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It's Shutdown Season: Guidance for Government Contractors Looking to Weather an Early (Funding) Freeze

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As is becoming an annual tradition, the federal government is once again celebrating the return of Fall with a shutdown. The government turned into a pumpkin today, October 1, 2025, at 12:01 am. In any shutdown, confusion about rights and obligations for contractors is rampant and this shutdown will not be any different. There are a few practical steps that contractors can take *today* and in the coming days that will help them weather the storm.

First, remain calm! This is not the government's first shutdown. Agencies have plans on how they are going to proceed. You can see these plans for various agencies here:

- Department of Health and Human Services
- Department of Homeland Security
- Department of Energy
- Department of Defense
- Department of Transportation

We recommend reviewing the relevant agency plans. These plans outline how the government will proceed in the absence of appropriations and can provide insight into how the agency will function during this period.

- *Second*, determine the financial impact. If the government is shutdown, you are not getting paid on your government contracts. Ideally, you already have a line of credit or other financing available to

meet financial obligations. If you do not, calling your banker today might be a good idea.

- *Third*, make sure you understand your contracts and the clauses in them. Are there certain requirements you will have to follow in these circumstances? Notices that you need to provide

- *Fourth*, understand the potential impact on personnel.

- *Fifth*, review your subcontracts and supplier agreements. Do you need to issue a stop-work order? Renegotiate payment terms or delivery dates? The shutdown has a cascading impact, and it is important to understand how the terms of your subcontracts can be used to your advantage.

- *Sixth*, document, document, and document some more! Maintain records of the shutdown's impact on performance, delays, increased costs, and accounting. These records will be important to defend against any claims in the future. They will also be necessary for requests for equitable adjustments or claims.

- *Seventh*, as you document, track and be prepared to quickly submit requests for equitable adjustments or claims once the shutdown is over.

- *Finally*, have an internal working team tracking these issues and seek appropriate legal and consulting guidance as needed.

To discuss strategies for navigating federal government actions impacting your work, please contact one of the authors of this Legal Alert, or a member of Kilpatrick's Government Contracting & Public Procurement Team.