SHUTDOWN LETDOWN

How the Longest Shutdown in U.S. History Did Lasting Damage to Our Government and the People It Serves

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PARTNERSHIP FOR PUBLIC SERVICE

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- Generating research on, and effective responses to, the workforce challenges facing our federal government.
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INTRODUCTION

On the Sunday before Christmas in 2018, funding for nine of 15 federal departments and a number of agencies lapsed. Negotiations over these remaining spending bills for the 2019 fiscal year—already nearly three months behind—had collapsed over an impasse between the White House and Congress on construction of a wall along the nation's southern border.

As millions of Americans took to the skies, the roads and the shopping malls for the holidays, 380,000 federal employees were suddenly furloughed. Another 420,000—including Transportation Security Administration airport screeners, Coast Guard service members and Border Patrol officers—were deemed essential and required to work without pay. What started as an inconvenience became real hardship for public servants while Congress and the president remained locked in a political stalemate.

This shutdown, which lasted 35 days from Dec. 22, 2018, until Jan. 25, 2019, turned out to be the longest in the nation's history. It dramatically reduced and in some cases halted a number of basic government functions and had adverse consequences for the private sector, the economy, federal employees and contractors, and the American people who rely on the federal government for services.

Environmental Protection Agency pollution inspectors and Food and Drug Administration employees who ensure the safety of the food supply were sidelined. Immigration courts were shuttered and national parks were not maintained. Scientific research was halted, some FBI criminal investigations were stalled, small business loans and new public stock offerings were put on hold, and the elderly and people with disabilities lost rental assistance.

Many of these negative consequences were documented as the political drama unfolded, but the aftershocks for federal employees, agencies, the public and the business community lasted long after the government reopened.

To gain insights into the longer-term effects of the shutdown, the Partnership for Public Service interviewed current and former federal executives as well as Capitol Hill aides, employee representatives, taxpayer advocates and members of the business community.

These interviews formed the basis of four case studies that offer perspectives on the myriad ways in which a short-term shutdown can do lasting, and sometimes irreparable, harm.

We explored the shutdown's impact on small businesses through the eyes of craft breweries that suffered economic hardship, and through the experience of taxpayers left in limbo with the Internal Revenue Service and its employees unable to help. We examined the negative effect on federal recruitment, hiring and retention at several federal agencies, and detailed how the shutdown threatened the government's ability to ensure safe and reliable air travel.

The individuals interviewed for this report expressed frustration and dismay regarding the 2018–2019 shutdown—the 21st such episode since 1976. And as they were in the process of recovering and moving on from the effects of the last shutdown, many worried about the possibility of the next one.

I. THE 35-DAY SHUTDOWN SENT SHOCKWAVES THROUGH THE U.S. AVIATION SYSTEM

The Federal Aviation Administration, facing a 30-year low in certified air traffic controllers, had anticipated hiring 1,431 controllers in fiscal 2019 to help reduce the shortfall. But the government shutdown put a crimp in those plans, forcing the FAA to lower its hiring goal by 524.

The FAA, in an updated workforce plan, acknowledged that the shutdown resulted in a "disruption of the hiring process ... and screening activities," and "caused current FAA Air Traffic Academy students to retake portions of their training while delaying the start date for others."[1]

Sen. Dick Durbin (D-Ill.) said the shutdown not only affected critical hiring and training activities, but led some controllers to seek early retirement and prompted some students to drop out of the Air Traffic Academy.

"For an organization already experiencing worker shortage, and for air traffic controllers who have been forced to work longer hours for too long, the shutdown caused serious damage," Durbin said during a Senate appropriations subcommittee hearing on July 31, 2019.[2]

For the public, the long lines of travelers at major airports waiting for hours to get through Transportation Security Administration checkpoints—staffed by TSA screeners working without pay—were emblematic of the shutdown's impact on aviation.

Behind the scenes, the chaos was less visible but just as alarming. The furlough of some employees from the FAA and other federal agencies sent shockwaves through the aviation sector that reverberate to this day.

The rollouts of new industry products and services were thrown into turmoil without FAA safety inspectors on hand to make "go or no-go" decisions. The government's investigations of fatal aircraft accidents were put on hold. Complex safety upgrades were thrown off schedule.

The shutdown also left industry stakeholders nervous about the disruption of the close public–private partnerships that underpin the safety and efficiency of U.S. aviation, and has prompted concerns that a future shutdown could have an even more devastating effect.

1 Federal Aviation Administration, "Air Traffic Controller Workforce Plan 2019-2028," April 2019. Retrieved from https://bit.ly/2Zdp6D0

2 Hearing on "Oversight of the Federal Aviation Administration," Senate Committee on Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, 2019. Retrieved from https://bit.ly/2yCOYIZ

Aviation safety oversight was disrupted

Air safety in the United States is enabled by detailed rules, constant information sharing between industry and government, and stringent FAA oversight. It is an intricate fabric of protections commonly referred to in the industry as a system of redundancies.

"If something fails, there is another person or system in place to get that," Taylor Garland, a spokesperson for Association of Flight Attendants, said. With a shutdown, she said, "the system starts to deteriorate."

The shutdown halted the FAA's certification processes—the safety compliance determinations that the agency makes at every step in the lifecycle from development and manufacture of aviation components and critical technology to repairs of aircraft and the training of technicians.

Richard Efford, an assistant vice president for legislative affairs at the Aerospace Industries Association, said "aviation is a global industry ... and safety oversight is global."

"The FAA wants to be the world's gold standard and the best in safety and efficiency," Efford said. "The shutdown hurt that."

Not only did safety personnel get sidelined, but so did those being trained to enter the equipment maintenance and inspection workforce.

On a typical day, about 1,000 trainees attend the Federal Aviation Academy at the Mike Monroney Aeronautical Center in Oklahoma City. They learn to use, maintain and inspect radar, landing, navigation and communication systems as well as other equipment used by air traffic controllers and pilots to keep the airspace safe.

When the shutdown began, the Monroney Center furloughed more than 1,000 employees and sent home over 1,200 contractors. The shuttered academy left trainees waiting in limbo and delayed the FAA's plan to fill key jobs around the country.

Meanwhile, the National Transportation Safety Board could not investigate aviation accidents or issue safety recommendations because of the shutdown.

The NTSB sent home 367 employees—92% of its staff—when the shutdown began. As a result, the NTSB did not dispatch investigators to the sites of 15 aviation accidents throughout the country that resulted in 21 fatalities.

The NTSB said in a statement that the inability of investigators to immediately visit those crash sites may have resulted in the loss of perishable evidence, "which potentially could prevent determination of probable cause."[3]

"We didn't have the ability to look at control surfaces or things we would do in a pristine environment," explained Paul Sledzik, NTSB's deputy managing director. "Not having access quickly compromises our ability to effectively assess the evidence."

Sledzik said the shutdown also disrupted the board's ability to deliberate on the causes of accidents and issue safety recommendations. "It delayed a lot of the major accident determinations we had on our plate at the time," Sledzik said. "We're still feeling the impact of that today."

Aviation industry suffered immediate and long-term damage

The aviation system was affected in other ways. Alaska Airlines, for example, announced at the start of the shutdown that it would delay service at Paine Field, a new commercial airport in Everett, Washington, due to furlough of FAA employees responsible for certification.[4] This forced the airline to reroute or cancel flights for thousands of customers who had already purchased tickets to or from the new airport and, in turn, hit the incomes of flight attendants.

"The airline couldn't fly, which was out of their control, so they didn't pay the flight attendants. This was a direct economic impact to our members," said Garland, of the Association of Flight Attendants. She noted that there were similar disruptions across the country that resulted in fewer flying hours for flight attendants.

The shutdown created additional long-term ripple effects.

Peter Bunce, president and CEO of the General Aviation Manufacturers Association, said in testimony to the House Transportation Subcommittee on Feb. 13, 2019 that the 35-day delay in the FAA certification for airplanes, parts and equipment created a backlog and a "lengthy and complicated" recovery for the business community.[5]

Bunce pointed out that each week of the FAA closure created a backup of three to four weeks for the processing of certifications.

In Indiana, TxJet, a nonprofit dedicated to flying teams of surgeons around the country to assist in organ donations, had taken possession of two new Cessna airplanes days before the shutdown but still needed the FAA's sign-off to fly the planes. An expected wait time of a few days for that approval turned into a wait of two months.

"Can you imagine having two $7.8 million pieces of machinery that can't actually move?" asked Steve Johnson, COO of TxJet's sister nonprofit, the Indiana Donor Network.

Efford, of the Aerospace Industries Association, said the "uncertainty was the biggest lingering impact on businesses."

"Shutdowns and the threat of shutdowns make the industry less efficient and increase risk, which costs companies money and leads them to pass those costs on to consumers," Efford said.

Shutdown stalled FAA initiatives

The shutdown also caused a seven-month delay on one of the contracts for the FAA's NextGen project, which will transition U.S. air traffic control from a ground-based to a satellite-based system, according to Sen. Susan Collins (R-Maine).

"Shutdowns never produce good results and they are never worthwhile," Collins said at a Senate appropriations subcommittee hearing. "The unseen consequence of a government shutdown is that it prevents agencies from going forward with needed projects, and the irony is, we end up spending more in many cases than if government had remained open."[6]

3 National Transportation Safety Board, "NTSB Resumes Normal Operations," January 2019. Retrieved from https://bit.ly/2UhOCkM

4 Alaska Airlines, "Start of service delayed until March 4 at Paine Field: Here's what you need to know," January 22, 2019. Retrieved from https://bit.ly/2lCKQ8f

5 "Testimony of Peter J. Bunce, President and CEO, General Aviation Manufacturers Association." Hearing on "Putting U.S. Aviation at Risk: The Impact of the Shutdown," House Committee on Transportation and Infrastructure Subcommittee on Aviation, 2019. Retrieved from https://bit.ly/2MMJUum

6 Hearing on "Oversight of the Federal Aviation Administration," Senate Committee on Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, 2019. Retrieved from https://bit.ly/2yCOYIZ

In addition, the shutdown delayed work on regulations required by the most recent FAA reauthorization law heralded by congressional sponsors as benefitting safety, innovation and airline passengers.

Among many provisions, the law required the FAA to issue new rules governing recreational drones and drones that will be used for package delivery.

"We're still waiting on a rule for remote identification for unmanned spacecraft systems, response strategies, roles and responsibilities and how they should be divided up between local, federal and state authorities," said Chris Oswald, a senior vice president for Airports Council International–North America.

While Oswald could not say that the shutdown alone caused the delay in issuance of the new rules, he was clear about its overall effects on the aviation system.

"You're making the system brittle," Oswald said. "From the operations efficiency standpoint, the ability to meet the needs of shippers, passengers or homeland safety and security, you're increasing the risks that something highly disruptive can happen and you're reducing the ability to recover from it."

The shutdown had a lasting impact on the federal aviation workforce

The stress, frustration and financial hardship endured by furloughed employees and those working more than a month without pay continue to reverberate, and may discourage others from pursuing federal service.

Eric Schinfeld, an official at Seattle–Tacoma International Airport, expressed concern in particular for the TSA workforce. He said the shutdown created hardships for these employees and has made recruitment even more difficult for an agency that has struggled to attract and retain workers.

During fiscal years 2016 and 2017, TSA hired more than 19,300 transportation security officers to address vacancies and anticipated attrition, but during the same period lost more than 15,500.[7] The country's three largest category airports, representing 92% of the transportation security officer workforce, had an attrition rate of approximately 17%.[8]

During the shutdown, airport officials at Seattle-Tacoma brought in representatives from banks and utilities to talk to TSA employees and other federal workers about loan opportunities and repayment plans, and provided other assistance.

"I essentially ran a food bank for six weeks at our airport," Schinfeld said, crediting overwhelming community response.

But if another shutdown occurs, Schinfeld said, TSA officers will say, "Look, there's got to be a better way, there's got to be a better job." Schinfeld added that "if TSA officers don't come to work, nobody flies."

Michael Perrone, president of the Professional Aviation Safety Specialists, a union representing FAA aviation safety inspectors, aeronautical information professionals, flight inspection pilots, mission specialists, engineering services and aircraft maintenance employees, said the shutdown took a toll on the workforce.

"These are highly professional people," Perrone said. "They are thinking about doing their job, but in the back of their minds they are thinking about paying the bills."

At NTSB, Sledzik said he worries that the shutdown and the message it has sent could be a deterrent to the board's ability to recruit and hire new employees.

"We have been really focused on bringing in younger people. We really want to build a long-term workforce here where we can train them to our standards," Sledzik said. NTSB currently has only six employees under the age of 30.

"People love their jobs. They come to work every day and want to solve problems," he said. "To stop that motivation for five and half weeks was really, really difficult."

7 "Testimony of Acting Inspector General John V. Kelly." Hearing on "The TSA Workforce Crisis: A Homeland Security Risk," House Committee on Homeland Security Subcommittee on Transportation and Maritime Security, 2019. Retrieved from https://bit.ly/2zAqUqA

8 Ibid.

II. THE BUSINESS PLANS OF MICROBREWERIES AND OTHER SMALL ENTREPRENEURS WERE THROWN INTO TURMOIL BY THE SHUTDOWN

In 2017, Brandon Roberts and Stacia Fuzesy purchased an 1880s building by the banks of the Missouri River in Fort Benton, Montana, with plans to turn it into a brewery. They envisioned a gathering place that would showcase local barley, wheat and other grains, with each beer crafted to highlight the history of the town that boasts itself as the "birthplace of Montana."

To get to opening day for Golden Triangle Brew Co., they needed a license from an office within the Department of the Treasury, a historical tax credit from the National Park Service and grant assistance for asbestos removal from the Environmental Protection Agency.

On Dec. 22, 2018, all three agencies shut down, throwing their plans into turmoil.

"We were at a standstill with all three avenues," said Roberts.

The partial federal government shutdown that lasted 35 days during December 2018 and January 2019 created havoc for thousands of small businesses across the country, including microbreweries like the one in Montana, and had economic consequences that lingered long after the affected federal agencies reopened.

The shutdown halted two major Small Business Administration loan programs, which typically dispense nearly $200 million a day to small and midsize U.S. businesses. The inability to obtain loans derailed business plans and caused economic hardship for thousands of entrepreneurs.[9]

The Congressional Budget Office estimated that the shutdown delayed approximately $18 billion in federal discretionary spending for compensation, for purchases of goods and services and for some federal services. The impact was felt by small businesses across the country.[10]

According to a CNBC–SurveyMonkey Small Business Survey conducted from Jan. 28 to Feb. 4, 2019, 35% of small business owners nationwide said they experienced a "sales slowdown" attributable to the lack of demand from nearby federal workers.[11] Another 13% reported the "direct loss of revenue from a contract with a government agency."[12] As a result of reduced economic activity, the CBO said the gross domestic product in the fourth quarter of 2018 was reduced by $3 billion.

Growing craft brewery business stalled without federal approvals

For one sector dominated by small businesses, craft breweries, the shutdown brought immediate hardships and lasting effects.

During the past decade, Americans have experienced a renaissance of craft beer, cider, distilled spirits and other alcoholic beverages. In the beer sector alone, the number of craft producers has risen from just shy of 3,000 in 2013 to over 7,300 today, capturing more than 24% of the beer market. Retail sales of craft beer in 2018 topped $27 billion.[13]

These small, independent breweries directly provide more than 135,000 jobs, including brewers, marketers and servers in local brewpubs, according to the Brewers Association.[14]

"Brewers are in almost every congressional district," said Scott Graham of the Michigan Brewers Guild. "They are good employers and they're driving economic growth. They're going into downtown areas that people have been fleeing."

This growth has taken place in a web of longstanding federal, state and local regulations. At the center of federal regulation is the Alcohol and Tobacco Tax and Trade

9 Heather Long, "Over 300 small-business loans a day aren't happening because of the shutdown," Washington Post, January 11, 2019. Retrieved from https://wapo.st/30ps5Vk
10 Congressional Budget Office, "The Effects of the Partial Shutdown Ending in January 2019," January 2019, 1. Retrieved from https://bit.ly/2PhgaI8
11 Laura Wronski and Jon Cohen, "A reality check on how small businesses were really affected by the government shutdown: Survey," CNBC, February 11, 2019. Retrieved from https://cnb.cx/2E7WkYu
12 Ibid.
13 Brewers Association, "National Beer Sales & Production Data." Retrieved from https://bit.ly/2KLhnTW
14 Brewers Association, "Economic Impact." Retrieved from https://bit.ly/2YGfv2h

Bureau, an office in the Department of the Treasury known in the industry as the TTB, whose approval is needed at almost every step in the production and sale of an alcoholic beverage.

A craft producer must secure a TTB license to operate, quaintly named a "brewers notice." Plans to expand production also must go through TTB. Often, states require TTB approval before a brewery can get a state license to operate.

Brewers must also secure TTB approval of labels to sell across state lines and ingredients that fall outside of the pre-approved formula list. In an industry that prides itself on experimentation, this means that brewers are frequent visitors to TTB's application site. In 2018, TTB received 192,000 label applications—roughly 3,000 per week.[15]

Montana and Michigan craft breweries suffered delayed openings and reduced revenue

In Montana, Roberts and Fuzesy hoped that Golden Triangle's taps would be flowing in their newly renovated building just in time for Fort Benton's annual summer celebration in June 2019. The shutdown sent them scrambling to meet their timeline.

They had to put their plans to renovate their historic building on indefinite hold and instead found rental space down the street to be better prepared to start brewing once their brewers notice was approved by TTB. They then had to wait until the government reopened to amend their application, and then waited until mid-June for its approval—too late to have beer brewed for the summer celebration.

Roberts said they "missed the mark" for their target opening, and while they are brewing now, he estimates that they lost tens of thousands of dollars in revenue due to the delay. Plans for renovation of the historic building and the assistance needed from the National Park Service and the EPA are now on the backburner.

"I know there were a lot of people who were impacted [by the shutdown] in a more direct sense," Roberts said, expressing sympathy for furloughed federal workers. "But it changed our entire business model."

Meanwhile in Portage, Michigan, Jake Lohse, a new local brewer, was set to open Presidential Brewing appropriately on President's Day—Feb. 18, 2019.

Lohse submitted his application for a brewers notice to the TTB in September 2018. Told that the average processing time was about 60 days, he felt confident that he had plenty of time to get the official license and start brewing. Lohse committed to a February 15 departure from his salaried job.

Then the government shutdown occurred.

"At first I didn't realize that TTB was part of the shutdown," Lohse said. Without the TTB brewers notice, he couldn't even buy bulk ingredients, much less brew beer. To have any hope of opening, he had to keep paying rent, general overhead and salaries for his brewer and kitchen manager while he waited.

Lohse also paid interest on $130,000 worth of equipment that sat idle, not knowing when he would get the green light to start brewing. "We couldn't see the light at the end of the tunnel," he said.

When the government first reopened, Lohse couldn't get through to anyone at TTB. By the third week, he reached an individual with decision-making authority and asked that TTB give priority to his application. His brewers notice was approved just as President's Day came around, but it would still take weeks to brew beer and plan a rescheduled opening.

Looking to make up for lost time, Lohse filled his six fermenters as fast as he could and opened in March 2019 with six types of beer. If he had more lead time, he would have had more beer ready for what turned out to be high demand from thirsty customers.

He estimates that the loss of the few weeks of brewing time cost him about 20% of sales if the opening had occurred as scheduled. And he went a month without salary in between his old job and the opening of Presidential Brewing.

The shutdown also hit the earnings of many other brewers in the first quarter of 2019. According to Paul Garza, head of the Brewers Association, about half of brewers in the country were waiting on approval of labels from TTB during the shutdown.[16]

In Michigan, Saugatuck Brewing Company had gone to TTB for approval of a label for new releases on Dec. 13, 2018, and expected approval on December 23 based on TTB's average turn-around time. The misfortune of not getting a response two days earlier—before the shutdown—translated into a delay of 50 days, throwing off the new release that had been planned with distributors.

The first quarter of 2019 was "somewhat of a disaster," said Ric Gillette, president and CEO of Saugatuck.

"TTB needs to be funded and functioning," said Scott Graham of the Michigan Brewers Guild.

SBA loan delay pushed Texas brewer to financial brink

TTB is central to the operations of producers of alcoholic beverages, but interactions with other federal

15 NPR News, "Why The Craft Brewing Industry Is Stalled Amid The Government Shutdown," January 10, 2019. Retrieved from https://n.pr/2MwYRAK

16 Ibid.

agencies may also be necessary to launch and operate a business. In the Lake Highlands neighborhood of Dallas, Texas, Veronica and Craig Bradley, parents of two small children, discovered this fact as they were preparing to open a brewpub called Vector Brewing.

Bradley left his job to work full-time toward a September 2019 opening. The couple prepared their application for an SBA loan and cashed in their retirement savings.

"Our bank account was zero," Veronica said. "We had to prove to the bank and SBA how serious we were." The couple signed a lease to be the anchor tenant in a shopping center. Two days later, the government shut down and the SBA stopped processing loan guarantees.

While filling out the SBA loan application, Veronica Bradley said they had to list all sorts of risks that the new business might encounter. It did not cross her mind that the closure of SBA would be one of them.

"That's the one thing you can't really plan for," she said.

While waiting on the SBA to reopen, the couple shouldered expenses for rent, legal and financial fees, contractors and architects. They faced a $50,000 invoice for the $300,000 of equipment that they had purchased.

"We were panicking," Veronica recalled. The couple used their previous experience in marketing to help get the word out about their predicament. They also resorted to fundraisers, accepting small-dollar donations from community supporters to keep their dream alive.

When the government reopened, their loan was approved within weeks. But the shutdown pushed back their targeted opening date by several months, resulting in lost revenue and thousands of dollars in increased costs for equipment.

"Prices shot up while we were waiting on the loan. It's a snowball effect," Veronica said.

New Jersey brewer's expansion plans were put on hold

TTB's shutdown had reverberations regarding the way some states tie their own regulations to federal regulations. New Jersey, for example, requires all beer produced and sold in the state to have TTB label approval, even if the beer is not sold across state lines. That meant that New Jersey brewers could not release a new beer once the shutdown hit, explained Mike Roosevelt, co-owner and chief scientist at Alementary Brewing Co. in Hackensack.

The shutdown also put a bottleneck on Alementary's expansion plans for a new 11,000-square-foot facility across the street from the brewery and tasting room that they opened in 2016. Alementary had submitted an application for the new facility in August 2018 and had expected a response within about four months, but the application was pending with TTB when the shutdown began.

Paying $11,000 per month in rent and local property taxes, and sitting on $1 million in investments in equipment and renovations, Roosevelt and his co-owner, Blake Crawford, faced a choice.

"Do we pause and let the contractors do other work or do we keep on with the renovation?" Roosevelt said. With TTB employees on furlough, he had no way of checking to find out how long approval might take once the government reopened. "This caused a lot of anxiety and concern," he said.

Crediting the help of Rep. Josh Gottheimer (D-N.J.), who held a press conference to highlight Alementary's plight, Roosevelt and Crawford were relieved when TTB approved their license soon after the government reopened. If the shutdown had gone on much longer, it would have jeopardized the business and the livelihood of his employees, Roosevelt said.

Shutdown added unnecessary business risk

While Roosevelt and other brewers found ways to move forward despite the dysfunction in Washington, it came at a cost: widespread frustration, disrupted plans, increased costs and lost revenue.

Coming into brewing with a business background, Roosevelt said, he was used to making decisions that involved risk.

"And we're used to having some risks being out of our control. We're not used to the federal government holding the universe hostage," Roosevelt said.

The possibility of another government shutdown in the near future leaves craft beverage producers wondering whether they can withstand another financial blow.

Roosevelt said another shutdown would be very harmful in today's competitive marketplace, as the company prepares to start shipping across state lines now that Alementary's expanded facility is up and running. "It's imperative to put new products into the market weekly," he said, meaning that Alementary's business plan relies on TTB being open to approve labels.

"I could end up with thousands of gallons that can't be sold," Roosevelt said. "And a lot of craft beers have a shelf life of about eight weeks. That would be tens of thousands of dollars of lost revenue."

Given the long lead times for developing a new brew, gaining approval for labels and lining up distribution, "there's really not much we can do to plan around this," said Megan Scheerhorn, vice president of marketing at Saugatuck. Added Ric Gillette of Saugatuck, "Please send us a warning shot if this is going to happen again."

III. FEDERAL RECRUITMENT, HIRING AND RETENTION WERE DAMAGED BY THE SHUTDOWN

In December 2018, 23-year old Nicolette Gerald was working for the Department of Homeland Security's chief financial officer as a Pathways intern, part of a prestigious two-year training and development program designed to bring talented young people into government.

Gerald was on track to secure a permanent DHS job on the financial assistance policy and oversight team when much of the department shut down from Dec. 22, 2018, until Jan. 25, 2019. Gerald said the financial strain and the uncertainty created by the political stalemate prompted her to apply for private sector jobs. She accepted one shortly after the shutdown ended, and some seven months later, the job she left behind remained unfilled.

"I needed to continue paying my student loans, put money into savings and pay my rent," Gerald said. "I had no idea how long the shutdown would last ... and the lack of communication really affected me as well. There were three of us under 30 in my office and we all left."

The full effect of the government shutdown on recruitment, hiring and retention of qualified employees is hard to quantify given the lack of publicly available attrition and employment data from the Office of Personnel Management. But there is deep concern among federal leaders that the lengthy 2018-2019 episode contributed to the perception that the civil service is not valued and that government may not be a reliable employer.

Concerns raised about recruitment and retention of employees

A March 2019 report by the Government Accountability Office said the frequent failure of Congress to meet appropriations deadlines and keep agencies open could be a deterrent for potential applicants and cause some federal employees to leave the government.

"Experts we interviewed noted that the perception of job security offered by federal work is attractive to employees. However, prolonged shutdowns may alter this perception and harm the government's recruitment and retention efforts," the GAO said.[17]

This same concern was raised at a Senate hearing in April 2019 regarding the Coast Guard. Personnel at the Coast Guard continued working during the shutdown without pay, often alongside Department of Defense employees who received their salaries because their agency was funded.

"These funding disruptions harm recruitment and retention and the Coast Guard's ability to fulfill their mission to assure the nation's maritime security, safety and stewardship," Sen. Edward Markey (D-Mass.) said during a Senate Commerce Committee hearing.[18]

Deputy National Taxpayer Advocate Bridget Roberts said that the stability of a government job was once a strong recruitment tool for the IRS, which can't compete in terms of pay and perks provided by the private sector.

"But that perception of stability is no longer there, so when we hire now, it's a lot more difficult for us to find people who are willing to take the chance on a government job," Roberts said.

Shutdown further discouraged under-30 generation from federal service

The federal government as a whole is finding it hard to attract a new generation to serve, a problem exacerbated by the 35-day shutdown and a healthy job market that offers many opportunities to people such as Gerald and some of her co-workers. Currently, just 6% of all permanent, full-time federal employees are under the age of 30, a decline from 9% during this decade. In comparison, about 21% of all private sector employees are under the age of 30.

Kevin Mahoney, the chief human capital officer at the Department of Commerce, said the recurring possibilities of the government shutting down due to lapsed funding could be an impediment to recruiting young people.

17 Government Accountability Office, "Federal Workforce: Key Talent Management Strategies for Agencies to Better Meet Their Missions," GAO-19-181, March 2019, 19. Retrieved from https://bit.ly/2MDCyJU

18 Hearing on "Federal Maritime Agencies: Ensuring a Safe, Secure, and Competitive Future," Senate Committee on Commerce, Science, and Transportation Subcommittee on Security, 2019. Retrieved from https://bit.ly/2ODfnNT

"If we make a habit of this, it will be difficult to recruit the next generation of people under 30 because they look at us and think, 'They don't know what they're doing there,'" Mahoney said.

Traci DiMartini, the chief human capital officer at the Peace Corps, said one goal of her organization is to help returned volunteers, many of whom are eager to start a career in public service, consider becoming a federal employee.

"But why would they want to risk it after this?" she asked. "They're told they're not important and no one cares. Since the rhetoric against federal employees is so toxic, is it any wonder we are having a problem filling key positions?

"Little to no pay raises the past five years, the constant threats to health and retirement benefits, public officials questioning our worth and the constant fear of furloughs have had a cumulative negative impact on recruitment and retention, yet no one is willing to talk about it," DiMartini said.

Some agencies struggled to retain employees who were hired shortly before the shutdown and had to wait more than a month—and in some cases longer—before starting their new jobs. That was the case at the Peace Corps, where DiMartini noted that a few individuals hired just before the shutdown ended up taking positions elsewhere.

Seasoned employees called it quits

New and prospective employees are not the only ones thinking twice about a federal job in an era of unpredictable and lengthy shutdowns. The government also has lost experienced employees and those with skills in high demand, leaving the worrisome risk of a brain drain.

During the most recent shutdown, for example, the FBI Agents Association collected reactions from a number of its members. One FBI agent was quoted as saying, "I am eligible to retire. This shutdown, in combination with several years in which we have not had basic cost of living increases, has convinced me I need to retire sooner than later."[19]

Other agencies also saw employees retire soon after the shutdown. At NASA, for instance, Chief Human Capital Officer Robert Gibbs cited the case of a long-time valued employee who loved his job and had no plans to retire, but changed his mind after spending time with his grandchildren during the shutdown. At the State Department, officials said they witnessed an uptick in the number of employees attending retirement seminars after the government reopened. Agencies across government had similar stories to tell.

Employee morale suffered

Another casualty of the shutdown has been employee morale, with a number of leaders saying that their employees felt discouraged and unappreciated during and after the shutdown. According to a Federal News Network survey, 90% of respondents believed morale worsened at their agency after the shutdown.[20]

"The common thread was a blow to morale," according to Gwen Yandall, former executive director of human capital policy and programs at DHS. "Employees felt like pawns in a chess game."

Jared Hautamaki, an attorney at the Environmental Protection Agency, told NPR he believes that "this is just going to further kill morale and hurt recruiting."[21]

Officials from the Professional Aviation Safety Specialists, an FAA employee union, said an internal survey found that the shutdown resulted in lower morale among its members. They said many of their members felt "unappreciated and expendable," while others experienced financial and emotional distress.

The shutdown also placed a strain on federal human resources employees.

During the shutdown, chief human capital officers and their staff members responded to a flood of calls and emails from employees, many of whom struggled to pay their bills and mortgages. And after the shutdown ended, human resources staff members were busy figuring out how to most efficiently process back pay, keep morale from faltering even further and process a backlog of job applications.

While there was great relief when the shutdown ended and a hope that Congress and the White House will avoid a repeat performance, the issue continues to

19 Federal Bureau of Investigation, "Voices from the Field: FBI Agent Accounts of the Real Consequences of the Government Shutdown," January 2019, 51. Retrieved from https://bit.ly/2R4haeo

20 Nicole Ogrysko, "Excepted employees say shutdown did irreparable damage to morale," Federal News Network, January 30, 2019. Retrieved from https://bit.ly/2PfcRBs

21 "Government Shutdown Demoralized Many Federal Employees," January 28, 2019. Retrieved from https://n.pr/2KT2yyG

shadow employees, agency leaders and human resources staff members.

Mahoney, the Department of Commerce official, said that when the shutdown was over, he and his colleagues had to start preparing for the next one. And at the Peace Corps, DiMartini said she finds herself “always fearing September 30,” the deadline for yearly congressional appropriations.

“It’s difficult to work when you have to stop every six months and engage in a shutdown drill,” she said.

IV. THE GOVERNMENT SHUTDOWN TOOK A LONG-TERM TOLL ON TAXPAYERS AND THE IRS WORKFORCE

About a month after the government's 35-day shutdown ended in late January 2019, IRS customer service representatives were overwhelmed by several million phone calls and forced to keep taxpayers waiting for lengthy periods of time or, in many cases, were unable to respond at all because of a staffing shortage.

"For one of the busiest times of the year for the IRS, we had the lowest amount of service on the phones that I've seen in my whole career," said Nina Olson, who retired in July after 18 years as the National Taxpayer Advocate.

According to Olson, the shutdown caused a five-week delay in the hiring and training of customer service representatives, leaving the IRS more than 2,000 employees short of the number who were needed to answer taxpayer phone calls and respond to questions.[22]

This contributed to a 57% level of service as of Feb. 22, 2019, down from 78% during the same period the prior year—a negative trend that persisted throughout the entire tax filing season and affected millions of taxpayers.[23] The "level of service" is how the IRS measures taxpayers' experience when calling IRS telephone lines. It is based primarily on calls routed to live agents.

The jammed phone lines were only a part of the fallout from the shutdown.

IRS employees returning to work, for example, faced the enormous task of implementing the new $1.5 trillion tax law and dealing with the repercussions of 5 million unanswered taxpayer letters, 87,000 amended tax returns waiting for review and thousands of stalled audits.[24] In addition, more than 16,000 appointments were canceled at taxpayer assistance centers around the country.[25]

"There was real harm to taxpayers while they waited for everything to get sorted out," Olson said. "The economic harm snowballs, the urgency is a lot higher, the stress is higher and the harm is more significant."

Shutdown curtailed IRS operations

During the first few weeks of the shutdown, only about 12.5% of the IRS's 80,000 employees were considered essential and working. Those employees were not authorized to answer phones, leaving some 3.8 million callers without help. They could not release liens or levies, issue refunds, enter into installment agreements or review pending IRS actions.[26]

As the shutdown dragged on, additional IRS employees were called back to work, and after Jan. 15, 2019, about 46,000 were on the job. By January 22, just a few days before the shutdown finally ended, IRS employees were permitted to answer the phones, issue refunds and enter into installment agreements. They were not, however, authorized to release liens and levies, nor were employees of the Taxpayer Advocate Service authorized to advocate on behalf of taxpayers who were experiencing significant hardships.[27]

The Taxpayer Advocate Service is an independent organization inside the IRS that helps taxpayers with their individual problems. Fewer than 100 of its 1,700 employees worked during the shutdown.

Diane Himelstieb, the Local Taxpayer Advocate in St. Petersburg, Florida, was the only employee in her office who was authorized to work. She could do little more than open mail, and was unable to communicate with taxpayers until the shutdown ended.

"Our job is to help taxpayers," Himelstieb said. "To read about their problems without being able to do anything to help them was absolutely heartbreaking."

22 Taxpayer Advocate Service, "Fiscal Year 2020 Objectives Report to Congress," Vol. 1, June 2019, 18. Retrieved from https://bit.ly/324Ps7k
23 "Statement of Nina E. Olson, National Taxpayer Advocate." Hearing on "The Tax Filing Season," House Committee on Ways and Means Subcommittee on Oversight, 2019. Retrieved from https://bit.ly/2zdosGf
24 Taxpayer Advocate Service, "2018 Annual Report to Congress," Vol. 1, February 2019, xvi. Retrieved from https://bit.ly/2MCOLOC
25 Taxpayer Advocate Service, "Fiscal Year 2020 Objectives Report to Congress," Vol. 1, June 2019, 18. Retrieved from https://bit.ly/324Ps7k
26 Taxpayer Advocate Service, "2018 Annual Report to Congress," Vol. 1, February 2019, xv. Retrieved from https://bit.ly/2MCOLOC
27 Ibid.

Gap in taxpayer services caused harm

One affected area involved the ability of the IRS to address 80,000 taxpayer responses to fiscal 2018 Earned Income Tax Credit audits. The EITC is a benefit the federal government offers to working people with low to moderate incomes. When households are audited, the IRS blocks the tax credit or refund, so a delay in processing responses to audits took money out of the pockets of low and middle-income taxpayers.

Although the IRS was understaffed, measures to enforce tax collections did not completely stop, and this produced dire consequences for some taxpayers.

For example, one Mississippi taxpayer under levy contacted the Local Taxpayer Advocate in Jackson for assistance. (A levy is when the IRS seizes a taxpayer's property to satisfy a tax debt.) This taxpayer needed help to resolve a levy that had been placed on his Social Security benefits, which he counted on to pay for care at an assisted living facility. The Taxpayer Advocate in Jackson, Cathy Herrington, was prohibited from assisting him once the shutdown took effect, and he was forced to leave his assisted living facility and move in with relatives several hours away.

"It was just so upsetting to hear what happened to this poor man and we couldn't help him," said Herrington.

This is just one example of how taxpayers who were subject to liens or levies faced significant challenges during the shutdown. Since the IRS was unable to lift these penalties for qualified taxpayers, they had nowhere to turn for help during the shutdown. If a bank received a levy notice to freeze a taxpayer's account, it had no choice but to follow through within 21 days or be held liable. This resulted in some taxpayer assets being unfairly frozen. "There was nothing we could do to help them," Olson said.

The IRS set up mechanisms to compensate taxpayers who were harmed during the shutdown, but Olson said this missed the larger problem of "having to reverse what could have been avoided if there hadn't been a shutdown preventing us from helping them."

It is no wonder that within weeks of reopening, the Taxpayer Advocate Service reported a nearly 10% rise in taxpayer complaints. As a result, they prioritized the most urgent cases where taxpayers were in danger of losing homes or cars while hundreds of others were placed on hold.

Herrington estimated that it took her four months to catch up on casework after the shutdown. The difficulty was compounded by the addition of new cases, some of which came as a result of the customer service challenges that the IRS experienced after the shutdown.

IRS employees felt demoralized during and after the shutdown

No less important than the harm inflicted on taxpayers was the impact on the IRS workforce. Some employees endured significant financial hardship and a decline in morale. There were reports of employees having to rely on food banks and the support of family and friends. Some were even advised to see doctors for symptoms of depression.

As Herrington pointed out, it is impossible for federal employees to "forget the stress and the uncertainty" of the shutdown. A senior IRS executive added that "people were pretty angry, pretty worried and felt abused."

Researchers from Weber State University, studying a Utah community with a high concentration of IRS employees, confirmed that the shutdown greatly affected the financial and mental well-being of federal workers. Most of the federal employees surveyed worked at IRS, with only a small percentage from the U.S. Forest Service. Of the furloughed workers surveyed, more than 35% missed a rent or mortgage payment, 30% went to a food pantry, 72% experienced mental health issues, 42% wanted to make a career change and 65% were very or somewhat concerned about their finances post-shutdown.[28]

The experience of the shutdown can put employee morale in dangerous territory, which continues to be a concern for IRS leadership. The IRS *Best Places to Work in the Federal Government* engagement score declined in 2018, a finding based on a federal survey taken before the shutdown occurred. The IRS, part of the Department of the Treasury, was below the median relative to other agency subcomponents in 2018.

In testimony before Congress, IRS Commissioner Charles Rettig spoke about the importance of the workforce and said, "Our people interact with more

28 Courtney Bublé, "Shutdown Had Deep Financial and Mental Health Impact on IRS Workers, Study Finds," Government Executive, July 30, 2019. Retrieved from https://bit.ly/2ZpDDLf

Americans than any other institution, public or private. Our people make a difference, they care and they take pride in serving taxpayers and our country."[29]

When IRS employees returned to work, they encountered not only huge backlogs and frustrated taxpayers, but also other issues such as the inability to access their computers because their passwords had expired. The IRS set up IT swat teams to restore access, which drew resources away from other IT projects. One senior IRS executive recalled that the whole situation was "just a mess."

The shutdown also dealt a setback to the IRS plan to replace computer systems that date back decades, including a critical enterprise case management system. For the IRS, IT modernization is a top priority that was sidetracked and delayed by the shutdown.

The effects on IRS employees, its operations and taxpayers were wide-ranging and did not end when Congress resumed operations. In March 2019, Olson told a House Ways and Means Oversight Subcommittee that it would take 12 to 18 months for the IRS to catch up from the lost work, with effects spilling into the next filing season.

29 "Written Testimony of Charles P. Rettig, Commissioner, Internal Revenue Service." Hearing on "The IRS Budget and 2019 Filing Season," House Committee on Appropriations Subcommittee on Financial Services and General Government, 2019. Retrieved from https://bit.ly/33UKBHD

CONCLUSION

There have been 21 shutdowns of a day or longer since the Carter administration, and dozens more occasions when agencies had to plan for the possibility of one. Like every shutdown before it, the 35-day shutdown in the winter of 2018-2019 disrupted service to the American people. What makes this most recent shutdown different, besides its record-setting duration, is that policymakers in Washington seemed to take greater notice of the effect it had on the average person.

The longest shutdown in federal government history took place in an environment where nearly every member of the public is armed with a smartphone and the media is hungry for content to fill a 24-hour news cycle. The result was a steady diet of stories and images of the toll that the shutdown was taking on our country. From celebrity chef José Andrés's pop-up kitchen for furloughed federal employees to trash cans overflowing in the national parks to long lines of travelers in Atlanta winding through the world's busiest airport, the visual reminders of the shutdown were everywhere and inescapable.

Members of Congress from every corner of our country encountered constituents who were harmed by the shutdown personally or alarmed by the toll it was taking on their friends, neighbors and community. And as the case studies in this report suggest, for many people, the shutdown's damaging effects continue to linger.

In the months following the 2018-2019 shutdown, members of Congress from both parties have introduced various pieces of legislation to make government shutdowns a thing of the past. Many are a variation on the proposal to continue government activities at prior year spending levels until new spending bills are passed. Some would increase or decrease spending incrementally as added incentive for Congress to act, lest an "automatic continuing resolution" at prior year spending levels leaves the government on indefinite auto-pilot.

One particularly interesting and innovative proposal would affect policymakers where they will feel it most—that is, in how they spend their time.

Bipartisan legislation introduced by Sens. James Lankford (R-Okla.) and Maggie Hassan (D-N.H.) would provide for an automatic continuing resolution at prior year spending levels and keep congressional members and their staff as well as Office of Management and Budget employees in Washington D.C. by prohibiting taxpayer-funded travel until appropriations bills are enacted. This would effectively preclude travel back home to states and congressional districts, as well as official travel outside of Washington D.C. by member or staff delegations. The bill also would require daily quorum calls to keep them nearby and ensure that appropriations bills receive priority consideration.

By denying policymakers the opportunity to spend time with voters back home, participate in long-planned delegation trips or act on other business, the bill's bipartisan sponsors may have found the right combination of carrots and sticks to ensure that spending bills are passed on time.

Until Congress acts on this legislation or another bipartisan proposal to prevent government shutdowns, the threat of "the next time" remains. Few members of the public understand the intricacies of the appropriations process, and they shouldn't need to—that's what they elect leaders to do.

The American people deserve the government that they pay for with their tax dollars. And they deserve elected leaders who work across the aisle and across the branches to solve difficult problems, not create new ones.

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