

2018-2019 Government Shutdown

Key Talking Points:

Last updated Jan. 7, 2019

- Congressional leaders and President Trump need to work together to fully re-open the government as soon as possible.
 - PSC sent a letter to Congressional leaders on January 4 and will send a letter to President Trump this week (*week of Jan. 7*) asking for a prioritization of full year appropriations to immediately end the shutdown, and to offer “back pay” for contractors and their employees.
- No one “wins” in a government shutdown, and federal contractors are often the biggest losers.
 - In the last 22 government shutdowns over the past 40 years, government employees always received back pay, while contractors and their employees have never been equally compensated.
- Federal contractors play an essential role in helping agencies meet their mission and deliver services to the American people.
 - Four out of every 10 people who work on federal government missions are private contractors.
- The longer a shutdown lasts, the greater the cost to the American people, the economy and to federal agencies.
- PSC is a trusted resource for both federal agencies and businesses affected by the shutdown. Visit www.pscouncil.org to access the PSC Government Shutdown Resource Center.

During Shutdown:

- Normal agency contacts may be unavailable to provide guidance to contractors
- Contractor employees whose work is on a government site may be denied access to their worksite
 - May require contractor employees to take leave throughout the duration of the shutdown
- A government “stop work order” is often issued, halting all contractor performance activity for a specific contract (including subcontractors and vendors)
 - Can come at any time, may be a partial or full “stop work”
 - May be no longer than 90 days, at which time the contract performance must be restarted, or the contract terminated
- Companies must still keep employees at the ready to restart work promptly
 - Potentially additional costs and may still face a furlough

Lessons Learned from 2013 Shutdown:

What was it like in 2013 when the government closed from October 1 to 16?

The sixteen days affected only civilian agencies, and not all agencies were similarly affected because some activities had available funding. DoD was affected for only the first four days of the shutdown and then had funding restored.

Did employees go without pay?

While federal employees were eventually paid for the time the government was shut down (even though they could not perform their duties), government contractors never were compensated.

Many firms opted to pay their employees “out of pocket” for as long as they could, although many eventually were forced to furlough employees.

What happened to performance on government contracts?

Obviously, some contract performance was disrupted or interrupted.

What was the impact to shareholders?

As revenue is affected, so too is the share price for publicly-traded companies. Privately held companies also took a financial hit, but there is no easy way to measure it.

What consequences occurred that most people don't know about?

Several companies had debt servicing and bank covenants affected, sometimes increasing their cost of capital or lines of credit.