of \$18 billion in Washington, DC, area contracts, \$3.7 billion (over 20%) were affected adversely by the funding lapse; the National Institute of Standards and Technology (NIST) was unable to issue a new standard for lights and lamps that was scheduled to be effective January 1, 1996, resulting in delayed product delivery and lost sales; and employees of federal contractors were furloughed without pay.

Even the relatively brief 16-day shutdown in 2013 had significant negative impacts on business operations and the economy as detailed in a 2013 [report](#) by the Office of Management and Budget:

- The Bureau of Land Management (BLM) was unable to process about 200 Applications for Permit to Drill, delaying energy development on Federal lands in North Dakota, Wyoming, Utah, and other states.
- The Treasury Department's Alcohol and Tobacco Tax and Trade Bureau was unable to issue export certificates for beer, wine, and distilled spirits, more than two million liters of U.S. products were left sitting at ports unable to ship.
- Banks and other lenders could not access government income and Social Security Number verification services. Two weeks into the shutdown, the Internal Revenue Service (IRS) had an inventory of 1.2 million verification requests that could not be processed, potentially delaying approval of mortgages and other loans.
- The Small Business Administration (SBA) was unable to process about 700 applications for \$140 million in small business loans, and the Federal Housing Administration (FHA) was unable to process over 500 applications for loans to develop, rehabilitate, or refinance around 80,000 multifamily rental units.

At a U.S. Chamber of Commerce Foundation event during the last shutdown in 2018, we highlighted some of the real-life consequences:

- Riverview Hotel, a small family-owned business with a history dating back to 1920, relied on a park-service operated ferry to transport guests to the island. This ferry service came to a halt during the government shutdown, resulting in substantial income losses totaling tens of thousands of dollars and causing permanent employee layoffs.



This hotel also had been counting on a small business loan to aid in its recovery from a recent hurricane. The pause in loan approvals and disbursement, coupled with subsequent backlog issues at the Small Business Administration, triggered financial instability for numerous businesses facing similar circumstances.

- Information Technology Coalition, Inc., a government contractor supporting agencies like NASA, DOT, DOJ, had to furlough nearly 60% of their workforce spanning 25 states. Employees depleted their vacation and sick leave and endured weeks without pay, which was never reimbursed by the government. This situation also poses a threat to our national security as critical agencies operate with reduced staffing levels.
- Even routine tasks such as obtaining permits for new beer labels or new boats were left unanswered for weeks, as exemplified by the experiences of FV Holdings LLC and TapRM. These delays resulted in significant financial losses, amounting to thousands of dollars.

Each of these business stories mirror the struggles faced by businesses across the country – struggles that would resurface if the government were to shut down again.

Please call us if you wish to discuss this further or if we can be of any assistance as you navigate the impacts of a potential shutdown on your business. Thank you.