



Testimony Before the Subcommittee on
Federal Spending Oversight and
Emergency Management, Committee on
Homeland Security and Government
Affairs, U.S. Senate

For Release on Delivery
Expected at 2:30 p.m. ET
Tuesday, February 6, 2018

BUDGET ISSUES

Continuing Resolutions and Other Budget Uncertainties Present Management Challenges

Statement of Heather Krause, Director, Strategic Issues

Accessible Version

GAO Highlights

Highlights of [GAO-18-368T](#), a testimony before the Subcommittee on Federal Spending Oversight and Emergency Management, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Congress annually faces difficult decisions on what to fund among competing priorities and interests, and often postpones final funding decisions to allow additional time for deliberations. In all but four of the last 40 years, Congress has passed CRs to keep government services in operation until agreement is reached on final appropriations. In some years, including the current fiscal year, when new appropriations or a CR have not been enacted on time, this lapse in appropriations—or funding gap—caused the government to partially shut down, which halted some activities at federal agencies until appropriations were passed. Operating under a CR or the possibility of a shutdown, or both, creates uncertainty, complicates agency operations, and leads to inefficiencies.

This statement is based primarily on GAO's prior reports examining the effects of CRs and the 2013 shutdown, including their effects on selected agency operations. It addresses (1) the effects of CRs and shutdowns; and (2) legislative authorities and agency actions that assist in managing such budget uncertainty and disruptions.

View [GAO-18-368T](#). For more information, contact Heather Krause at (202) 512-6806 or krauseh@gao.gov

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What GAO Found

Continuing resolutions (CR) and lapses in appropriations leading to government shutdowns create inefficiencies and other management challenges for agencies. In 2009 and 2014, GAO identified instances of reduced government services and productivity and increased costs resulting from CRs and shutdowns, including:

- **Delayed contracts and grants:** Some agency officials reported delaying contracts and application times for grants while under a CR, which could reduce the level of services agencies provide, increase costs, and adversely affect the quality of grant submissions. For example, in 2009, officials at the Bureau of Prisons estimated that delaying a contract for a prison facility had prevented them from locking in lower prices and resulted in about \$5.4 million in additional costs. The 2013 shutdown, which lasted 16 calendar days, also disrupted some activities, including clinical trials, at the agencies GAO examined due such things as furloughed staff.
- **Delayed hiring:** Officials at the agencies GAO examined reported delaying hiring due to CRs. For example, in 2009, a Food and Drug Administration official reported that deferring hiring and training of staff during a CR had affected the agency's ability to carry out certain inspections. Agency officials also noted that because the agency may not have enough time to spend its funding on high-priority needs such as hiring new staff, it may spend funds on lower-priority items that can be procured quickly.
- **Additional work:** Agency officials reported that managing within the constraints of a CR had created additional work, which potentially reduced productivity. In particular, shorter and more numerous CRs can lead to more repetitive work, including entering into shorter-term contracts or grants multiple times to reflect the duration of the CR.

GAO also reported that the Bureau of Economic Analysis estimated that the 2013 shutdown reduced real gross domestic product growth by 0.3 percentage points in the fourth quarter of 2013 due to lost productivity of furloughed workers. Economic forecasters GAO interviewed estimated minimal economic effects at the economy-wide level over the long term.

Legislative authorities and agency actions may mitigate challenges associated with managing during CRs and shutdowns. These include:

- **Legislative authorities:** Congress may include in CRs specific provisions called legislative anomalies that provide some agencies or programs funding or direction different than those specified in the standard provisions that require agencies to spend more conservatively, among other things. In addition, multiyear budget authority may be helpful for managing through both CRs and shutdowns because there is less pressure to obligate the funds by the end of the year and it may allow agencies to continue some activities during a shutdown.
- **Agency actions:** Agencies can also take actions to mitigate budget challenges. For example, agencies may have the ability to shift contract and grant cycles to later in the fiscal year when they are less likely to be under a CR. Shifting these cycles can help minimize disruption of services.

Chairman Paul, Ranking Member Peters, and Members of the Subcommittee:

Thank you for the opportunity to discuss our work on the effects of and agency responses to budget uncertainties and disruptions. As you know, Congress annually faces difficult decisions on what to fund among competing priorities and interests, and often postpones final funding decisions to allow additional time for deliberations. In all but 4 of the last 40 fiscal years—including this year—Congress has enacted continuing resolutions (CRs) allowing agencies to continue operating until agreement is reached on their final appropriation bills. When regular appropriations or CRs are not passed, the resulting lapse in appropriations—a funding gap—causes the government to shut down. Last month the government partially shut down for three days after the CR in place expired. Other shutdowns have lasted longer—16 calendar days in October 2013 and 21 calendar days in December 1995 through January 1996.

Budget uncertainty and disruptions create management challenges for agencies. For example, under a CR, agencies can continue to operate, but the funding expires on a certain date and therefore creates uncertainty about both when final appropriations will be enacted and the level of funding that will ultimately be available. In addition, when there is a possibility of a funding gap, agencies must prepare for an orderly shutdown of government operations, even if a shutdown is ultimately averted. In response to these uncertainties, our prior work has found that agency officials have taken a variety of actions and leveraged available authorities to execute their budgets and carry out their missions.

This statement will focus on (1) the effects of CRs and shutdowns, and (2) legislative authorities and agency actions that assist in managing such budget uncertainty and disruptions. This statement is based primarily on our prior reports examining the effects of CRs and the 2013 government shutdown, including their effects on selected agency operations.¹ The examples we use in this statement illustrate the types of management challenges agencies may encounter under these conditions even today.

¹GAO, *2013 Government Shutdown: Three Departments Reported Varying Degrees of Impacts on Operations, Grants, and Contracts*, [GAO-15-86](#) (Washington, D.C.: Oct. 15, 2014) and *Continuing Resolutions: Uncertainty Limited Management Options and Increased Workload in Selected Agencies*, [GAO-09-879](#) (Washington, D.C.: Sept. 24, 2009).

We used multiple methodologies to develop the findings and conclusions for these prior products. A more detailed discussion of the prior reports' objectives, scope, and methodologies, including our assessment of data reliability, is available in the reports cited throughout this statement.

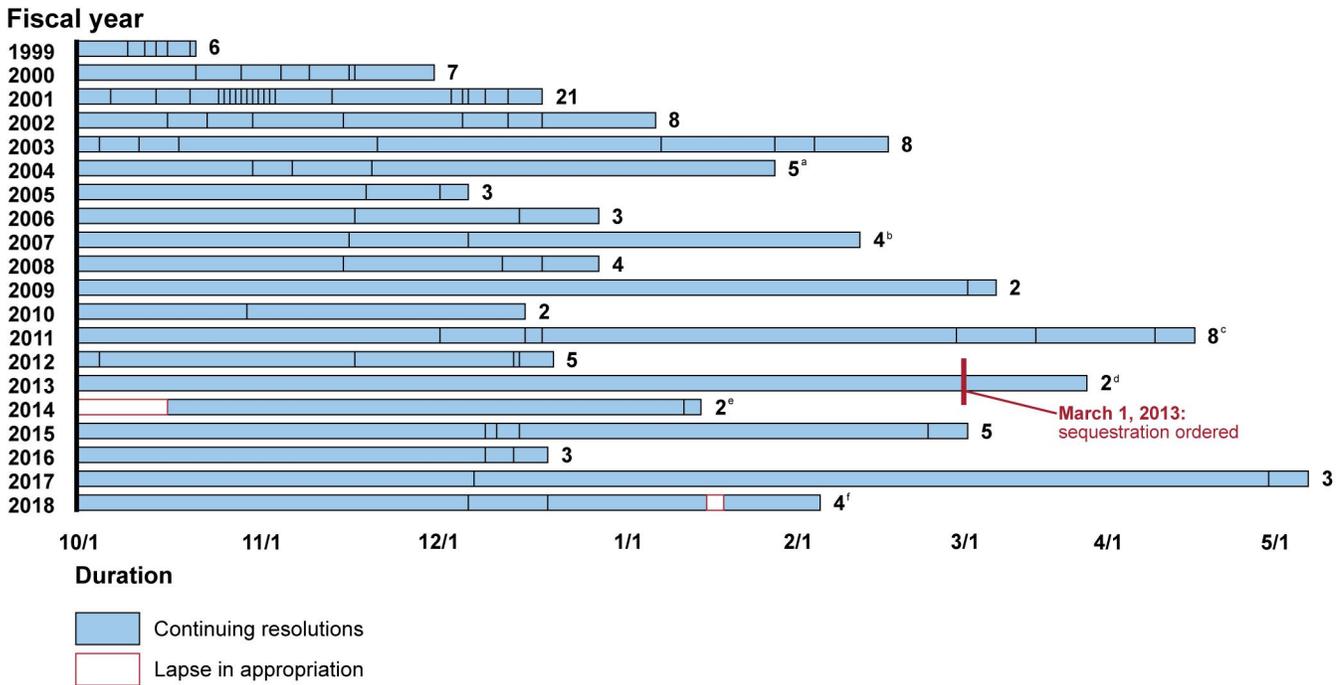
This testimony is based on work we conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Continuing Resolutions and Government Shutdowns Create Inefficiencies and Other Management Challenges for Agencies

Since fiscal year 1999, CRs have varied greatly in their number and duration. As shown in figure 1, the duration of CRs has ranged from 1 to 187 days. The number of CRs enacted in each year also varied considerably, ranging from 2 to 21.²

²As of the date of this testimony, there have been four CRs in fiscal year 2018. Final appropriation decisions have not been determined.

Figure 1: Duration and Number of Continuing Resolutions (Fiscal Year 1999 – January 2018)



Source: GAO analysis of Congressional Research Service data. | GAO-18-368T

Year	CR-1	CR-2	CR-3	CR-4	CR-5	CR-6	CR-7	CR-8	CR-9	CR-10
1999"	9	3	2	2	4	1	NA	NA	NA	NA
2000"	21	8	7	5	7	1	14	NA	NA	NA
2001"	6	8	6	5	1	1	1	1	1	NA
2002"	16	7	8	16	21	8	6	20	NA	NA
2003"	4	7	7	35	50	20	7	13	NA	NA
2004"	31	7	14	71	0	NA	NA	NA	NA	NA
2005"	51	13	5	NA						
2006"	49	29	14	NA						
2007"	48	21	69	NA						
2008"	47	28	7	10	NA	NA	NA	NA	NA	NA
2009"	157	5	NA							
2010"	30	49	NA							
2011"	64	15	3	73	14	21	7	NA	NA	NA
2012"	4	45	28	1	6	NA	NA	NA	NA	NA

Year	CR-1	CR-2	CR-3	CR-4	CR-5	CR-6	CR-7	CR-8	CR-9	CR-10
2013"	178	NA								
2014"	16	91	3	NA						
2015"	72	2	4	72	7	NA	NA	NA	NA	NA
2016"	72	5	6	NA						
2017"	70	140	7	NA						
2018"	69	14	28	3	17	NA	NA	NA	NA	NA

Year	CR-11	CR-12	CR-13	CR-14	CR-15	CR-16	CR-17	CR-18	CR-19	CR-20	CR-21
"2001"	1	1	1	1	10	21	2	1	3	4	6

Notes: Modified from [GAO-17-807T](#).

^aThe fifth CR, P.L. 108-185, amended the original CR with substantive provisions but did not extend the CR period.

^bIn February 2007, Congress enacted a 227-day CR that provided funding for the remainder of the fiscal year; this CR is not included in the figure.

^cIn April 2011, Congress enacted a 168-day CR that provided funding for the remainder of the fiscal year. This CR is not included in the figure.

^dIn March 2013, Congress enacted a 189-day CR that provided funding for the remainder of the fiscal year; this CR is not included in the figure.

^eIn October 2013, the federal government partially shut down for 16 days because of a lapse in appropriations.

^fIn January 2018, the federal government partially shut down for 3 days because of a lapse in appropriations.

In 2009, we reported that agency officials operating under a CR reported that they often limited or delayed their spending earlier in the fiscal year because final appropriations may be less than anticipated.³ For example:

- **Delayed contracts and grants.** Some agency officials reported delaying contracts during the CR period, which could reduce the level of services agencies provide. Officials said that longer CRs resulted in contracting delays that affected their ability to fully compete and award contracts in the limited time remaining in the fiscal year after the agency had received its regular appropriation. These contracting

³[GAO-09-879](#). For this report we examined six federal agencies within three cabinet-level departments selected based on factors such as the length of time spent managing under CRs and the types of services they provided. The agencies were the Administration for Children and Families and the Food and Drug Administration, within the Department of Health and Human Services; the Veterans Health Administration and Veterans Benefits Administration within the Department of Veterans Affairs; and the Bureau of Prisons and Federal Bureau of Investigation within the Department of Justice.

delays resulted in increased costs from agencies' inability to lock in lower prices for contracts, as well as those related to additional time and resources involved in having to solicit bids a second time or have environmental and other analyses redone. For example, in 2009, officials at the Bureau of Prisons (BOP) reported delaying contract awards for new BOP prisons and renovations to existing facilities prevented the agency from locking in prices and resulted in higher construction costs. BOP estimated a delay in awarding a contract for a prison facility resulted in about \$5.4 million in additional costs. Officials at two agencies reported that longer CRs compressed the application time available for discretionary grants, and one agency said that this compressed time period had adversely affected the quality of submitted applications.

- **Delayed hiring.** Officials at the agencies we examined said that they had delayed hiring due to CRs. They told us that, had they not been operating under a CR, they would have hired staff sooner for government services such as grant processing and oversight, food and drug inspections, and intelligence analysis. Hiring delays may affect agency services. For example, in 2009, a Food and Drug Administration (FDA) official told us that deferring the hiring and training of staff during a CR affected the agency's ability to conduct the targeted number of inspections negotiated with FDA's product centers in areas such as food and medical devices. In addition, agency officials said it was particularly difficult to fill positions by the end of the fiscal year after a longer CR period. Consequently, agency officials said that if the agency does not have enough time to spend its funding on high-priority needs (such as hiring new staff) because of a lengthy CR, the agency ultimately may spend funds on lower-priority items that can be procured quickly.

Officials from the selected agencies reviewed also said that managing within the constraints of a CR had created additional work—potentially resulting in lost productivity. Shorter and more numerous CRs can lead to more repetitive work. The most common type of additional work agencies cited was having to enter into shorter term contracts or grants multiple times to reflect the duration of the CR. Agencies often made contract or grant awards monthly or in direct proportion to the amount and timing of funds provided by the CR. Officials at all agencies also reported having to perform a variety of administrative tasks multiple times, including issuing guidance to various programs and offices and creating, disseminating, and revising spending plans.

In 2009 we also reported that management challenges caused by CRs continued even after the agencies we reviewed had received their full

year appropriations. In general, we found that longer CRs can make it more difficult for agencies to implement unexpected changes in their regular appropriations, because agencies have a limited time to do so. In addition, longer CRs can contribute to distortions in agencies' rates of spending as agencies rush to obligate funds late in the fiscal year.

In addition to CRs, lapses in agency appropriations leading to a government shutdown also create management challenges. Our examination of the 2013 shutdown found that it had affected some operations and services at the three departments we reviewed.⁴ For example, the three departments faced delays and disruptions in activities such as clinical trials due to furloughed staff and lack of access to information technology systems, among other things. Whether or not a federal contract was allowed to continue during the shutdown depended on a number of variables, including the availability of funds and the extent to which contract employees required supervision by federal employees or access to federal facilities to conduct their work.

Government shutdowns can also have an effect on the country's economy due to the furloughing of federal workers and their lost productivity. For the 2013 shutdown, we reported on the effects of the shutdown on economic growth, as determined by the Bureau of Economic Analysis (BEA). BEA, the agency who national economic statistics provide a comprehensive view of the U.S. economy in the form of summary measures such as gross domestic product (GDP), estimated the direct effect of the shutdown on the real GDP growth in the fourth quarter of 2013—the time of the shutdown—to be a reduction of 0.3 percentage points. BEA estimates that this decline in real GDP growth is based on the lost productivity of the furloughed workers during the time of the 2013 shutdown. Economic forecasters we interviewed for our report on the 2013 shutdown believed the other economic effects from the shutdown to be minimal at the economy-wide level.

Legislative Authorities and Agency Actions May Mitigate Challenges Associated with Managing

⁴The departments we examined were Energy, Health and Human Services, and Transportation. See [GAO-15-86](#).

Budget Uncertainty Related to CRs and Shutdowns

Agency officials we interviewed for our prior work identified certain authorities that can help mitigate the challenges associated with managing during a CR period and a government shutdown. These include:

- **Legislative anomalies.** Congress generally includes standard provisions in CRs that require most agencies to operate similarly to the prior year, but to spend conservatively and without starting new activities. Congress may include specific exceptions, called “legislative anomalies,” that provide different funding or direction under a CR. Programs that have previously received a specific or additional amount of funding under a CR have included wildfire management, veterans healthcare and benefits, and disaster relief. CRs also have extended the authority to collect and obligate fees, such as for mining, or to collect certain copayments from veterans for medications.
- **Multiyear funding.** Officials at the agencies we reviewed as part of our 2009 report on CRs told us that having multiyear budget authority—funds that are available for more than one fiscal year—was helpful for managing funds in the compressed time period after regular appropriations were enacted.⁵ For example, having the authority to carry over funds into the next fiscal year can be useful in years with lengthy CRs because there is less pressure to obligate funds at the end of the year, thus reducing the incentive to spend funds on lower priority items that can be procured more quickly. Similarly, having multiyear or no-year appropriations may also be useful in managing through a shutdown, as these funds may be available to agencies to continue some activities.⁶

Agencies can take actions to mitigate challenges associated with CRs and shutdowns. For example:

- **Adjusting contract and grant cycles:** To reduce the amount of additional work required to modify contracts and award grants in multiple installments, two of the six agencies we examined for our

⁵[GAO-09-879](#).

⁶No-year appropriations are ones available without fiscal year limitation.

2009 report on CRs reported shifting contract and grant cycles to later in the fiscal year when they are less likely to be under a CR.⁷ An agency's ability to shift its contract cycle depends on a number of factors, including the type of services being acquired. For example, over the last 30 years, Congress has enacted laws that authorize federal agencies to enter into 1-year contracts for services that are recurring in nature, such as janitorial services, and that cross fiscal years, so long as the contract does not exceed 1 year and agencies have sufficient funds to enter into the annual contract. Using this contract flexibility, an agency can shift its contract cycle so that annual contracts for these services are executed in the third and fourth quarters of the fiscal year when agencies are less likely to be under a CR.

- **Agency guidance and communication.** Agencies' contingency plans provide guidance on how agencies are to manage shutdown activities. Agency officials we interviewed as part of our examination of the 2013 shutdown told us that employees were familiar with contingency plans and other guidance and procedures from previous potential shutdown preparations and from planning for operating under a CR and in other periods of budgetary uncertainty.⁸ Additionally, agency officials commented that communication within their departments and with the Office of Management and Budget (OMB) and the Office of Personnel Management was very important for preparing for and implementing the shutdown.

In our report on the effects of the 2013 shutdown we recommended that OMB instruct agencies to document lessons learned in planning for and implementing a shutdown, as well as resuming activities following a shutdown, should a funding gap last longer than five days. OMB implemented this recommendation by revising its *Circular A-11* guidance to direct agencies, in updating their contingency plans, to note any changes made to their plans in light of their experiences during any recent lapses in appropriations. Having such information in agency contingency plans may help inform planning and implementation efforts in the event of future shutdowns.

Additionally, OMB has also helped agencies manage during CRs by providing more than the automatic apportionment in some

⁷[GAO-09-879](#).

⁸[GAO-15-86](#).

circumstances.⁹ OMB recognizes that some programs may need more of their apportionment at the beginning of the fiscal year during a CR.

Chairman Paul, Ranking Member Peters, and members of the Subcommittee, this concludes my prepared remarks. I look forward to answering any questions you may have.

GAO Contact and Staff Acknowledgments

For questions about this statement, please contact me at (202) 512-6806 or krauseh@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony were Janice Latimer and Carol Henn, Assistant Directors, Alexandra Edwards, Kathleen Padulchick, Lauren Sherman, and Erik Shive.

⁹Under an automatic apportionment OMB determines the apportionment rate based on the lower of two calculations: (1) the percentage of the year covered by the CR (e.g., a 36-day CR would represent 10 percent of the year) or (2) the historical seasonal rate of obligations for the period of the year covered by the CR (e.g. combatting wildfires receives a seasonal apportionment because of the higher incidence of wildfires during the summer).

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