Economic Impacts of the Government Shutdown in Nevada

A government shutdown occurs when Congress fails to pass appropriations bills or a continuing resolution to fund federal government operations. CEA analysis indicates that a shutdown may have wide-ranging economic effects that reduce the prospects of Nevada constituents through lower growth, higher unemployment and disruptions to Social Security and nutritional support to women with infant children.

Government Shutdown Would Reduce Growth and Increase Unemployment

CEA estimates Nevada's Gross State Product will decline by around $140 million each week the shutdown extends, the equivalent of around $606 million per month while the government is shut down.

As a result of estimated GDP declines during the shutdown period, CEA analysis finds that there may be an increase in unemployment of about 400 workers in Nevada under a 1-month shutdown.

In a government shutdown, most federal workers will be furloughed or be required to work without pay. In Nevada, there are around 22,000 federal workers, or about 1.4 percent of the state workforce.

Government Shutdown Would Stop Some Federal Benefits

Under a government shutdown, SNAP benefits continue for approximately 30 days before facing disruption. In Nevada there are around 497,000 total enrollees in SNAP, and an estimated 193,000 whom are children.

Benefits are likely delayed for those that receive their Social Security benefits by check instead of direct-deposit. In Nevada, there are approximately 3,300 seniors that receive their benefits by check.

Due to the government shutdown, federal funding for the Women, Infants, and Children (WIC) program stops immediately and becomes reliant on very limited local contingency funding. If the government shutdown is prolonged, those reserves are likely to run out by the end of the first week. In Nevada, there are approximately 55,000 WIC recipients who rely on the program for nutritional support for themselves and their children.

Government Shutdown Would Hurt Small Business

Small Business Administration loan distributions are also frozen during the government shutdown. Assuming equal, average distributions each month, small businesses would face delays of around $39 million in Nevada under a month-long shutdown of the federal government.

Federal contracts will similarly be affected by the federal government shutdown. CEA assumes all non-cost contracts (flat rate paid by the government) will continue, but funding will stop for all cost contracts (government pays for actual costs incurred, requiring oversight, invoicing, etc.). In this case, a one-month shutdown would cut federal contract spending by around $105 million in Nevada.

Combining this with federal employees going unpaid, consumer spending from lost wages will fall by an estimated $224 million in Nevada each month the government shut down extends.