



Insights: Publications

Federal Government Shutdown for Fiscal Year 2026

October 1, 2025

Fiscal Year 2026 begins today, October 1st, 2025. The federal government has shut down because Congress has failed to pass legislation providing funding for FY2026.

Until now, the government has been funded by a Continuing Resolution (CR). This CR extended FY25 funding levels from March 15th, 2025, to September 30th, 2025.

Types of Funding

Many agencies rely on discretionary funding, which has to be provided each fiscal year. Without a new CR providing discretionary funding, these agencies cannot spend money on relevant programs. Additionally, many agencies, even those that do not rely on discretionary funding, contract out various services, including IT and HR, which rely on discretionary funding. This means that even if an agency is not directly impacted by the shutdown, portions of the agency could stop operations until funding resumes.

Programs that receive advance or permanent appropriations are not directly impacted.

Impacts on Federal Employees

Federal workers who are deemed “essential” will continue to work without pay. Non-essential workers will be “furloughed,” meaning they are unable to work and do not receive pay.

The norm is for Congress to meet and remain in session immediately after a shutdown until the government is funded, regardless of any prior congressional schedule. Congressional staff for member offices and committees are deemed “essential,” meaning they are working to resolve the shutdown.

In the Executive Branch, most federal workers are deemed “non-excepted” and are furloughed immediately. This leaves only senior leadership positions, political appointees, and those deemed essential “to protect life, property, and national security” to continue working as “excepted” employees. This results in agencies, departments, and the White House having only a skeleton staff in place. All Executive Branch administrative and routine work stops or slows down.

The military, air traffic, and law enforcement are services not directly impacted by the shutdown.

A unique development of note for this government shutdown is that the White House Office of Management and Budget (OMB) released a memo last week stating that during the shutdown, agencies are directed to consider reduction-in-force (RIF) opportunities for all employees in programs, projects, or activities that lose discretionary funding as of October 1 and are not consistent with the President's priorities. The memo also directs each agency to revise the RIFs once the shutdown ends to retain only the minimum number of employees needed to function. This policy could lead to significant permanent layoffs in the Executive Branch.

Private Sector

The private sector is likely to be impacted if the shutdown persists. Uncertainty may lead to a reduction in consumer spending and may negatively impact markets. Services that rely on the federal government, such as health care, certain manufacturing, infrastructure development, etc., are likely to be heavily affected if the shutdown continues. The estimated cost of the government shutdown is in the billions, with potentially substantial impacts to overall national productivity.

Where We Are Now

The House passed a CR that would keep the government funded until late November. To advance in the Senate, the CR required 60 votes to invoke cloture and proceed to a final vote. Yesterday, the Senate failed to invoke cloture, as only 55 Senators, including 3 Democrats, voted in favor of the CR.

The Senate will vote again today on the CR, however more Democrat votes are needed to pass the bill. Negotiations continue between the Republicans and Democrats in the Senate to find a resolution both parties can agree on.

Moving Forward

The KTS Government Relations and Regulatory Team is tracking the progress of negotiations between the parties in Congress and the Trump Administration and will provide relevant updates.

Learn more about Kilpatrick's [Government Regulatory practice](#).

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