As of September 24, 2025

What To Know in the Event the Federal Government Shuts Down

Direct Federal Contractors

The potential for a partial, or complete, shutdown has left contractors wondering how or if they can continue to perform their direct federal contracts (contracts with federal agencies including but not limited to the Army Corps, Naval Facilities Engineering Command, General Services Administration, etc.). Construction contracts already awarded on a fixed-price basis will be substantially unaffected by the shutdown. However, for most cost-type contracts, time and materials contracts, IDIQ/MATOC/MACC contracts and those contracts that have yet to be awarded, the shutdown will likely suspend operations completely.

Federal Contracts NOT Likely to be affected by a Federal Government Shutdown:

- Ongoing, Direct Federal Agency Contracts. Federal contracts that are not funded by FY 2026 appropriations will be largely unaffected by the shutdown because they will not require new funding when the fiscal year 2025 ended on September 30. Most federal construction contracts are included within this category as they were already awarded on a fixed-price basis and funding was appropriated at the time of award.
- Unawarded, Direct Federal Agency Contracts. For federal contracts that have not been awarded, contractors should consult the contracting officer before the shutdown to determine how the agency intends to handle the contract award once the shutdown is over. It is also important to note that court and protest deadlines remain in effect regardless of a shutdown. However, it is unclear how long it will take to resolve such claims if federal court and GAO employees are furloughed.

Preparing for a Federal Government Shutdown:

- Beware of non-contracting impacts of shutdown. Even where a contract does not require new funding, performance may still be affected by the shutdown. For instance, a federal construction project may require access to federal facilities in order to perform the contract work. If those facilities are locked or otherwise unavailable because of the shutdown, contract performance may be impossible. Moreover, even if contract work can continue, contracting officers and administrators may be furloughed and thus unavailable to provide guidance or issue necessary changes or contract modifications during shutdown.
- Establish cost documenting procedures. It is also unclear how the government will actually implement the shutdown. Contracting officers will likely issue individual stop work orders, or agencies will issue broad guidance to all contractors. To prepare for this disruption in operations, contractors should establish a protocol to track and account for all costs incurred because of the shutdown.

If a Shutdown Occurs, Contractors Should:

- Determine Which of Their Federal Contracts are Affected by the Shutdown. Contractors should consider whether their contract is fully funded or whether continued performance relies upon incremental funding that may be unavailable. Contractors should also determine whether contract performance depends upon access to federal facilities and whether such access will be available during the shutdown.
- Seek Guidance from the Contracting Officer. For affected contracts, contractors should determine whether the contracting officer intends to issue a stop-work order or provide some other guidance for stopping work.

- Document All Costs Associated with the Shutdown. Keep all costs associated with the shutdown separate from normal project expenses. Contractors should also document the reason each cost was incurred in the event their records are audited after a claim is submitted. Contractors should also make every effort to mitigate costs and damages and document all efforts to do so.
- Complete All Outstanding Action Items Before the Shutdown. Before the shutdown begins, contractors should determine what, if any, action items can be resolved prior to the shutdown. For instance, if a contract requires a modification be issued, the contractor should work with the contracting officer to obtain the modification before the shutdown occurs. During the shutdown, it is unlikely a contractor will have access to the contracting officer.
- Notify the Contracting Officer of All Actions Taken in Response to the Shutdown. Contractors should routinely notify the contracting officer in writing of all actions taken to continue performance during the shutdown and any costs incurred because of the shutdown.

Recovering Costs Incurred Resulting from a Federal Government Shutdown:

- Federal contractors may recover some, but not all costs once the shutdown ends. For fixed price contracts, recovery will depend upon whether the contractor is entitled to an equitable adjustment. For cost reimbursement contracts, costs associated with the shutdown can likely be recovered. It is therefore important to keep all costs associated with the shutdown separate from normal project costs in order to quickly identify and claim such costs once the shutdown ends. It is also important to note that, once the shutdown is over, contractors will likely experience a delay in receiving payment from the government due to the backlog of work for federal administrative personnel.

Conclusion:

Although a federal government shutdown will not substantially affect existing fixed-price federal construction contracts, a shutdown may make performance more challenging because of the lack of support from agency personnel. Federal contractors should therefore work with their contracting officer and legal counsel to develop a protocol to determine which contracts will be affected, track costs associated with the shutdown, and recover such costs once the shutdown ends.

Transportation and Utility Contractors

If there is a government shutdown, programs funded by the Infrastructure Investment and Jobs Act (IIJA) would continue and be uninterrupted. This includes programs funded by the Highway Trust Fund and advance appropriations for highways, airports, and transit. However, various other agencies would cease operations, creating the potential for delays in situations where highway and transit programs require interactions with other agencies – like environmental reviews and permitting.

How a Government Shutdown Will Impact Transportation and Utility Projects:

- Highways. All activities at the Federal Highway Administration (FHWA) are funded by sources not impacted by annual appropriations and will therefore continue to operate as normal without interruptions. Agencies would continue to make timely payments to contractors and grantees on work performed.
- Transit. All activities at the Federal Transit Administration (FTA) are funded by sources not impacted by annual appropriations and will therefore continue to operate as normal without interruptions. Agencies would continue to make timely payments to contractors and grantees on work performed.

- Airport Terminals and Runways. Most activities at the Federal Aviation Administration (FAA) that impact construction, are funded by sources not impacted by annual appropriations and will continue to operate as normal without interruptions. For example, all programs funded by the IIJA, including the funding for airport terminal and runway projects, will not be affected. Likewise, passenger facility charges will continue to be collected and Airport Improvement Program (AIP) projects will continue to move forward.
- Drinking and Wastewater. Most activities funded by the State Revolving Funds at the Environmental Protection Agency (EPA) would not be impacted. All work on a funded project that is under contract would not stop. If the shutdown lasted a significant amount of time, there could be delays in EPA's ability to award and move new projects forward.

U.S. Department of Transportation Activities During a Government Shutdown:

- Some activities at the U.S. Department of Transportation would come to a halt or be delayed – i.e., certain rulemakings, staff travel, and other administrative functions. The biggest impact would be if the government shutdown lasted for an extended period of time there could be delays with environmental reviews and permitting, especially when these decisions impact multiple agencies and departments within the government.

Federal Agency Resources:

- Department of Transportation
- Environmental Protection Agency
- General Services Administration
- United States Army Corps of Engineers
- Department of Defense

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