

GAO Highlights

Highlights of [GAO-15-86](#), a report to the Chairman, Government Performance Task Force, Committee on the Budget, U.S. Senate

Why GAO Did This Study

The federal government partially shut down for 16 days in October 2013 because of a lapse in appropriations. According to OMB, about 850,000 federal employees were furloughed for part of this time. GAO was asked to describe the effects of the shutdown. This report describes (1) how the shutdown affected selected agencies' operations and services, including immediate and potential longer-term effects; (2) what is known about how the shutdown affected federal contracting and grants, as reported by the selected agencies and associations with expertise in grants and contracts; and (3) what economic studies or reports state about the effect of the shutdown on national economic activity.

GAO selected three departments for review—DOE, HHS, and DOT—based on the value of grants and contracts, the percentage of employees expected to be furloughed, and the potential for longer-term effects. GAO reviewed department contingency plans and other documents; economic forecasters' analyses; and interviewed officials from the selected departments and components, BEA, OMB, OPM, associations, and economic forecasters.

What GAO Recommends

GAO recommends that OMB instruct agencies to document lessons learned in planning for and implementing a shutdown, as well as resuming activities following a shutdown should a funding gap longer than five days occur in the future. OMB staff did not state whether they agreed or disagreed with the recommendation.

View [GAO-15-86](#). For more information, contact Yvonne D. Jones at (202) 512-6806 or jonesy@gao.gov

October 2014

2013 GOVERNMENT SHUTDOWN

Three Departments Reported Varying Degrees of Impacts on Operations, Grants, and Contracts

What GAO Found

The 2013 shutdown impacted some operations and services at the three departments that GAO reviewed: Energy (DOE), Health and Human Services (HHS), and Transportation (DOT). For example, at HHS's National Institutes of Health (NIH), initial closure of the clinical trials registry prevented new trial registrations for patients, before NIH recalled a small number of employees to reopen the registry. Similarly, DOT's Merchant Marine Academy closed and required a change to the academic calendar to allow eligible students to graduate on time. However, officials at these departments said that longer-term effects are difficult to assess in isolation from other budgetary events, such as sequestration.

Because of employee furloughs and payment or work disruptions, the three departments, their components, grant recipients, and contractors faced delays and disruptions in grant and contract activities during the shutdown, including the following examples:

- Within HHS, grants management activities at NIH effectively ceased with employee furloughs, although most current grant recipients were able to draw down funds. NIH had to reschedule the review process for over 13,700 grant applications because of the shutdown. After the shutdown, NIH completed the process to meet the next milestone in January 2014.
- Grants activities at DOT's Federal Transit Administration (FTA) effectively ceased with grants management officials furloughed and no payments made on existing grants. FTA officials said that no new grant awards were processed because of the shutdown, but the effect was minimal because the grant processing system is typically unavailable in early October for fiscal year closeout activities.
- At DOE's Office of Environmental Management (EM), contract activities generally continued because of the availability of multi-year funding, but more than 1,700 contractor employees who operate and maintain EM facilities were laid off or required to use leave because EM issued stop work orders. EM officials reported some programs required 4 months to return to pre-shutdown levels of contract activity.

Researchers' analyses of the economic effects of the shutdown have been limited to predicting its effect on real gross domestic product (GDP) in the fourth quarter of 2013. In January 2014, the Bureau of Economic Analysis (BEA) estimated the direct effect of the shutdown on real GDP growth to be a reduction of 0.3 percentage points. Economic forecasters GAO interviewed believed the other economic effects to be minimal at the economy-wide level.

The selected departments were aided in managing the uncertainties of the shutdown by their experience with preparing for prior potential shutdowns, funding flexibilities (such as multi-year funding), and ongoing communications internally and with Office of Management and Budget (OMB) staff and Office of Personnel Management (OPM) officials. OMB staff addressed questions from agencies on how to communicate about the shutdown with their employees, but did not direct agencies to document lessons learned from how they planned, managed, and implemented the shutdown for future reference.