

Surviving a Shutdown:

5 Ways Agencies Can Help Contractors by Planning Ahead for a Government Shutdown

By Asim Iqbal



Federal government shutdowns, the result of funding gaps that occur when Congress can't agree on a spending bill, are a relatively recent phenomenon. Since the first shutdown in 1981, there have been 10 more, with the longest lasting 35 days, from December 18, 2018, to January 25, 2019. On average, shutdowns now occur about every four years and last nearly nine days.

Government shutdowns bring a cascade of economic consequences, including delayed paychecks, pauses in vital services, and disastrous effects for government contractors who may have to reduce staff. There are also broader economic impacts, with shutdowns reducing the GDP by 0.2% on average. For example, the 2018–2019 government shutdown caused a loss of \$11 billion in economic output. While \$8 billion was eventually recovered, \$3 billion was permanently lost.

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Planning Ahead To Avoid Shutdown Impacts

The reality is that shutdowns are now an unpleasant feature of government work. Given their ongoing possibility, federal agencies should anticipate and prepare for them, taking steps to keep critical projects moving forward. Among many responsibilities, contract officers should remember that government shutdowns deeply affect their contractors, who have dedicated resources and employees to agency projects. In this e-book, we'll share five ways that agencies can help mitigate the negative effects of a government shutdown on their contractors—and their projects.



1 Begin shutdown-proofing your project in the RFP stage.

When a government shutdown goes into effect, in most cases, agency-contractor communication and new payments are no longer possible. For this reason, the overarching strategy behind mitigation efforts should be to remove contractor dependence on the agency for access to the systems environment, direct communication, and new payments. Making a project shutdown-proof, therefore, must begin in the planning stages, during the RFP process.

There are two types of work that are minimally impacted during a government shutdown: *exempted* and *excepted*. Work classified as *exempted* means it is not funded via annually appropriated funds. Since it is unaffected by a government appropriations issue, it may continue. If a project is designated as *excepted*, on the other hand, it means that even though the work is funded through annual appropriations, it is allowed to continue by law. *Excepted* projects tend to be those considered “essential” for safety and security reasons. Clearly communicating the importance of a project at the RFP stage may help persuade leadership to designate it as *excepted* during a shutdown.

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Excepted projects are funded through annual appropriations, but they are legally allowed to continue because they are considered “essential” for safety and security of operations.



2 Budget the project at a fixed cost.

Government employees who are furloughed during a shutdown will not be paid for its duration, but they are guaranteed backpay once they return to work. This is not the case for contractors, whose employees have no guarantees. For this reason, many contractors furlough their employees, who then do not receive wages for the duration of the shutdown. Until Congress finds a way to address this discrepancy, the best workaround is to structure the project's RFP to ensure contractors will be paid for the work they do.


As mentioned earlier, one way to make your project *exempt* during a shutdown is to pursue funding through multiyear or indefinite appropriations—but this can be complicated. A simpler way to ensure your contractor gets paid is to fund the project via a fixed-price contract that specifies a firm price baked into the RFP. With fixed pricing, contractors are paid based on a certain project delivered in a certain period of time. In this scenario, variable material costs and timeframes do not come into play, which, in the case of a shutdown, would likely hurt a contractor.

3 Build out the project's scope in 4-to-6-week increments.

Preplanning and mapping out work to be done on a project is a strong best practice, even during “normal” times. And in the case of a shutdown, having a clear view of the work to be done may become a lifeline to project continuity. Again, this is an aspect of the project that should be baked into the RFP ahead of time. Work with your contractor to map out the stages of the project in the RFP, detailing expectations at 4-to-6-week increments. As the project progresses, always have a backlog of two months of work planned and defined. If a shutdown occurs and communication is terminated, contractors are then well-positioned to move forward on their own.

Project management tools are an important resource for building out incremental project scopes, allowing you to set due dates, assign tasks, and share resources across the agency-contractor bridge.





4 Organize independent access to project resources for contractors.

Along with disrupted communication, access to government systems and facilities also becomes an issue during a shutdown. Suddenly, contractors no longer have access to the systems they are working in. What's the workaround?

Ahead of time, organize the project so it resides in a cloud environment. This approach allows contractors to circumnavigate shutdown roadblocks and continue their work without the need for an intermediary. It also aligns with [Cloud Smart](#), the federal government's long-term, high-level strategy to drive cloud adoption within its agencies.

Along the same lines, contractors should be guided to use code repositories. A [code repository](#) is a digital environment where developers can store, organize, document, and share code and other development tools being used for a project. [Open-source software is a growing movement](#) within federal agencies and is supported by the use of these shared environments. Being able to use a code repository is a key technical detail that will allow contractors to continue work during a shutdown. Contractor use of independent cloud environments and code repositories is considered best practice and should be detailed in the RFP as well.



5 Develop a shutdown-continuity plan for your project.

Agencies already plan for worst-case scenarios and come up with guidelines for how operations will continue during disruptions, from cyberattacks to natural disasters like hurricanes. This type of continuity planning can also be applied to keeping projects operational during a shutdown.

A shutdown-continuity plan starts with a decision tree. Decision trees, often used in operations research and management science, provide a hierarchical model for mapping out decisions and their potential consequences. A decision tree will provide steady, logical guidance amid the chaos and uncertainty that accompanies a shutdown, and there are apps available to assist with this process.

Since government shutdowns are driven by gaps in budget allocations, we know that there is a higher likelihood of a shutdown occurring around the beginning of the new fiscal year, October 1. With that date in mind, consider creating your shutdown-continuity plan about 45 days prior—in August. By planning ahead and taking action to safeguard work on your project, you will be positioned to execute smoothly through any shutdown interruptions, deadlines on the project will continue to be met, and contractors will remain at work and getting paid.

Creating a Shutdown Decision Tree

In order to build out a shutdown decision tree, you will need as much information upfront as possible. Start by determining which agency is the authority for shutdown protocol for your organization and project.

- » Does the Office of Personnel Management offer guidance?
- » Does your own agency have guidance in place?

If there is guidance already in place, this will inform your decision tree. Knowing where the authority resides over the status of your project is key.

- » Do you need to consult agency legal counsel or senior agency managers?
- » Who ultimately sets policy for your project during a shutdown?

Communication is key at the start of a shutdown. Having clear guidance on who is responsible for what communication will be a valuable facet of your decision tree.

- » Who is responsible for which communications?
- » How will necessary communications be carried out?



Resourcing Projects for Success

According to a recent [Goldman Sachs survey](#), 70% of small business owners said their business would be negatively impacted by a government shutdown. Considering that small businesses account for [44% of U.S. economic activity](#), that represents a large slice of the U.S. economy. Taking small steps ahead of time to build project continuity goes a long way toward ensuring that contractors and their employees continue to get paid—while also bolstering the U.S. economy.

If you're wondering how to get started, we can help. Enquizit has more than two decades of cloud experience in the public sector. We provide easy procurement options and direct access to AWS GovCloud, a solution designed to allow agencies to run sensitive workloads in the cloud while meeting specific regulatory and compliance requirements. And before the next shutdown, we can assist in determining the right cloud and open-source software resources to help keep your projects on-time and deliverable, while keeping your contractors on-task and earning income.

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