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## **Impacts of a Federal Government Shutdown: FAQ**

On October 1, 2025, federal lawmakers failed to resolve a budget deadlock to start Federal Fiscal Year (FFY) 2026, resulting in a federal government shutdown. Forty days later, on November 9<sup>th</sup>, the Senate announced an agreement between Senate Republicans and eight Senate Democrats to temporarily fund the government and that agreement was signed into law by President Trump on November 12<sup>th</sup>. The funding package provided temporary funding through January 30, 2026, requiring an additional appropriations package by the end of January to prevent another shutdown.

In advance of the next potential shutdown date at the end of the month MTF has prepared this short Frequently Asked Questions brief to answer several key questions regarding the impacts of a government shutdown on Massachusetts.

### **FAQ**

#### **What is a government shutdown?**

To keep the federal government running, lawmakers must pass appropriations bills for each federal fiscal year, beginning October 1<sup>st</sup> annually, or pass a continuing resolution to temporarily fund the government, typically at the same funding level as the prior year, thus providing extra time to negotiate and vote on a full appropriations bill. When existing appropriation bills expire without passage of new spending authorizations, the government shuts down.

#### **How likely is a government shutdown on January 31<sup>st</sup>?**

Unclear. Congress has signaled a desire to avert another shutdown as evidenced by recent action on several spending bills, however, House and Senate action is necessary to avoid another shutdown.

Federal government funding is divided into twelve separate buckets by grouping similar agencies together and assigning each group its own appropriations bill. The funding package signed by President Trump on November 12, 2025, contained three full year appropriations bills along with measures to temporarily fund the remainder of the federal government through January 30<sup>th</sup>.

In recent weeks the House and Senate have acted on five additional full year appropriations bills to continue funding the federal government – three of the appropriation bills have been passed by both chambers and 2 of the appropriations bills have been passed by the House and are awaiting Senate action. On January 20<sup>th</sup>, House and Senate lawmakers released the four remaining appropriations bills to fund the federal government. Congress must still pass the four remaining appropriations bills and the bills must become law prior to the January 30<sup>th</sup> deadline to avoid any disruptions to federal agencies and programs.

If Congress fails to pass the remaining appropriations bills, only a partial federal government shutdown would occur, impacting only the federal agencies whose funding was not included in the previous appropriations bills.

### **Is all federal funding paused during a shutdown?**

Generally, certain federal funding remains available during a government shutdown that can be broken down into three categories:

- Funds for programs that the president deems essential for public safety or national security, including military operations and FBI as well as air traffic control and TSA;
- Funds already available to federal agencies that they may reallocate to maintain critical operations, provided the agency complies with certain legal constraints, typically funds from previous appropriations bills that have not been exhausted; and
- Mandatory funding, controlled by laws other than appropriations acts, which includes spending on entitlement programs, such as Social Security, Medicare and Medicaid and typically many smaller programs including SNAP, military retirement benefits and unemployment insurance.

However, whether funding for programs is considered mandatory has never been set in stone and has become much more uncertain under the current administration. While funding for programs like SNAP has historically been treated as mandatory, and benefits have continued uninterrupted during shutdowns, the Trump administration has challenged the mandatory nature of the program and appealed the previously held requirement to fund benefits to the Supreme Court. Going forward, it is not certain what programs may be deemed mandatory spending under different administrations.

### **How do federal agencies identify essential programs and services?**

Mandated by the Office of Management and Budget (OMB), every 2 years federal agencies are required to establish contingency plans in the event of a shutdown. These plans include outlining essential versus non-essential functions, designating personnel based on statutory roles, and detailing procedures for suspending and resuming activities. Before the previous shutdown, on September 24, 2025, OMB issued a letter to federal agencies directing them to consider a reduction in force for all employees in programs, projects or activities that meet the following conditions: (i) funding would lapse on October 1; (ii) another source of funding is not currently available; and (iii) the program, project or activity is not consistent with the President's priorities.

### **How does a government shutdown impact Massachusetts?**

The impacts of a federal government shutdown on Massachusetts can typically be understood on two levels: (i) direct impacts on Massachusetts residents; and (ii) direct and indirect impacts on state government appropriations, operations, and capital projects. As noted elsewhere in this brief, the Trump Administration's more aggressive approach to withholding funds makes it difficult to predict exactly how the shutdown will affect major programs. While it is unclear whether the actions of the administration withstand legal rigor, it appears, at least in the short term, these decisions carry the day.

Impacts on Massachusetts Residents. Approximately 45,000 federal workers reside in the Commonwealth that may be subject to furlough for the duration of a government shutdown. Residents of the Commonwealth may also experience changes in federally funded services during a shutdown. Federal funding serves as the primary source of support for several programs, including the federal low income heating assistance program (LIHEAP), upon which some of the most vulnerable residents of Massachusetts rely.

***Direct Impacts on State Government.*** The most recent government shutdown demonstrates the direct impacts that can affect federally-supported capital projects in Massachusetts. The U.S. Army Corps of Engineers (USACE) currently owns and maintains both the Sagamore and Bourne bridges which provide the only means of vehicle access and emergency evacuation from Cape Cod to the Massachusetts mainland. In October, OMB announced \$11 billion in USACE projects deemed “lower priority” by the Trump administration were paused and being considered for cancellation as part of the shutdown. Neither the Healey-Driscoll administration nor Massachusetts’ congressional delegation received official notification about this action or whether the pause included the \$350M in federal funds for the rebuild of the Sagamore bridge. It appears the announcement did not result in tangible ramifications for the bridge projects, but it is unclear whether the federal funding secured by Massachusetts for this project could be impacted by future shutdowns.

***Indirect Impacts on State Government.*** The disruptions to programs and services caused by the shutdown also result in indirect impacts to state government, potentially placing pressure on lawmakers to use state funds as a stop gap to continue benefits, like SNAP, until such time that federal spending resumes.

### **How does the shutdown impact Massachusetts’ FY 2026 budget?**

About \$15.6 billion of the FY 2026 budget comes from federal reimbursements and grants, the vast majority of which, \$13.6 billion, supports MassHealth through Medicaid payments. Medicaid is a mandatory program and payments continue during a government shutdown. During the most recent shutdown, the Center for Medicare and Medicaid Services (CMS), posted guidance in September 2025 that the agency maintained sufficient funding for Medicaid through December 2025, based on the advance appropriation provided. However, given the mandatory nature of the program, it is not clear what would have happened if advance appropriations had been exhausted. Shutdowns do impact CMS staffing – with 47 percent on furlough during the last shutdown – and that reduction in staff could indirectly affect timelines for payment processing and other interactions with the state.

While access to funds for Medicaid was unimpacted by the prior shutdown, the Trump administration restricted contingency funding for other historically mandatory spending programs, like SNAP. The USDA instructed states in October to hold their November SNAP benefits, stating that previously appropriated contingency funds for the program could only be used for natural disasters. This change of course resulted in weeks-long legal challenges between states and the USDA and exacerbated uncertainty surrounding funding for and access to SNAP benefits in Massachusetts. Ultimately, the Healey-Driscoll administration announced that Massachusetts would continue to fully fund SNAP benefits for all eligible residents during the shutdown, however, the long-term sustainability of using state funding for these benefits is unclear.

Funding for LIHEAP was also at risk during the shutdown. LIHEAP helps heat 159,000 households in Massachusetts during the winter. During the most recent shutdown, states were authorized to use leftover grant funding for the program from the previous fiscal year to respond to home energy emergencies while federal funding was unavailable. In Massachusetts, \$13M of the \$144M in federal HEAP grants from Federal FY 2025 remained available to support households with heating emergencies in the short term. Even as the government reopened, states experienced delays in receiving grant funding. LIHEAP funds are usually distributed to states in October, before benefits kick in on November 1<sup>st</sup>. Following the end of the shutdown on November 12<sup>th</sup>, Massachusetts did

not receive federal funding for LIHEAP until December 3<sup>rd</sup>, nearly three weeks after the federal government reopened.

Federal grants not reflected in state budget spending have grown significantly since the pandemic, totaling over \$5 billion across all agencies and more than 4,000 executive branch state employees are supported by federal funds. The impact of the shutdown varies by grant, but many were suspended due to lack of continued funding.

**How does the shutdown impact Massachusetts' capital budget?**

Approximately 25 percent (\$1.5 billion) of state capital spending is supported by federal funding. These funds primarily support transportation investments in the Commonwealth and are allocated to states based on a formula written into law by Congress to determine the amount of funding received by each state. Similar to the federal funding secured by Massachusetts for the Sagamore bridge project, it is unclear whether the capital budget would be impacted by future shutdowns.