

June 1, 2023

Senate Clears Fiscal Responsibility Act, 63-36

Agreement Lifts Debt Limit Through 2024; Includes Two-Year Spending Caps, Rescissions

By a vote of 63-36 at around 11 p.m., the Senate tonight (Thursday, June 1) cleared for President Biden's signature the Fiscal Responsibility Act (HR 3746), a bipartisan agreement between the White House and House Speaker Kevin McCarthy (R-CA) to suspend the debt ceiling through 2024, a handful of days before the June 5 "X-date" that Treasury Secretary Janet Yellen has cited as the day the government would be unable to pay all of its debts. The House passed the bill, 314-117, on Wednesday. The White House said the president would sign the bill as soon as possible.

- 17 Republicans voted for the bill: Sens. Boozman (AR), Capito (WV), Collins (ME), Cornyn (TX), Cramer (ND), Ernst (IA), Grassley (IA), Hoeven (ND), McConnell (KY), Moran (KS), Mullin (OK), Murkowski (AK), Romney (UT), Rounds (SD), Thune (SD), Tillis (NC) and Young (IN).
- All but four Democrats supported the bill: Sens. Fetterman (PA), Warren (MA), Markey (MA) and Merkley (OR), as well as Sen. Sanders (I-VT).

The bill suspends the statutory debt ceiling through January 1, 2025, and includes curbs on federal spending for two years as well as clawbacks of Internal Revenue Service (IRS) and COVID-related funding. The bill increases some work requirements on government benefits, and establishes an "Administrative PayGo" requirement on agencies for two years. Among the energy provisions, the federal permitting process for projects would be streamlined; the 2015 FAST Act would be expanded to include energy storage projects; and approval of the Mountain Valley Pipeline in West Virginia and Virginia would be expedited.

To address Republican concerns that the bill restricted military spending, Senate Majority Leader Chuck Schumer (D-NY) and Minority Leader Mitch McConnell (R-KY) released a joint statement on Thursday saying the bill "does nothing to limit the Senate's ability to appropriate emergency supplemental funds to ensure our military capabilities are sufficient to deter China, Russia, and our other adversaries."

Washington Council Ernst & Young described several of the bill's provisions in detail in an alert on House passage of the bill Wednesday night (May 31), posted here: <https://taxnews.ey.com/news/2023-0979>

The major provisions are summarized in the table below.

Debt limit	Suspended until January 2025
Spending curbs	- FY 2024 defense limit of \$868.349 billion, nondefense limit of \$703.651 billion - 1% increase in FY 2025: \$895.212 billion defense, \$710.688 billion non-defense

	- if all 12 appropriations bills are not enacted by January 1 of following year, discretionary spending will operate at a maximum of 99% of current levels
IRS funding	\$1.4 billion rescinded, \$20 billion clawed back and perhaps used for other government funding
'Administrative PAYGO'	Require federal agencies taking actions that would increase spending to submit a proposal to the White House Office of Management and Budget (OMB) reducing spending by an equal or greater amount through other actions (would not apply to federal actions that are estimated to cost less than \$1 billion over the 10-year budget window, or \$100 million in any given year during the 10 year)
COVID-19 relief funding	Rescind about \$28 billion in unspent COVID-19 funding allocated to various federal agencies, as well as rescind portions of American Rescue Plan Act funding
Work requirements	Extended for Supplemental Nutrition Assistance Program (SNAP) to those ages 50-54 and a program to implement work requirements for Temporary Assistance for Needy Families (TANF) recipients created
Energy permitting	Establish timelines for completing environmental reviews more efficiently and remove interagency conflicts by giving "lead agencies" certain responsibilities for managing reviews; expedite approval of the Mountain Valley Pipeline
Student debt	Ends the suspensions of federal student loan payments and interest accrual

Amendments. The Senate defeated 11 amendments to the bill. The Senate:

- Rejected, 21-75, amendment #107 by Rand Paul (R-KY) that would "provide for a responsible increase to the debt ceiling." Sixty votes were required for adoption.
- Rejected, 35-62, amendment #91 by Mike Braun (R-IN) to rescind discretionary appropriations in the event of a debt ceiling crisis period and to honor the full faith and credit of the debts of the United States in the event of a debt ceiling crisis. Sixty votes were required for adoption.
- Rejected, 46-51, amendment #110 by Roger Marshall (R-KS) to secure the borders of the United States, and for other purposes. Sixty votes were required for adoption.
- Rejected, 49-48, amendment #125 by Dan Sullivan (R-AK) to provide adequate funding for defense and increase the rescission of funding for the Internal Revenue Service. Sixty votes were required for adoption.
- Rejected, 17-81, amendment #93 by Josh Hawley (R-MO) to require the imposition of additional duties with respect to articles imported from the People's Republic of China until trade between the U.S. and the People's Republic of China comes into balance. Sixty votes were required for adoption.
- Rejected, 46-51, amendment #104 by John Kennedy (R-LA) to remove the sunset on modification of work requirement exemptions. Sixty votes were required for adoption.

- Rejected, 48-51, amendment #106 by Tom Cotton (R-AR) to provide appropriate adjustments to the discretionary spending limits, in the event of funding under a continuing resolution. Sixty votes were required for adoption.
- Rejected, 47-52, amendment #134 by Ted Budd (R-NC) to rescind unnecessary coronavirus funds. Sixty votes were required for adoption.
- Rejected, 48-51, amendment #98 by Mike Lee (R-UT) to strike the waiver authority for Administrative PAYGO.
- Rejected, 30-69, amendment #101 by Tim Kaine (D-VA) to strike a provision relating to expediting completion of the Mountain Valley Pipeline.
- Rejected, by voice vote, amendment #102 by Sen. Kennedy to require up-to-date employment data for waivers of work requirements.

If you have questions, please contact anyone at Washington Council Ernst & Young at (202) 293-7474 or wcey@ey.com.

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