COALITION ON HUMAN NEEDS

The Human Needs Report

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Debt Ceiling and Budget Deal Inflicts High Cost to Avoid Default

With little time to spare to avert an economic crisis, Congress passed and President Biden signed into law a bill to suspend the nation's debt ceiling, enabling continued borrowing so the federal government can continue to meet all its obligations. The Fiscal Responsibility Act (H.R. 3746) passed the House (314-117) on May 31 and the Senate (63-36) on June 1. President Biden signed it into law on June 3. While Democrats wanted to pass a bill that just raised the debt ceiling, Republicans insisted that the bill also set caps on discretionary (annually appropriated) spending for Fiscal Years 2024 and 2025.

The debt ceiling and budget agreement included the Fiscal Responsibility Act and additional "side deals" that were not in the bill but were negotiated by the White House and House Republicans led by Speaker Kevin McCarthy (R-CA). These side deals allow for more spending than is shown in the legislative text. The legislation suspends the debt limit until January 1, 2025, allowing the Treasury Department to continue borrowing money until then. It also sets statutory caps on defense and nondefense appropriations for Fiscal Years 2024 and 2025.

According to the Center on Budget and Policy Priorities, the debt ceiling deal – including the additional side agreements – provides the following totals for discretionary funding in Fiscal Year 2024:

- $886.3 billion for defense programs, which is $28 billion or 3.3 percent above the 2023 level and equal to the President's request;
- $121 billion for veterans' medical care, $2.3 billion or 1.9 percent above the 2023 level and equal to the President's request; and
- $651.6 billion for nondefense programs other than veterans' medical care, $1 billion below the 2023 level and $67 billion or 9.3 percent below the President's request.
- Together, the agreed-upon 2024 levels for all nondefense programs — including veterans' medical care — total $772.7 billion, or $1.3 billion below FY23 levels (the cap amount for all nondefense discretionary programs reported in the legislation – not including emergency spending and other spending in the "side deals" outside the caps – is $703.7 billion for FY24).

The caps included in the legislation would technically cut overall base discretionary spending to $1.59 trillion in FY24, from $1.602 trillion in FY23, not including the additional agreements. The deal limits all discretionary spending to 1 percent growth in 2025, which is effectively a budget cut, because that is projected to be less than the anticipated 3-4 percent rate of inflation. Because inflation and other factors increase the cost of public services, even flat funding results in a cut in the services government can provide. The bill would also automatically cut discretionary spending by 1 percent if Congress does not pass all 12 required appropriations bills for FY 2024 by Jan. 1, 2024, although implementing those cuts would be delayed until April 2024.

While advocates believe the agreement was an improvement over the debt limit bill the House passed earlier this spring, many provisions remained that will harm human needs programs and people with low incomes. Specifically, the debt limit deal:

- Raises the age from 49 to 54 for time limits linked to so-called work requirements in the Supplemental Nutrition Assistance Program (SNAP) among adults not raising children who need help putting food on the table. Almost 750,000 older adults will be at risk of losing SNAP benefits due to this expansion. The bill also includes language that would modify the purpose of SNAP to include a provision that the program "assist low-income adults in obtaining employment and increasing their earnings." On the positive side, the bill creates exemptions from the time limit for veterans, the unhoused, and young people aging out of foster care. For more information, see this analysis from Feeding America.
- Claws back $21.4 billion in funding over two years for IRS enforcement and operations support allocated through the Inflation Reduction Act, undermining the IRS' capacity to collect taxes already owed from those with high incomes. For more information, see this piece from the Institute on Taxation and Economic Policy.

- Worsens burdensome requirements in the Temporary Assistance for Needy Families (TANF) program by increasing the effective work rates some states must meet. On the positive side, it adds a pilot program for five states to test new outcome-based performance metrics. For more information on TANF provisions, see this piece from the Center on Budget and Policy Priorities.
- Ends the suspension of student loan repayments.
- Rescinds nearly $28 billion in unspent money allocated to pandemic relief programs.
- Does not add new work requirements for Medicaid. (These were initially proposed by House Republicans and were strongly opposed by advocates, congressional Democrats, and the Biden Administration.)

By limiting spending in FY24 and FY25, the deal could result in cuts to other critical human needs programs such as affordable housing, child care, mental health services, education aid, and others. And, House Republicans have indicated they are treating the caps included in the deal as a "ceiling" and not a floor, restricting spending for human needs even further (more below). This will only exacerbate shortages caused by more than a decade of reduced funding for human needs programs, and lower spending levels proposed by some House appropriations bills will cut critical programs even further (see related article in this *Human Needs Report* for more information). Read more statements and analyses of the debt ceiling agreement from CHN along with our members and allies in CHN's FY24 Budget Resource Library.

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FY24 Appropriations Bills Begin to Move through House and Senate Committees; Highlights/Lowlights from Select Bills

Fiscal Year 2024 spending bills have begun moving through House and Senate Appropriations Committees, but they are not without controversy. Read on for more information on spending allocations and highlights and lowlights from select bills on the move.

Subcommittee allocations:

The Fiscal Responsibility Act set the total for appropriations, divided into defense and nondefense categories. The next step was for the House and Senate Appropriations Committees to divvy up those totals among 12 Appropriations Subcommittees. Despite the spending levels that were agreed upon in the debt ceiling and budget deal (see related article), the House Appropriations Committee adopted along party lines allocations (known as 302(b) allocations) for the 12 subcommittees that are far below these levels, representing roughly $119 billion in cuts to nondefense discretionary programs. House Republican appropriators have also passed along party lines several FY24 bills that adhere to these lower levels. Rep. Rosa DeLauro, the Committee's top Democrat, called the House allocations "a complete affront—an abrogation" of the debt ceiling deal.

House Appropriations Committee Chair Kay Granger (R-TX) has said that these bills – which limit new spending to the Fiscal Year 2022 topline level – will be supplemented by rescinding, or "clawing back," $115 billion in funding from previously enacted legislation. But how that $115 billion will be distributed among the subcommittees has not been made known, nor is it known where specifically the $115 billion in rescissions will come from. According to the Center on Budget and Policy Priorities, even with the $115 billion in redirected funding, the overall funding the House is expected to provide for nondefense annually-appropriated ("discretionary") programs appears to be substantially less than the 2023 level.

In contrast, the Senate Appropriations Committee adopted subcommittee allocations that adhere to the topline funding levels in the debt ceiling deal, totaling $1.59 trillion in spending (without accounting for adjustments or other accounting maneuvers that are typically a part of the appropriations process). While the allocations were adopted along party lines, Senate Appropriations Committee Chair Patty Murray (D-WA) and Ranking Member Susan Collins (R-ME) issued a joint statement vowing to "continue working together in a bipartisan manner to craft serious funding bills that can be signed into law." Passing appropriations bills in the Senate requires 60 votes, meaning bills that pass the Senate must have bipartisan support.

The very different topline spending numbers being used in the House and Senate foreshadow a difficult path ahead to reaching an agreement on final FY24 spending bills. Congress has until October 1 – the start of the new fiscal year – to either enact new spending bills, pass a stopgap spending bill (known as a Continuing Resolution, or CR) to maintain federal funding, or face a government shutdown. At this point, it seems likely that a CR will be needed to avoid a shutdown. Under the debt ceiling and budget agreement, discretionary spending will automatically be cut by 1 percent if Congress does not pass all 12 required appropriations bills for FY 2024 by Jan. 1, 2024 – with those cuts scheduled to take effect by next April. This will create a strong incentive among those who support the 3 percent increase allocated for defense spending to make sure all 12 bills pass, rather than just resorting to the extended flat funding of a CR.

Appropriations Subcommittee	FY23 Enacted (in $M)	FY24 House (in $M)	FY24 Senate (in $M)	Senate vs. House (in $M)
Agriculture	25,480	17,838	25,993	+8,155
Commerce-Justice-Science	82,441	58,676	69,637	+10,961
Defense	797,736	826,448	823,267	-3,181
Energy-Water	54,000	52,378	56,730	+4,352
Financial Services*	27,556	11,311	16,807	+5,496
Homeland Security	60,703	62,793	56,923	-5,870
Interior-Environment	38,850	25,417	37,850	+12,433
Labor-HHS-Education	207,367	147,096	195,231	+48,135
Legislative Branch	6,900	6,746	6,761	+15
Military Construction-VA	154,168	155,701	154,352	-1,349
State-Foreign Operations	59,693	41,367	58,358	+16,991
Transportation-HUD	87,332	65,208	88,091	+22,883
Total	**1,602,226**	**1,470,979**	**1,590,000**	**+119,021**

**Commodity Futures Trading Commission funded in House Agriculture bill, Senate Financial Services bill.*
Neither House nor Senate figures include cap adjustments, emergency spending, or other "side-deal" add-ons.
Sources: House and Senate Appropriations Committees and CQ/Roll Call.

Department of Agriculture spending bill:

The House and Senate Appropriations Committees passed very different versions of a bill to fund the USDA and related agencies. The House Agriculture spending bill slashed spending by $8 billion, or 30 percent below FY23 levels, to a level not seen since 2007. According to the National WIC Association, the House bill funds the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at a level $185 million below fiscal year 2023 levels and cuts fresh fruit and vegetable benefits for more than 5 million WIC participants. If passed, the cut to WIC benefits would result in a 56 percent decrease in the monthly fruit and vegetable benefit provided by WIC for children and a 70 percent decrease for adults. In addition, recent increases in WIC participants mean that the House funding will not be enough to support the projected number of participants and will require waitlists. The President's budget requested $800 million for WIC, an increase of $615 million over FY23 levels, to meet the program's expanding caseload and to maintain the fruit and vegetable allotments. Summaries of the House Agriculture appropriations bill are available from House Republicans and Democrats.

In contrast, the Senate Agriculture appropriations bill, which passed the full committee with unanimous support, provides funding that is 2 percent higher than the FY23 level. The National WIC Association said the bill fully funds WIC based on levels proposed initially in President Biden's 2024 budget and funding levels agreed to as a result of the debt ceiling deal reached earlier this month. More recent increased projections suggest that the final funding level will need to exceed the Senate proposal to cover all expected participants. The Senate bill also fully funds SNAP – with no new restrictions on eligibility – and Child Nutrition Programs. A summary of the bill is here.

Financial Services and General Government spending bill:

House Republicans also passed in subcommittee their Financial Services and General Government spending bill with provisions many advocates say are harmful. The bill funds the Treasury Department, Judiciary, Small Business Administration, financial regulators and more.

According to ***CQ***, the Internal Revenue Service would receive $11.2 billion in FY24 in the bill, a 9 percent or more than $1 billion cut from the current year. This could undermine the IRS' capacity to collect taxes already owed from those with high incomes, along with increasing the challenges taxpayers face in paying taxes. In line with a "side deal" under the terms of the debt limit agreement enacted this month, the bill also would rescind $10.2 billion in FY24 in additional mandatory enforcement and operations support funding for the agency included in the Inflation Reduction Act.

The bill also proposes funding the Consumer Financial Protection Bureau (CFPB) through the annual appropriations process rather than through the Federal Reserve. Additionally, it would change CFPB's leadership structure from a director to a five-member commission. These proposals to gut the effectiveness and independence of the CFPB have long been opposed by CHN and other advocates.

According to the Clean Budget Coalition, the bill is also packed with roughly 50 policy changes, known as poison pill riders, including the following:

- The IRS Free Filing Prohibition Rider would prohibit the IRS from developing free tax filing software that would allow any taxpayer to file their taxes for free. without prior approval from key financial committees in both chambers of Congress. Advocates have been urging the IRS to employ a free and simple direct e-file option.
- The Diversity Executive Orders Rider would block implementation of all executive orders related to diversity, equity, and inclusion.
- The Same-Sex Marriage Rider would prohibit retribution against any individual with a sincerely held religious belief or moral conviction that marriage is or should be recognized as a union of one man and one woman – language that fuels discrimination. The language in this rider would require the government to continue to fund contractors, nonprofits, and other organizations that discriminate against LGBTQI+ people if they claim the reason for their discrimination is because of their belief that marriage is between a man and a woman.
- The Anti-Voting Rider would block implementation of the Executive Order on Promoting Access to Voting with certain exceptions, making it harder for people to vote.
- The Anti-Greening Rider would stop implementation of Section 205 of Executive Order 14008, which calls for federal agencies to achieve net-zero emissions across their portfolio of buildings, campuses, and installations by 2045 and reduce greenhouse gas emissions 50% by 2032 by prioritizing improvement of energy efficiency and eliminating onsite fossil fuel use.

Summaries of the Financial Services and General Governance bill are available from House Appropriations Republicans and Democrats.

Department of Defense spending bills and possible supplemental spending bills:

Regarding the spending bill covering the Department of Defense, House Republicans have proposed $826 billion for FY 2024, while Senate Democrats have proposed $823 billion, in line with the spending caps McCarthy negotiated with Biden. It should be noted that total defense-related spending in both House and Senate is higher than the amount for the Department of Defense, because some defense programs are found in subcommittee bills for Energy/Water, Homeland Security, and Military Construction/VA, among others. According to ***The Hill***, Sens. Lindsay Graham (R-SC) and Susan Collins (R-ME) are hoping to increase defense spending levels beyond the cap, possibly by passing a supplemental defense spending bill that includes money for Ukraine. However, House Speaker Kevin McCarthy (R-CA) has said he opposes this idea.

Several Senators have also begun pushing for supplemental funding for disaster relief in anticipation of hurricane season. The Federal Emergency Management Agency's (FEMA) disaster relief fund is set to run out of money in August, when Congress is scheduled to be in recess. While $20 billion would likely be included as an "anomaly" (or adjustment to funding levels) attached to stopgap funding legislation needed by Sept. 30 to keep the government running, Sens. Marco Rubio (R-FL), Rick Scott (R-FL), and Roger Wicker (R-MS) introduced legislation to provide $11.5 billion in supplemental funding to replenish the fund before it runs out. There is speculation, however, that such a supplemental bill could become a magnet for other Members of Congress looking to circumvent the recently enacted spending caps.

Both the House and Senate are in recess until the week of July 10, but additional spending bills are expected to continue to move through the Appropriations Committees upon their return.

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House Tax Package Benefits the Rich over Americans with Low Incomes

The House Ways and Means Committee passed along party lines a package of three bills in June that would mostly benefit the richest one percent of Americans and foreign investors, while doing little for Americans with low incomes. Most of the provisions in these bills are business tax cuts; however, there is one provision to increase the standard deduction that would help some middle-income taxpayers.

According to the Institute on Taxation and Economic Policy (ITEP), under the proposed tax package:

- The richest fifth of Americans would receive $60.8 billion in tax cuts next year while the poorest fifth of Americans would receive $1.4 billion in tax cuts.
- The poorest fifth of Americans would receive an average tax cut of just $40 next year while the richest one percent would receive an average $16,550 tax cut next year.
- Because foreign investors own much of the stock in U.S. corporations, they would ultimately receive $23.8 billion of the corporate tax cuts next year.
- The only group of Americans receiving more than foreign investors next year would be the richest 1 percent, who would receive $28.4 billion.
- Clean energy tax credits included in the Inflation Reduction Act would be repealed to pay for the tax cuts.

In their current form, the tax cut in the House package would only be in effect for two years. But if they were made permanent, as many believe is the goal of the bills' authors, they would cost more than $1.1 trillion over 10 years, according to the Committee for a Responsible Federal Budget. Additional analysis of the tax package shows that the legislation would provide retroactive tax breaks for corporate investments and business decisions that have already been made, and it would make it harder for the IRS to collect taxes that are legally owed by weakening rules designed to provide much-needed information about certain business transactions. The package could continue to move in the House in July.

Advocates are pushing back against the package, saying that Congress should instead be raising needed revenues by making corporations and the wealthy pay their fair share. Additionally, they insist that Congress's top tax policy priority should be extending and expanding the Child Tax Credit and the Earned Income Tax Credit. It is unlikely that the House tax package will be able to pass the Senate in its current form, and advocates are insisting that any tax package that passes Congress this year must include provisions that help Americans with the lowest incomes, such as an expanded monthly refundable Child Tax Credit.

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