

Parsons Brinckerhoff - September 30, 2013 - Interim Update

With the start of the new fiscal year occurring at midnight tonight, a government-wide shutdown now appears inevitable. To recap, on Friday afternoon, the Senate voted 54 to 44 (only a simple majority was required) to pass the FY'14 CR. However, the Senate version differed from the previously passed House version, in that it extended only through November 15, rather than December 15, and it did not defund the Affordable Care Act (ACA). Then, very late on Saturday night, the House voted to amend the Senate CR to repeal the medical device excise tax (used to pay for aspects of the ACA) and to delay for one year the implementation of all provisions of the ACA. The CR now ping pongs back to the Senate which is not expected to begin its consideration until 2:00pm this afternoon. The Senate is expected to vote to eliminate those provisions and send the bill once again back to the House.

The last government shutdown was in 1995 and it lasted 26 days. However, it did not affect the entire government, since at the time, several agency annual appropriations bills had been signed into law as of October 1. At this time, it is not clear how long a shutdown could last. It could be as few as one or two days or, as we saw in 1995, a considerable amount of time.

As previously reported, many government functions such as the military, air traffic controllers, TSA and other essential functions will continue to operate. At US DOT, employees paid with Highway Trust Fund dollars (primarily FHWA) will continue to get paid and remain on the job. Other employees, such as those at FRA and FTA (except those working on Hurricane Sandy related projects) will be furloughed. The federal highway program will continue to be funded through the Trust Fund, and project approvals and obligations can continue; however, the US Treasury's ability to transfer reimbursement payments to the states will likely be shut off. State DOTs have a number of options they can use to keep projects funded, at least in the short-term, including using state funds. At FTA, while the FY'14 formula grants would not be affected, since they are funded through the Highway Trust Fund, FTA employees who administer the funds would be furloughed since they are paid with General Funds. In past shutdowns, government employees were paid retroactively; however, there is no guarantee that it will happen this time.

Here is a [link](#) to the full US DOT shutdown plan.

One potential solution to the fight over the CR is to move the ACA debate to the next "must pass" bill – the debt ceiling increase. The Treasury Secretary announced that the debt ceiling will officially be reached on October 17. However, while that might get the federal government back to work, if the debt ceiling is not increased or temporarily postponed, it could jeopardize the full faith and credit of the federal government and impact world markets, an even more disastrous consequence.