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Federal Government to Shut Down as Health Care Fight Halts Funding; Virgin Islands Brace for Impact

At 12:01 a.m. on Oct. 1, the U.S. will enter its first shutdown since 2019 after Congress failed to pass a funding bill. The impasse over ACA subsidies and Medicaid cuts leaves federal workers unpaid and threatens aid and disaster recovery in the USVI.

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A partial shutdown of the U.S. government is now in effect after Congress failed to pass any funding legislation before the close of the fiscal year at midnight September 30, 2025. The lapse, which will begin at 12:01 a.m. ET on October 1, is the first since the 35-day shutdown of late 2018–early 2019 during Donald Trump’s first term.

The immediate cause of the shutdown is the collapse of negotiations over a short-term funding bill, known as a continuing resolution (CR). Republicans, who control both chambers of Congress and the White House, pushed a “clean” CR to extend existing 2025 funding levels through November 21 without policy changes. Democrats blocked it, insisting that the measure include an extension of Affordable Care Act (ACA) subsidies expiring at year’s end and a reversal of Republican-led cuts to Medicaid and other health programs enacted earlier in 2025.

Without the subsidies, premiums could rise by hundreds of dollars per month for up to 24 million Americans, Democrats argued, with particularly sharp impacts in Republican-led states. They framed the shutdown as evidence that Trump and GOP leaders were prioritizing spending cuts over affordable health care.

Republicans countered that Democrats were holding the government hostage over unrelated demands. Some, including Senator John Barrasso, accused Democrats of fighting for “free health care for illegal immigrants,” a claim Democrats reject. They note their explicit conditions focus on legal residents’ ACA subsidies and Medicaid funding, not benefits for undocumented populations.

The Senate on September 30 rejected both a GOP-backed clean CR (55–45) and a Democratic alternative that included health provisions (47–53), with neither reaching the 60-vote threshold. A White House meeting on September 29 between President Trump and congressional leaders yielded no breakthrough, and Vice President JD Vance bluntly predicted, “I think we’re headed to a shutdown.” Senate Minority Leader Chuck Schumer called it a “Trump shutdown,” saying Republicans refused to negotiate on health care.

The Office of Management and Budget signaled the heightened stakes with a September 24 memo directing agencies to prepare not just for furloughs but permanent job losses in “non-priority” programs — part of a broader Trump agenda to cut the federal workforce. Roughly 300,000 civilian jobs have already been eliminated this year through buyouts and layoffs.

Nationwide, about 800,000 federal workers are being furloughed without pay, while essential staff — such as border agents, air traffic controllers, and active-duty military — must report to work unpaid until a deal is reached. All will receive retroactive pay under the 2019 Government Employee Fair Treatment Act once the shutdown ends.

National parks are expected to close or restrict access, Smithsonian museums will shut their doors, IRS refunds will be delayed, and economic data releases such as the October 3 jobs report will be paused. Travel could be disrupted by furloughs at the Federal Aviation Administration, potentially causing flight delays and longer TSA lines. The U.S. travel economy could lose an estimated \$1 billion weekly.

Social Security checks will continue, but programs like SNAP and Medicaid may face disruption if the shutdown drags on. Veterans Affairs medical care will continue, and active-duty troops remain on duty unpaid.

Short-term economic drag is estimated at 0.1–0.2 percent of GDP per week, but if prolonged, losses could exceed \$11 billion, mirroring the 2018–2019 shutdown’s toll.

Impact on the Virgin Islands

For the U.S. Virgin Islands, where reliance on federal transfers and tourism is especially high, even a short lapse in appropriations will be quickly felt.

Essential services such as FEMA operations, Coast Guard duties, and air traffic control will continue but with pay delayed. Federal workers stationed in the territory, including those with Customs and Border Protection, the Transportation Security Administration, and the National Park Service, may be furloughed or required to work without pay. The District Court of the Virgin Islands could scale back once reserve funds run dry.

Social Security benefits will continue, but programs such as SNAP and Medicaid, on which many Virgin Islanders depend, may see processing delays if the shutdown continues. Local schools and early childhood programs such as Head Start could face grant delays from the U.S. Department of Education.

The territory's disaster recovery, including billions in allocations for hurricanes Irma and Maria and COVID-19 relief, could slow as FEMA and HUD disbursements stall. Tourism may also take a hit if TSA slowdowns affect flights or if closures limit access to Virgin Islands National Park on St. John.

Local finances will tighten as the Virgin Islands government waits on reimbursements and grants. With little capacity to fill federal gaps with local resources, the territory is especially vulnerable to funding disruptions.

How long the shutdown lasts depends on whether either side softens. Republicans are betting voters will blame Democrats, while Democrats hope public outrage over rising health costs forces Republicans to concede. President Trump has suggested he is open to discussions but insists Democrats must first vote to fund the government before health care is addressed.

House Minority Leader Hakeem Jeffries has said Democrats will not agree to "a partisan spending bill that continues to gut the healthcare of everyday Americans." With neither side budging, the shutdown could stretch from days to weeks, with consequences that extend far beyond Washington.