



Report on the Possibility of a US Government Shutdown

Summary

As of September 9, 2025, the United States faces a heightened risk of a partial federal government shutdown beginning October 1, 2025, if Congress fails to enact funding legislation by the September 30 deadline. This deadline marks the expiration of a continuing resolution (CR) passed in March 2025, which has temporarily funded federal agencies through the end of fiscal year (FY) 2025. Partisan divisions, exacerbated by the Trump administration's recent policy actions, have complicated negotiations. Republicans control both chambers of Congress but require Democratic support in the Senate to meet the 60-vote threshold for passage. Key sticking points include proposed cuts to foreign aid, impacts on healthcare programs from recent tax legislation, and demands for restoring funding to affected communities. While a short-term CR remains the most probable outcome to avert an immediate shutdown, the ongoing standoff increases the likelihood of disruptions if no agreement is reached soon.

Introduction

A U.S. government shutdown occurs when Congress fails to pass appropriations bills or a continuing resolution to fund federal operations, leading to the furlough of non-essential federal employees and the suspension of certain government services. Since 1981, there have been 14 partial shutdowns, with the longest lasting 34 days during the 2018-2019 standoff over border wall funding. Shutdowns typically arise from disagreements over spending priorities, debt limits, or policy riders attached to funding bills. The fiscal year for the federal government runs from October 1 to September 30, requiring Congress to approve approximately \$1.8 trillion in discretionary spending annually, separate from mandatory programs like Social Security and Medicare.

In the current context, the March 2025 CR extended funding through September 30, 2025, averting an earlier crisis but setting the stage for renewed negotiations. With Congress returning from its August recess on September 2, 2025, lawmakers have just over three weeks to act. This report examines the current status of funding talks, key challenges, potential impacts, and the overall probability of a shutdown.

Current Status of Funding Negotiations

Congress must either pass 12 full-year appropriations bills for FY2026 or enact another CR to maintain operations past September 30. The full appropriations process is considered unlikely given the tight timeline and historical precedents, where comprehensive bills are rarely completed on schedule. Instead, attention has focused on a "clean" CR, which would extend current funding levels for a few months (e.g., until December 2025 or March 2026) without policy changes, providing time for broader budget negotiations.

House Speaker Mike Johnson (R-LA) has not yet committed to a specific strategy but has emphasized the need for Republican priorities, including spending cuts. Senate Majority Leader John Thune (R-SD) has expressed optimism for bipartisanship, stating hopes for a "process that works for both sides." On the Democratic side, Senate Minority Leader Chuck Schumer (D-NY) has accused the Trump administration of undermining Congress's authority by withholding previously approved funds, describing it as "an all-out war against Congress' Article I authority." House Democrats have highlighted that the administration is blocking over \$410 billion in owed funding to communities nationwide.

Appropriations committees in both chambers are cautiously advancing toward a temporary agreement, with subcommittee markups expected in the coming weeks. However, as of September 9, no bill has been formally introduced on the House or Senate floor, and senior GOP aides indicate internal divisions persist.

Key Players and Partisan Sticking Points

The Trump administration plays a pivotal role, with President Donald Trump signaling openness to a short-term CR following the enactment of his "One, Big, Beautiful Bill Act" – a sweeping tax-cut and spending package signed into law recently. However, Trump and Office of Management and Budget Director Russell Vought have pursued a rescission package to claw back nearly \$5 billion in foreign aid and an additional \$9 billion in cuts to foreign aid and public media funding, actions Democrats deem illegal and obstructive. These moves are seen as complicating bipartisan efforts, with Trump previously demonstrating willingness to risk shutdowns to advance his agenda, as in 2018-2019.

Republicans, buoyed by majorities in both the House and Senate, are pushing for reduced non-defense spending – approximately \$15 billion below FY2025 levels – and integration of Trump's policy wins. Conservatives within the GOP acknowledge the need

for compromise but resist any "chip away" at the new administration's domestic package. Democrats, in the minority, are leveraging the Senate's filibuster rules to demand concessions, including reversals of Medicaid cuts from Trump's tax bill that could affect healthcare coverage for over 10 million low-income Americans. Senator Elizabeth Warren (D-MA) has warned that unilateral Republican cuts would force Democrats to withhold support, potentially dooming any CR. Bipartisan leaders are attempting de-escalation, with recent talks aiming to separate funding from policy riders.

Potential Impacts of a Shutdown

If no funding is approved by midnight on September 30, non-essential federal services would halt, affecting approximately 2 million civilian employees through furloughs or unpaid work. Essential functions, such as air traffic control, military operations, and Social Security payments, would continue, but delays in payments to contractors, veterans' benefits processing, and national park access would ensue. Economically, even a brief shutdown could lead to higher borrowing costs, stock market volatility, increased unemployment, and a contraction in GDP, as seen in prior incidents. Specific sectors like healthcare research, housing assistance, and defense contracting would face immediate disruptions, with contractors already reporting delays in year-end obligations.

Likelihood of a Shutdown

The probability of a shutdown is moderately high – estimated at 40-60% by analysts – due to the entrenched partisan positions and the administration's aggressive rescission tactics. However, historical patterns favor last-minute compromises, with a clean CR viewed as the path of least resistance by the White House and moderate lawmakers like Senator Lisa Murkowski (R-AK), who stressed the need for "hard work and collaboration." Democrats' strategy appears to bet on a brief impasse to extract concessions on Affordable Care Act subsidies, but prolonged delays risk public backlash ahead of the 2026 midterms. If negotiations stall further, a shutdown could extend into early October, mirroring past crises.

Conclusion

With only three weeks remaining, the window for averting a government shutdown is narrowing amid deepening partisan rifts and the Trump administration's fiscal maneuvers. A temporary CR offers a viable off-ramp, but success hinges on bipartisan willingness to prioritize funding over policy fights. Failure to act would not only disrupt federal services but also undermine public trust in governance. Stakeholders, including federal employees and contractors, should prepare contingency plans while monitoring congressional developments closely.

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