

FAQ: Government Shutdown

September 6, 2023

Congress faces a race to fund the government before the fiscal year deadline of September 30th. This annual process has become contentious due to partisan disagreements and intra-party battles over spending priorities.

In July, the House Financial Services Committee passed [three packages](#) of bills related to ESG disclosure, shareholder rights, and proxy advisors. Whether these bills get a vote on the House floor in September depends on what happens with the Congressional process to fund the government. Additionally, if Congress fails to fund the government by the deadline, we head into a government shutdown which has implications for the work on disclosure being done at the Securities and Exchange Commission (SEC).

Below is a quick guide to the bills that Congress must pass in order to fund the government each year, what happens during a government shutdown, and the current political state of play.

What are appropriations bills?

- The House and Senate must each pass a series of [appropriations bills](#) every year that determine how much money will go to the various agencies and programs across the government. Under “regular order” the House and Senate each pass their versions of the bills and then they must negotiate any differences between the two versions to create a final version of that year’s appropriations bills to send to the President’s desk to be signed.

How do the appropriations bills relate to ESG issues?

- The appropriations bill that funds the SEC is the Financial Services and General Government (FSGG) bill. This cycle, both the [House](#) and [Senate](#) versions of the FSGG bill include language that would stop the SEC from requiring corporations to disclose their election spending. The House version of the bill also includes language that would stop the SEC from requiring companies to disclose information about climate risk.

Why would we have a government shutdown?

- If the House and Senate cannot complete the “regular order” around the appropriations bills, then they risk the government running out of money on September 30th. Typically, if Congressional leaders are approaching the deadline without the expectation that they will complete work on the spending bills in time they will pass a continuing resolution

(CR) that extends the existing government funding levels for a set period. CRs typically last for a handful of weeks or several months, allowing time for Congress to finish their work on the appropriations bills. The last partial government shutdown occurred from December 22, 2018- January 25, 2019, because President Donald Trump [refused](#) to sign any appropriations bill or CR that did not include funding for a wall along the U.S.- Mexico border.

What happens to agencies during a government shutdown?

- A government shutdown forces almost all government agencies to stop their programming and send employees home without pay. Only certain “essential” employees and functions are allowed to continue. For example, SEC employees who monitor markets remain on the job. Similarly, national security and critical service functions (air traffic controllers, TSA agents, to name a few) keep working.
- Specifically at the SEC, rulemaking is put on hold during shutdowns. This will result in delays around when the Commission releases final rules or announces new proposals (i.e. a final rule on climate risk disclosure or a possible proposed rule on human capital management disclosure).

What is the current political state of play?

- When Congress left for August recess the House had passed one appropriations bill, and the Senate had passed all twelve out of committee, but none by the full Senate.
- Given the amount of work that needs to be done before September 30th House Speaker Kevin McCarthy and Senate Majority Leader Chuck Schumer have floated the idea of passing a short-term CR to extend government funding until both chambers can work out a longer-term funding deal. However, on August 21st, the House Freedom Caucus announced that they would [oppose](#) a CR unless the bill includes the House-passed “Secure the Border Act,” stops the “weaponization” of the Justice Department, and ends “woke” policies at the Pentagon. Democrats have expressed a desire to pass a “clean” CR without any extraneous policy provisions, so Speaker McCarthy will need to decide whether to pass a clean CR with the support of Democrats as he did on the debt ceiling deal or appease the right wing of his party and let the government shut down.
- There has been some reporting that Leader McCarthy is considering initiating an impeachment process so as to entice the right wing of his party to support the CR. If the House moves forward with impeachment, it might affect the dynamics around the government shutdown conversations.

Things move fast in Washington and the dynamics around the government funding bills are changing daily. We recognize that a government shutdown could be very disruptive and affect investors. We will continue to update US SIF’s membership as things progress throughout September. For any questions, please reach out to Rachel Curley, Director of Policy and Programs, at rcurley@ussif.org.

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