THE CONFERENCE BOARD

Policy Backgrounder

Congress Moves Closer to Avoiding Government Shutdown

The House and the Senate have each passed continuing resolutions (CRs) to keep the Federal government open through December, reducing the likelihood of a government shutdown ahead of the November midterm elections. This Backgrounder explains the key differences between the bills that could prompt a shutdown.

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- The House's CR keeps the government open through December 4 at current funding levels. The Senate's CR extends current funding levels through December 11 and includes provisions affecting Federal grantmaking and several White House requests.
- Congress must also address key legislation with a significant fiscal impact by the end of the year, including the farm bill and funding levels for the military amid the Iran War.
- The strong bipartisan support for the CR in the Senate demonstrates the desire from Members of Congress in both parties to avoid a shutdown at the end of September. The fact the House also passed a CR with two months to go before a potential shutdown also reveals momentum in that chamber to prevent this negative outcome.
- While the White House has come out in support of the Senate CR, the President has also pushed for changes to election administration and more defense spending, raising a risk that the President may use the CR as a negotiating tool with Congressional Republicans to achieve these other policies.

Continuing Resolutions for Fiscal Year (FY) 2027

The next fiscal year for the Federal government (FY 2027) starts on October 1. Before leaving for its August recess, the House passed a CR funding the government at existing FY 2026 levels through December 4. In the Senate, Senators secured a bipartisan agreement on a CR funding the government at FY 2026 levels through December 11, a week later than the House.[1]

The Senate's CR also includes several important differences from the House's version, primarily to secure the bipartisan support necessary to pass legislation in the Senate with 60 votes. The Senate CR includes the White House's list of requests for special exceptions, known as "anomalies," affecting military health programs, national security, national park operations, and disaster relief.[2] However, the CR does not include White House requests for additional military funding, such as $1 billion for the "Trump-class" battleships.[3]

The Senate CR delays the implementation of a proposed new Federal rule that provides more authority to the White House Office of Management and Budget (OMB) to approve or cancel Federal grant awards based on alignment with Administration priorities.[4] Senators from both parties sought this delay from concerns about political interference in the Federal grantmaking process. Democrats also secured language that prevents Immigration and Customs Enforcement (ICE) and Customs and Border Patrol (CBP) from receiving any additional funding in FY 2027 after Congress passed over $70 billion for ICE and CBP through FY 2029.[5] On August 8, the Senate passed the bill 90-6, showing strong bipartisan support to avoid a government shutdown ahead of the November midterm elections.[6]

Other Fiscal Policy in Congress

In addition to passing 12 appropriations bills to fund the Federal government for FY 2027, other key fiscal policy issues remain on Congress' agenda.

Defense Spending

As the war in the Middle East continues, the Administration has made several defense funding requests. For FY 2027, the Administration proposed $1.5 trillion in total defense spending, comprised of $1.1 trillion in base funding and $350 billion through a party-line reconciliation bill. This represents a more than 40% increase in defense spending compared to FY 2026. The Administration also requested over $67 billion in supplemental funding on top of these totals to cover the operational costs of and replenish munitions used in the conflict with Iran.

Congress must also pass the National Defense Authorization Act (NDAA) for military programs by the end of the year; while the House passed its version of the NDAA by a largely party-line 216-212 vote, the Senate has yet to reach agreement on the topline numbers and major initiatives for its version of the NDAA.[7] The White House funding requests and the need to pass the NDAA will have a significant impact on the contours of the defense appropriations bill.

Farm Bill

Another key piece of legislation with fiscal policy implications is the farm bill, a comprehensive package of laws that authorizes and governs the US Department of Agriculture's (USDA's) agricultural and nutrition programs. The farm bill is typically authorized every five years and includes both mandatory spending on nutrition assistance and crop insurance programs and the parameters for discretionary appropriations that are included in separate appropriations bills for the USDA. The current farm bill was enacted in 2018 and has received one-year extensions.

Congress has struggled to pass a new farm bill with no bipartisan agreement in the Senate, particularly regarding changes that attempt to reduce Supplemental Nutrition Assistance Program (SNAP) error rates and that require states to share in the administrative costs of providing SNAP benefits.[8] At the end of April, the House passed a bill 224-200; 14 Democrats joined almost all Republicans in support.[9] The Senate has not passed a bill out of committee. The final shape of the farm bill will help determine the 2027 appropriations levels for USDA.

Prospects for a Government Shutdown

The FY 2027 appropriations process now moves back to the House, which can choose to adopt the Senate's CR or modify it and continue the legislative process. Strong bipartisan support in the Senate means the House would risk receiving the blame for a government shutdown. Congress will have to decide whether it is politically worthwhile to force a government shutdown ahead of the midterms considering the bipartisanship and political momentum so far.

In comparison, the Federal government experienced two shutdowns in FY 2026. The first, at the start of the fiscal year over enhanced premium tax credits for Affordable Care Act health plans, ended when eight Democrats joined with Republicans to pass a legislative package to reopen the government 60-40. Another partial shutdown at the start of February ended when Senators agreed to a revised appropriations package and passed it 71-29. The Senate's 90-6 vote in favor of the current CR is much more decisive than either deal to end the FY 2026 shutdowns.

Once the House and Senate agree on a CR, the President's signature to enact the legislation remains uncertain given the pressure on Republicans to increase defense spending, pass a budget resolution to guide a third reconciliation bill, and pass the SAVE America Act that makes changes to election administration.[10] There is a possibility the President may decide to use the CR as political leverage to force Congressional action on his other legislative priorities, but the White House may be unwilling to be seen to prompt a shutdown before the midterms.

Enactment of a CR before October 1 would take the prospect of a government shutdown off the table until December. During the lame duck session between the November midterm elections and the start of a new Congress in January, Congress will either have to finalize and pass all 12 appropriations bills or enact another CR for any parts of the Federal government that remain unfunded. The House has only passed three FY 2027 appropriations bills; the Senate has not passed any and has yet to agree to topline numbers for spending. These issues must be resolved before the full FY 2027 appropriations process can be completed.

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Endnotes

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[1] Ryan Mancini, *Senate appropriators reach funding deal to avoid shutdown*, The Hill, August 2, 2026.

[2] Jennifer Scholtes, *White House sends Congress stopgap exception wishlist*, Politico, July 20, 2026.

[3] Jennifer Scholtes and Katherine Tully-McManus, *Senate finalizes funding patch that would block Trump's grant overhaul*, Politico, August 2, 2026.

[4] Helen Huiskes, *Democrats see wins in funding stopgap but expect future spending fight*, The Hill, August 4, 2026.

[5] Katherine Tully-McManus and Jordain Carney, *Senate passes funding bill to avert October shutdown*, Politico, August 8, 2026.

[6] U.S. Senate, *Roll Call Vote 228*, August 8, 2026.

[7] U.S. House of Representatives, *Roll Call Vote 278*, July 22, 2026.

[8] Grace Yarrow and Rachel Shin, *Boozman to reconvene farm bill markup after failed vote*, Politico, August 6, 2026.

[9] U.S. House of Representatives, *Roll Call Vote 154*, April 30, 2026.

[10] Jordain Carney, *Republicans face likely year-end test after punting Trump spending bill*, Politico, August 8, 2026.
