NAHMAnalysis
NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION
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The Fiscal Responsibility Act of 2023

Earlier this month, Congress passed the Fiscal Responsibility Act of 2023 (FRA), a bill that increased the country's borrowing limit through 2025 and averted a national default. This NAHMAnalysis examines key provisions of the legislation, including the bill's increase to the federal debt limit, new spending limits and work requirements for federal programs. The bill gained support from both parties in both chambers of Congress and passed in the House of Representatives by a margin of 314-117, and in the Senate, by a final vote of 63-36. On June 3, 2023, President Biden signed the bill into law.

Debt Limit Increase

The bill suspends the federal debt limit through January 1, 2025, after which, a new Congress would need to extend the debt limit again, following the 2024 election.

Impact of Caps on New Funding

The FRA establishes new spending limits for FY2024 and FY2025 that are enforced with automatic spending cuts. The law "caps," or puts a limit on, the total amount of money the federal government can spend for fiscal years 2024 (FY24) and 2025 (FY25) for defense programs and non-defense programs, including for affordable housing programs at the Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA). Funding levels for these programs would be frozen and the law also includes a provision that requires Congress to pass all twelve federal appropriations bills to fund the federal government for FY24. If Congress fails to pass these bills, the law will automatically apply a 1% cut below this year's funding levels to all programs across the federal government. Because the costs of housing and community development resources rise every year, even flat funding acts as a cut, reducing the number of people and communities served by these vital programs.

Most recently, despite the agreements reached and the terms spelled out in the Fiscal Recovery Act, Speaker McCarthy indicated House appropriators would introduce spending bills below spending caps set by the deal.

House Appropriations Chairwoman Rep. Kay Granger (R-TX) confirmed that she will push to slash overall spending to fiscal 2022 levels. This would represent a 22% cut in funding for HUD in FY24. Rep. Granger called the Fiscal Responsibility Act's topline spending cap for FY24 bills a spending ceiling, not a floor. Under the debt limit deal, defense spending still goes up while non-defense funding is cut from the current level. Chairwoman Granger said the approach allows for spending reductions "without shortchanging" national security (see graph below).

House GOP proposes austere nondefense allocations

Offsets will allow for additional spending closer to caps in debt limit deal

Appropriations subcommittee	Fiscal 2023 enacted ($M)	Fiscal 2024 House allocation ($M)	Change ($M)	Change (%)
Agriculture	25,480	17,838	-7,642	-30.0%
Commerce-Justice-Science	82,441	58,676	-23,765	-28.8%
Defense	797,736	826,448	28,712	3.6%
Energy-Water	54,000	52,378	-1,622	-3.0%
Financial Services	27,556	11,311	-16,245	-59.0%
Homeland Security	60,703	62,793	2,090	3.4%
Interior-Environment	38,850	25,417	-13,433	-34.6%
Labor-HHS-Education	207,367	147,096	-60,271	-29.1%
Legislative Branch	6,900	6,746	-154	-2.2%
Military Construction-VA	154,168	155,701	1,533	1.0%
State Foreign Operations	59,693	41,367	-18,326	-30.7%
Transportation-HUD	87,332	65,208	-22,124	-25.3%
Total	1,602,226	1,470,979	-131,247	-8.2%

Note: Excludes emergency funds, cap adjustments and offsets from rescissions and changes in mandatory programs.

Table: Peter Cohn/CQ Roll Call • Source: Fiscal 2023 totals from Congressional Budget Office

"*The Fiscal Responsibility Act set a topline spending cap – a ceiling, not a floor – for Fiscal Year 2024 bills. That is why I will use this opportunity to markup appropriations bills that limit new spending to the Fiscal Year 2022 topline level. In addition, by clawing back $115 billion in unnecessary, partisan programs, we will re-focus government spending consistent with Republican priorities, keeping total spending 1% lower than if we were operating under a continuing resolution. To avoid a sequester next year that would dramatically impact our military readiness and lock in Democrats' policies, Republicans on the Committee intend to act quickly to get all appropriations bills signed into law. We'll use the appropriations process in the House to stake out our priorities and reverse the reckless spending of the last two years."* said Rep. Granger.

In a March letter to Ranking Member DeLauro, HUD Secretary Marcia Fudge outlined the devastating impact of slashing HUD funding by 22 percent. Such a draconian cut would eliminate rental assistance for an estimated 2 million people who rely on either Project-Based Rental Assistance (PBRA) or Tenant-Based Rental Assistance (TBRA) to stay in their homes. 640,000 families would lose access to Housing Choice Vouchers and more than 430,000 families would be evicted from Section 8 housing. Any cuts to the FY23 levels for HUD's Project-Based Rental Assistance (PBRA) program would eliminate funding for approximately 286,000 families, leading to an unprecedented loss of existing affordable housing and mass evictions. This would disproportionately impact households of color, people with disabilities, caregivers, and older adults. Such a cut would also expose over 1.2 million families and residents living in public housing to unsafe, unhealthy, and potentially dangerous living conditions, like mold, pests, and lead paint. The average Community Development Block Grant (CDBG) annual grant would be reduced by approximately $440,000. The average HOME Investment Partnerships grant would be reduced by $330,000, resulting in more than 6,700 fewer units of affordable housing produced. The White House also released 51 state and territory fact sheets on March 30 documenting how families in each state would be impacted by cuts to domestic programs, including housing.

Additional Provisions

New Eligibility Restrictions for Public Assistance Programs

The bill includes policy changes to both the Supplemental Nutrition Assistance Program (SNAP), which provides grocery benefits to low-income households, as well as the Temporary Assistance to Needy Families (TANF) program, which offers flexible funding to states for anti-poverty programs serving families with children, including direct cash assistance.

SNAP

To receive SNAP benefits for three months within a 36-month period under current law, able-bodied adults under the age of 50 who do not live with any dependent children must work or attend a training program for at least 80 hours a month. States can waive the SNAP work requirement for people living in an area without sufficient jobs and can use a limited number of monthly exemptions for people who otherwise would be subject to the requirement.

The FRA made several changes including expanding the work requirement to able-bodied adults ages 50 to 52 who do not live with dependent children in 2024. In 2025 that expansion would include able-bodied adults up to the age of 54 who do not live with dependent children. People experiencing homelessness, veterans, and people ages 18 to 24 who lived in foster care when they turned 18 would now be exempt from work requirements until October 30th, 2030.

TANF

In order to receive the full federal block grant, a state must ensure that an adult recipient in at least 50 percent of single parent families and 90 percent of two percent families are engaged in a work-related activity. For states that have reduced their TANF caseloads since 2005, these percentages are lower. The FRA limits these flexibilities recalibrating the caseload reduction credit to 2015 caseload levels. Counties that administer both TANF and SNAP in states such as California, Colorado, Minnesota, New Jersey, New York, North Carolina, Ohio, Virginia, and Wisconsin would be responsible for implementing these changes and performing outreach to impacted participants in these states, according to the National Council of Counties.

The bill also allows up to five states to establish six-year pilot programs replacing their current work participation rates targets, requirements and penalties with alternative “work and family outcomes” benchmarks established by Health and Human Services.

Other provisions of the FRA included rescinding approximately $28 billion in unobligated COVID-19 funding, including funds made available through the American Rescue Plan and the CARES Act; terminating student loan program suspension of payments; rescinding certain funds provided to the Internal Revenue Service; and appropriating $45 billion to the Toxic Exposures Fund for veterans' health care.

Conclusion

In previous spending deals, caps have been treated as a target to be met, though not exceeded. The Senate Appropriations Committee's ranking member, Susan Collins, (R-ME), said that she was surprised that Speaker McCarthy was considering writing under the proposed spending caps. NAHMA will continue to monitor this situation closely, and will advocate for increased funding for affordable housing programs as it works to educate members of Congress on the dangers that funding decreases present to their respective communities.