

Insights: Alert

Another Year, Another Government Shutdown Crisis: Advice for Government Contractors if the Grinch Shows Up

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Written by **Gunjan R. Talati** and **Katherine S. Klein**

Even though the new Trump administration is yet to take office, Elon Musk has already begun to exert his muscle as the co-leader of the proposed Department of Government Efficiency (DOGE). The federal spending bill had been expected to pass with bipartisan support before Mr. Musk expressed his displeasure with some of the bill's line items. Now, the bill's passage looks to be in peril, and without a last-minute resolution, the Government will be closed for the holidays (and indefinitely thereafter) beginning at 12:01 a.m. on Saturday, December 21, 2024.

Government shutdowns can be highly disruptive to federal contracts and grants. They can delay payment, pause operations, and in some cases terminate the agreement altogether. The extent of the disruption typically depends on how the grant or contract is funded, if the work performed is "expected," and if personnel require access to federal facilities. While uncertainty looms large, there are steps government contractors can take today and in the coming days to weather this unexpected shutdown snowstorm.

- *First*, don't become shaken like a snow globe, remain calm! Government shutdowns are so common that most agencies have plans on how operations will or will not carry on in the absence of appropriations.

Below are plans for selected agencies:

- [Department of Defense](#)
- [General Services Administration](#)
- [Department of Homeland Security](#)
- [Department of Energy](#)
- [Department of Transportation](#)

We recommend reviewing the shutdown plans for any Federal Funding Agency you have current or upcoming federal contracts or grants. These plans can provide insight into how the agency will function during this shutdown period. But when in doubt, contact the relevant contracting officers on your federal contracts for advice on how to proceed.

- *Second*, don't be reindeer caught in the headlights: make sure you understand your obligations in your federal contracts, and in your associated subcontracts and supplier agreements.
 - Are there certain requirements you will have to follow in these circumstances?

- Do you need to issue a stop-work order?
- Should you renegotiate payment terms or delivery dates?

Not understanding the full effect a shutdown will have on your business could prove costly if proper steps are not taken quickly.

- *Third*, now time like the present to thoroughly document the effect the shutdown has on your business. Maintain records of the shutdown's impact on performance, delays, increased costs, and accounting. As you document, track costs and be prepared to quickly submit requests for equitable adjustments or claims once the shutdown is over.
- *Fourth*, Yule be sorry if you don't assess the potential impact to personnel. There are numerous labor and employment considerations in shutdown situations.
 - Will you need to furlough some employees?
 - For employees that report to government sites, can they shift that to remote work if site access is not available during the shutdown?

Seek guidance from the contracting officers on your federal contracts regarding whether your personnel may continue working on your agreements during the shutdown.

- *Fifth*, don't forget the ringing of the jingle bells. If the Government is shutdown, you are not getting paid on your federal contracts. Ideally, you already have a line of credit or other financing available to meet financial obligations. If you do not, calling your financial institution today might be a good idea.

In summation, though abrupt and unexpected, no need for this government shutdown to Claus a meltdown for you this Christmas. Have an internal working team tracking these issues and seek appropriate legal and consulting guidance as needed. Contact Kilpatrick Townsend if you have any questions or concerns about how this government shutdown may impact your business or federal contracts.

Related People



Gunjan R. Talati

t 404.815.6503
gtalati@ktslaw.com



Katherine S. Klein

t 404.745.2447
kklein@ktslaw.com