



Budget Brief 25-16, September 25, 2025

Government Shutdown Q&A: Times Have Changed

By Marcia Howard • 202-624-5848 • mhoward@ffis.org

Summary

No fiscal year (FY) 2026 appropriations bills have been enacted, and a House-passed continuing resolution (CR) that would keep the government operating at FY 2025 levels until November 21 has been rejected in the Senate. While a brief shutdown is usually of minimal consequence, things will be different this time.

In the event of a shutdown, most discretionary grant programs—plus mandatory programs funded in appropriations acts—would be affected because no new funding would be available.

FFIS periodically assesses the risks to states from federal government shutdowns. The questions and answers are generally the same from year to year and are summarized below. What is different now is the political and budgetary environment. Among other things, federal agencies have either not updated their shutdown contingency plans or have not made those plans public, creating uncertainty about how they intend to operate under a funding lapse. Further, recent developments make clear that the administration will use a shutdown to dramatically reduce the federal workforce.

[Table 1](#) at the end of the brief summarizes the outlook for selected mandatory programs and [Table 2](#) highlights selected discretionary programs. The information is largely based on prior agency practice and contingency plans due to the absence of current guidance.

Q. What would make a shutdown different this time?

Historically, federal agencies have worked to minimize the disruption of shutdowns by, for example, making prior-year carryover funds available. The current administration has adopted a less accommodating attitude and is subjecting some programs to enhanced scrutiny and payment delays even without a shutdown.

New in FY 2025, the administration has withheld funding for several discretionary grant programs for enhanced review. To the extent that FY 2025 grant funds have not been distributed, states may not have access to carryover funds.

Perhaps most importantly, a recent [memo](#) from the Office of Management and Budget (OMB) calls for mass layoffs in the event of a shutdown. It requires Reduction in Force (RIF) notices to be sent to all employees in programs, projects, or activities (PPAs) that satisfy the following three conditions:

- Discretionary funding lapses on October 1, 2025
- Another source of funding, such as H.R. 1 (P.L. 119-21), is not currently available; and
- The PPA is not consistent with the president's priorities

The memo makes clear that this would apply to staff who would normally be excepted or furloughed during a shutdown.

The upshot is that states should be cognizant that the past is not precedent.

Q. What happens to mandatory programs that operate outside the appropriations process?

As long as there is a current program authorization, funding for these programs is automatically available.

Examples of such programs include:

- Children’s Health Insurance Program (CHIP)
- The mandatory/matching portion of the Child Care Development Fund (CCDF)
- The Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program

That said, the authorizations for several mandatory programs that bypass the appropriations process are set to expire after September 30. These programs will not receive new funding absent congressional action. They include:

- Temporary Assistance for Needy Families (TANF)
- Personal Responsibility Education Program
- Sexual Risk Avoidance Education
- Mandatory portion of Community Health Centers
- Medicare Enrollment Assistance Programs
- Family-to-Family Health Information Centers

Table 1 identifies programs that are funded independently of the appropriations process.

Q. What about mandatory programs funded in appropriations acts (*i.e.*, appropriated entitlements)?

With a funding lapse, most of these programs will not have access to new funding, but states will be entitled to reimbursement once appropriations are enacted. Examples of such programs include:

- Social Services Block Grant (SSBG)
- Promoting Safe and Stable Families
- Child Nutrition
- Vocational Rehab – Basic State Grants
- The Emergency Food Assistance Program (TEFAP) Commodities

The programs listed should have access to any carryover funds from previous years (see Table 1). The Supplemental Nutrition Assistance Program (SNAP) is also in this category, but it should have sufficient funds to pay October benefits.

Medicaid, Title IV-E Foster Care and Adoption Assistance, and Child Support Enforcement all received an appropriation for the first quarter of FY 2026 in the FY 2025 full-year CR.

Q. Do any programs already have FY 2026 funds available?

Several discretionary programs received FY 2026 funding in the FY 2025 full-year CR. Examples include:

- Title I Grants to Local Educational Agencies
- Special Education Grants to States
- Career and Technical Education state grants
- Workforce Investment Opportunity Act (WIOA) formula grants

The education programs listed above are funded for the 2025-2026 school year. WIOA adult and dislocated worker programs have funds for their program year (July 1, 2025-June 30, 2026). WIOA youth does not receive advance funding, but the enacted FY 2025 budget provided funding through June 30, 2026.

Table 2 identifies programs that receive advance funding.

Q. Can prior-year funds be used?

Under previous shutdowns, yes, although states would determine if a program had prior-year funds available. Federal regulations might allow states to use unspent funds for new obligations. That said, OMB's recent memo hints toward broad restrictions on continuing programs.

- Many education, health, and human services programs have been able to use carryover funds through the subsequent fiscal year.
- Most Department of Justice grants have continued as long as sufficient funds remained.
- Some programs (Head Start, Public Health Emergency Preparedness) operate on a grant funding period that differs from the fiscal year; thus, funding has been available until the grant period ends.

Table 2 identifies programs that have been permitted to carry over funds.

Q. How are transportation programs funded through contract authority affected?

These programs can largely continue, as contract authority is available for FY 2026. Most staff at Department of Transportation (DOT) agencies that provide grants to states are funded with contract authority. However, highway funding is unique due to the constraints placed on spending by the obligation limitation. During past shutdowns, the Federal Highway Administration (FHWA) has notified states of their annual obligation limitation but has warned them to take caution in obligating these funds. If a short-term CR is enacted after a shutdown, it will only provide obligation limitation for the period covered. States that have obligated funds in excess of the limitation set by that CR would have to deobligate funds. FHWA's notice to states of their FY 2019 obligation limitation during that year's government shutdown is available [here](#).

Q. What about grants funded in the Infrastructure Investment and Jobs Act (IIJA)?

These programs are not affected by the FY 2026 appropriations process and could continue if the administration permits them to do so. The IIJA provided advance appropriations for a host of programs through FY 2026 (identified in Table 2).

Q. What if a program has a matching or maintenance-of-effort (MOE) requirement?

Under normal circumstances, state spending during a shutdown has been used to meet matching or MOE requirements.

Q. What happens to federal financial management systems during a shutdown?

In the past, automated payment systems were operational during a shutdown; whether that will be true under the current administration is unknown. Assuming the systems are operational, there could be delays if a drawdown request is flagged by internal controls. Moreover, some reimbursements may not be processed if the employees certifying and executing the payments are furloughed or terminated.

During previous shutdowns, Grants.gov remained operational, but with reduced federal staff.

Q. If states use their own funds to continue discretionary programs during a shutdown, will they be reimbursed?

There is no guarantee. Historically, the legislation that ends a shutdown has included language providing for state reimbursement. However, Congress addresses this on a case-by-case basis.

Next Steps

Agency contingency plans outline how departments will manage operations during a federal shutdown. Federal agencies typically update these plans ahead of a potential shutdown. The plans reveal how the administration intends to operate during such an event. Previous contingency plans have been removed from OMB's [centralized website](#). It is not clear if these plans will be made available prior to a shutdown.

OMB recently updated [Circular A-11](#), which provides guidance on the preparation, submission, and execution of the budget. Section 124 addresses how agencies can operate during a funding lapse. According to the circular, all shutdown plans should be updated and reviewed on August 1 of every odd-numbered year, including 2025. It also states that once updated plans are reviewed by OMB, they will be published on a dedicated landing page of each agency's website. The recent memo calling for RIFs notes that OMB has received many but not all shutdown plans; none have been made public.

FFIS has compiled [information](#) from previous shutdowns and will continue to provide updates if new information is made available.

Copyright © 2025 Federal Funds Information for States. All Rights Reserved.

[Back to Text](#)

Table 1

Potential Impact of a Shutdown on Selected Mandatory Programs

(\$ in millions)

Program	Assistance Listing No.	FY 2025 Funding	Bypasses Appropriations Process	Receives Advance Funding	May Carry Over Funds	Notes
Education						
Vocational Rehabilitation	84.126	\$4,140			X	States are entitled to reimbursement for incurred expenses. Funds are available for two years.
Food and Nutrition						
Supplemental Nutrition Assistance Program (SNAP) - Benefits	10.551	98,752			X	Excepted from shutdown but with only contingency reserves and multi-year funding. Receives \$3 billion in contingency reserve funding each year to carry out necessary program operations. Benefits for upcoming month are typically obligated in the prior month through state EBT systems.
SNAP - State Administration	10.561	6,020			X	Payments are made on a reimbursement basis.
Child Nutrition	10.553, 10.555, 10.558, 10.559, 10.560	31,777			X	Excepted from shutdown but with only contingency reserves and multi-year funding. Funds are awarded on a two-year basis. Section 32 funding (a transfer of customs receipts for commodity purchases) can be made available absent appropriations. Operates on a reimbursement basis, with payment 30 days after service month.
Health and Human Services						
Medicaid - Vendor Payments + Administration	93.778	705,843		X		Advanced funding provided through first quarter of FY 2026.
TANF	93.558	16,512	X			Funding expires September 30, 2025. Without an extension, no new funding will be available. During previous shutdowns, states have been able to access unspent federal TANF funds from previous years, as well as spend TANF MOE funds.
Children's Health Insurance Program (CHIP) State Allotments	93.767	21,017	X			
Foster Care	93.658	5,383		X		Advanced funding provided through first quarter of FY 2026.
Child Support Enforcement	93.563	5,629		X		Advanced funding provided through first quarter of FY 2026. ACF's previous contingency plan indicates that working with the Office of Child Support Services will continue during a shutdown.
Community Health centers (mandatory portion)	93.224	3,905	X		X	Funding expires September 30, 2025. Without an extension, no new funding will be available.
Child Care Development Fund (CCDF) - mandatory/matching	93.596	3,550	X			Funding is permanently appropriated and shouldn't be affected by a shutdown.
Adoption Assistance	93.659	4,142		X		Advanced funding provided through first quarter of FY 2026.
Social Services Block Grant	93.667	1,603			X	Funds are available for obligation for two years.
Promoting Safe and Stable Families (mandatory portion)	93.556	325			X	Funds are available for obligation for two years.
Maternal, Infant, and Early Childhood Home Visiting	93.505	566	X			Funding is appropriated through FY 2027.

[Back to Text](#)

Table 2

Potential Impact of a Shutdown on Selected Discretionary Programs

(\$ in millions; net of earmarks)

Program	Assistance Listing No.	FY 2025 Funding	Bypasses Appropriations Process	Receives Advance Funding	May Carry Over Funds	Notes
Education						
Title I Grants to Local Education Agencies	84.010	\$18,407		X		Funding already provided for 2025-2026 school year.
Special Education State Grants (Part B-611)	84.027	14,214		X		Funding already provided for 2025-2026 school year.
Supporting Effective Instruction	84.367	2,190		X		Funding already provided for 2025-2026 school year.
Career and Tech Ed	84.048	1,440		X		Funding already provided for 2025-2026 school year.
Health and Human Services						
Head Start	93.600	12,272			X	Grant year varies; grantees must request approval to carryover unobligated funds.
LIHEAP	93.568	4,125	See notes		X	States can carry over 10% of funding.
Child Care and Development Block Grant	93.575	8,996			X	Funds are available for obligation for two years.
Ryan White AIDS Grants	93.914, 93.917+	2,571			X	Some grants are awarded later in the year. States must request approval to carry over unobligated funds.
Substance Use Prevention, Treatment, and Recovery Services Block Grant	93.959	2,008			X	Funds are available for obligation for two years.
State Opioid Response Grants	93.788	1,575			X	Funds are awarded later in the fiscal year and available for two years.
Community Services Block Grant	93.569	770			X	Funds are available for obligation for two years.
CDC - Public Health Preparedness	93.074	735			X	FY 2025 project period ends June 30, 2026.
Labor						
Workforce Innovation and Opportunity Act (WIOA) formula grants	17.258, 17.278, 17.259	2,929		X		Funding provided through June 30, 2026.
Unemployment Insurance - State Administration	17.225	3,148			X	Funds for automation and certain other purposes are available through September 30, 2026.
Transportation						
Federal Aid Highways (contract authority)	20.205	62,657	X	X	X	Projects can continue because contract authority is already in place. Ability to obligate funds is constrained by the obligation limitation.
Highway Funding (IIJA advance appropriations)	20.205	9,454	X	X	X	Funds are available.
Highway funding (annual appropriations)	20.205	341			X	Prior-year funds remain available for obligation for four years. Several programs also receive contract authority.
Transit and Bus Grants (contract authority + IIJA advance appropriations)	20.500+	18,529	X	X	X	Both contract authority and advance appropriations will be available. In general, these funds remain available for obligation for 3-5 fiscal years.
Transit and Bus Grants (annual appropriations)	20.500+	2,251			X	These funds mostly supplement contract authority or advance appropriations from the IIJA. The period of availability varies (3-5 years).

Table 2 (continued)

Potential Impact of a Shutdown on Selected Discretionary Programs

(\$ in millions; net of earmarks)

Program	Assistance Listing No.	FY 2025 Funding	Bypasses Appropriations Process	Receives Advance Funding	May Carry Over Funds	Notes
Other						
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	\$7,597			X	Previously excepted from shutdown but with only carryover funding (from FY 2025). Funds are available for two years.
EPA revolving loan funds (annual appropriations)	66.458, 66.468	1,346			X	Grant recipients may make drawdowns for previous obligations using automated payment systems. Funds are available for two years.
EPA revolving loan funds (IIJA advance appropriations)	66.458, 66.468	9,231				Funds are available, but EPA's ability to operate at normal levels could be affected.
State and Local Law Enforcement Assistance	multiple	2,000			X	Grants are funded from no-year appropriations, as are the employees who administer them. Activities may continue as long as sufficient carryover funds remain.
State Homeland Security Grant Program	97.067	387			X	Period of performance is 36 months.
Weatherization	81.042	366			X	Awards last 3-5 years. Reports suggest that states have not been authorized to enter into new contracts in FY 2025. Amount excludes \$3.5 billion from the IIJA, which remains available for obligation.

Copyright © 2025 Federal Funds Information for States. All Rights Reserved.