

Debt Ceiling Deal: What's in the Fiscal Responsibility Act

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Over the weekend, President Biden and Speaker McCarthy reached an agreement on raising the debt ceiling. Details on the deal are now available and ML Strategies is working to keep clients apprised of what the bill, dubbed the Fiscal Responsibility Act (FRA), will mean for them.

The agreement *does not impact* the Bipartisan Infrastructure Law, the CHIPS and Science Act, the PACT Act, and key parts of the Inflation Reduction Act (IRA) including clean energy, the corporate minimum tax, and prescription drug provisions. The deal also leaves Medicare, Medicaid, the Affordable Care Act, and Social Security untouched.

In addition to a two-year debt limit suspension (through January 1, 2025) and a two-year federal spending deal, the FRA includes certain policy provisions and rescinds some unobligated federal pandemic relief funding:

Federal Spending

The bill keeps funding for non-defense programs relatively flat and provides a three percent increase in defense spending for FY24. Under the agreement, both defense and non-defense spending will increase by one percent in FY25. Congressional appropriators will be bound by these spending limits over the next two years. Subsequent years are not subject to any funding caps under the FRA.

Permitting Reform

The FRA includes statutory reforms to the National Environmental Policy Act (NEPA) long sought by interests in energy-producing states. Changes include project threshold, interagency review deadlines to speed the process, and limits on what qualifies as a major federal action.

COVID Funding Rescissions (list not exhaustive)

Agency	Program	Estimated Rescission (\$M)	Notes
HHS-ASPR	Public Health and Social Services Emergency Fund	10,419.53	Rescission targeted to protect priority investments like next generation vaccines, test procurement capacity, and long COVID research. Roughly \$10B will remain after rescission.
HHS-ASPR	Defense Production Act	864.14	Rescission targeted to protect priority investments like strengthening pharmaceutical supply chains. Roughly \$800M will remain after rescission.

HHS-CDC	CDC-wide Activities	1,739.00	Rescission targeted to protect priority investments like genomic surveillance and vaccine safety and effectiveness. Roughly \$1.5B will remain after rescission, in addition to \$500M in the Infectious Disease Rapid Response Reserve Fund.
HHS-FDA	Vaccine Efficacy and Supply Chain Monitoring	123.00	Rescission is targeted to protect some funding for FDA staff to continue some supply chain monitoring.
HHS-HRSA	Health Resources and Services	330.02	Most of the remaining funds are for ongoing health workforce awards to address workforce shortages and for administrative expenses.

Student Loans

The deal codifies the end of the student loan payment pause and requires the administration to resume payment and interest collections in late August 2023.

Nutrition Benefits

The FRA imposes work requirements on more individuals receiving SNAP benefits and makes other changes to the TANF program.

If you have any questions about the deal, including about policy riders and rescissions not included in this update, please contact ML Strategies.

Authors