

Policy Backgrounder

Government Shutdown's Impact Increases

The current Federal government shutdown is now the second longest in US history. Democrats and Republicans remain steadfast in their positions as the impact of the shutdown increases for Federal workers, everyday Americans, businesses, and the broader economy.

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- The Senate has consistently rejected a continuing resolution (CR) that would reopen the government through November 21. Other bills to pay Federal workers, members of the military, and fund nutrition programs have also not been approved by the Senate.
- The Administration has reallocated funding to pay members of the military through early November, though it declined to use contingency funding for nutrition programs that are set to run out of funding at the start of November.
- Open enrollment for Affordable Care Act (ACA) health insurance plans begins on November 1, raising the salience of this issue for those purchasing insurance through the Marketplace and potentially increasing political pressure on Congress to strike a deal.
- As the economic impact and public pressure to end the shutdown grows, there may be movement over the coming days on an agreement to reopen the government, though no formal negotiations are taking place between Democratic and Republican leadership, and the President has not yet become fully involved.
- Businesses are affected as the shutdown may cause regulatory delays, disrupted contracting and grant payments, air traffic delays, and potential shifts in negotiating leverage on appropriations, health care, defense, and infrastructure.

Developments in Congress

Since the start of the shutdown on October 1, the Senate has [rejected](#) 13 times a Republican-crafted [CR](#) passed by the House to fund the Federal government through November 21. Only Senators Catherine Cortez Masto (D-NV), John Fetterman (D-PA), and Angus King (I-ME) have consistently joined all Republicans except Senator Rand Paul (R-KY) in supporting the CR. Democrats [continue](#) to demand an extension of the enhanced ACA premium tax credits, the restoration of Medicaid and other health care spending, and restrictions on the President's ability to impound funds Congress has appropriated, while Republicans blame Democrats for instigating the shutdown and [support](#) the relatively "clean" CR keeping most appropriations at fiscal year (FY) 2025 levels while Congress continues to work on appropriations bills.

As the shutdown continues, individual Senators are offering up bills to mitigate its negative impacts. Senator Ron Johnson (R-WI) [introduced](#) the Shutdown Fairness Act last week, which would pay Federal employees who are forced to work during the government shutdown. Senator Chris Van Hollen (D-MD) [introduced](#) a similar bill that would also prevent the Administration from conducting layoffs during the shutdown. The Senate rejected both bills last week, though Senators Fetterman, Jon Ossoff (D-GA), and Raphael Warnock (D-GA) [joined](#) Republicans in supporting Senator Johnson's bill. Other bills under Senate consideration include Senator Ted Cruz's (R-TX) [bill](#) to pay air traffic controllers during the shutdown, Senator Dan Sullivan's (R-AK) [bill](#) to pay the military, and Senator Josh Hawley's (R-MO) [bill](#) to fully fund the Supplemental Nutrition Assistance Program (SNAP). The House has not [voted](#) since September 19 and would have to return from recess to consider any of these bills.

Upcoming Deadlines and Increasing Negative Impacts

The stalemate in Congress has put the onus on the Administration to determine how or whether the Federal government can reallocate funds to sustain crucial government services. To pay members of the military in October, the Pentagon [identified](#) approximately \$8 billion in unspent research, development, test, and evaluation funding to reallocate to cover troops' salaries. The Vice President and Treasury Secretary Scott Bessent have [said](#) this funding is sufficient to pay servicemembers through early November, though members of the military are at risk of missing their paychecks on November 15 absent a deal to reopen the government. Last week, the Defense Department also [accepted](#) a \$130 million donation to help pay the salaries of members of the military—[reportedly](#) from Timothy Mellon, a businessman. This donation may run afoul of the [Antideficiency Act](#), which prohibits Federal agencies from obligating or expending Federal funds in advance or in excess of an appropriation, and from accepting voluntary services.

The Federal nutrition programs [SNAP](#) and the Special Supplemental Nutrition Program for Women, Infants, and Children ([WIC](#)) are also scheduled to run out of funding and [stop paying benefits](#) on November 1 or shortly thereafter (depending on state and local government decisions to cover the funding shortfall with non-Federal dollars). Approximately 42 million Americans [rely](#) on SNAP and 7 million on WIC to meet their nutritional needs. Despite a statement in the September USDA shutdown plan regarding use of contingency funds of

approximately \$5-6 billion for SNAP, the Administration has now [determined](#) that it will not use these funds to partially cover November SNAP payments because it believes these funds must be reserved for emergencies including natural disasters. More than two dozen Democratic Attorneys General have [sued](#) the Administration over its decision. The Administration previously [transferred](#) \$300 million to WIC from a state child nutrition programs account partially funded by customs duties collected in 2024.

The other major deadline is the ACA open enrollment period [starting](#) on November 1. Health insurers participating in the ACA marketplace are beginning to notify beneficiaries of updated premiums and the revised rates have been publicly [posted](#) on the Federal Healthcare.gov marketplace. The Kaiser Family Foundation [conducted](#) an [analysis](#) of average benchmark (second-lowest cost) silver premiums for 2026 and found an average increase in premiums for these plans of 26%, with premiums rising by 17% in states (such as California and New York) that run their own marketplaces and 30% in states that use Healthcare.gov. The enhanced ACA premium subsidies that Democrats have emphasized as their core issue to reopen the government primarily affect individuals with income above four times the Federal poverty level, but even individuals with lower incomes could be forced to choose bronze plans with lower premiums and higher deductibles in response to the higher rates. The Congressional Budget Office (CBO) has [estimated](#) that permanently extending the enhanced ACA premium tax credit would increase the deficit by \$350 billion from 2026 to 2035 and increase the number of people with health insurance by 3.8 million in 2035 (CBO notes that the costs would be lower if enacted after September 30 due to the dynamics described above).

More broadly, the government shutdown is starting to impact other sectors of the economy. Delays at airports due to staffing shortages have [increased](#) in the past week as air traffic controllers work without pay. Other Federal workers in similar situations or who are furloughed will continue to miss paychecks in late October and early November, negatively affecting local economies dependent on these workers. Additional [programs](#) like Head Start and nonprofits around the country that [rely](#) on Federal grants are set to miss Federal funding as well. CBO has [analyzed](#) the potential economic effect of government shutdowns of various lengths ranging from four weeks to eight weeks, finding the government shutdown could reduce annualized real GDP in Q4 2025 by 1 to 2 percentage points. While most of the decline in real GDP would be recovered eventually, CBO estimates between \$7 billion to \$14 billion would not.

What Are the Potential Off-Ramps for Both Parties?

The upcoming deadlines for crucial government programs running out of funding and increased public pressure may finally force both parties to start formal negotiations on reopening the government. This week, the American Federation of Government Employees, the largest union representing Federal workers, [issued](#) a statement calling for Congress to immediately pass a clean CR to reopen the government. While this statement did not change the [position](#) of Democratic leadership, Republicans in the Senate believe some centrist Democratic Senators could be open to striking a compromise to reopen the government. Similarly, the ACA open enrollment period opening this weekend could [increase](#) pressure on Republicans.

Senate Appropriators such as Senator Susan Collins (R-ME) are [pitching](#) movement on individual bipartisan appropriations bills such as the Defense and Labor-Health and Human Services bills and a bicameral agreement on the three-bill minibuss covering Agriculture, Military Construction-Veterans Affairs, and the Legislative Branch that passed out of the Senate as a means to restart the traditional appropriations process. While that approach doesn't address the enhanced ACA premium tax credits set to expire at the end of 2025, the gubernatorial elections in New Jersey and Virginia next week could give Democrats an opportunity to claim a political victory of highlighting health care costs and guide enough centrist Democratic Senators to vote for a CR to reopen the government.

The final factor is the President. The President has been overseas in Asia this week and has deferred to Republican leadership in Congress to determine a solution. The President has [suggested](#) he is open to meeting with Democrats to develop a "much better" alternative to the ACA, though getting Republicans, especially in the House, to coalesce around comprehensive health care reform will be a challenging [task](#). In the meantime, businesses should anticipate delays in regulatory reviews, permitting, and Federal communications and Federal contractors may experience payment disruptions and limited access to agency personnel.

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