Debt Limit Crisis: A Look at the Limit, Save, Grow Act

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Introduction

On April 19, 2023, Speaker of the House, Kevin McCarthy, unveiled the Republican proposal to raise the debt limit. The Limit, Save, Grow Act of 2023 would raise the debt limit by $1.5 trillion, or suspend it until March 31, 2024, whichever occurs first. The bill also cuts federal programs and services, blocks student debt relief, adds onerous and unnecessary work requirements to Medicaid and SNAP that take food assistance and health care from families, rescinds unspent COVID aid, and repeals parts of the Inflation Reduction Act (IRA). The House is expected to vote on this bill during the week of April 24, 2023.

This explainer describes key provisions in the Speaker's proposal and reactions that may indicate how the default crisis could unfold. This summary is not exhaustive, and provisions in the Limit, Save, Grow Act are subject to change as a House vote approaches. For background on the debt ceiling crisis, see past resources from the Congressional Progressive Caucus Center:

- From Debt Ceiling Showdowns to Service Slowdowns: Understanding the Connection — Published April 17, 2023
- Manufactured Crisis: The Debt Limit in 2023 — Published April 11, 2023
- Manufactured Crisis: Understanding the Debt Limit — Published Nov. 29, 2022

Impacts on Federal Programs and Services

The Limit, Save, Grow Act would cut federal spending to no more than fiscal year (FY) 2022 levels, **resulting in at least $142 billion or nine percent spending cuts to critical programs for one year.** At the time of publication, it is unclear whether those cuts would apply equally to all federal programs and services, or nondefense discretionary (NDD)[1] ones only. However, reporting indicates that NDD programs would be forced to bear the full brunt of the cuts, while other programs could see funding *boosts*. The bill also cuts *future* budgets for the next decade, capping the growth in federal spending to 1 percent.

[1] NDD includes annual appropriations for a broad set of public and social programs. It covers funding for the Departments of Agriculture, Commerce, Education, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, Transportation, Treasury, and Veterans Affairs as well as many smaller agencies. It also includes nondefense functions of the Departments of Defense, Energy, Homeland Security, and State.

In March, Biden Administration officials sent letters to House Appropriations Committee Ranking Member Rosa DeLauro (D-CT-03) detailing the potential impacts of the bill's cuts. The impacts are broad, ranging from public health and safety, to education, transportation, and housing. Those impacts include, but are not limited to:

- 350,000 families losing housing vouchers and 87,000 families losing affordable housing under HUD's Project-Based Rental Assistance program, prompting mass evictions.
- Nearly 250,000 families losing Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits.
- At least 170,000 children from low-income families being kicked off Head Start programs, and another 105,000 children losing child care, affecting childrens' future academic prospects and making it harder for their parents to work or attend school.

Finally, the Speaker's bill incorporates the REINS Act, which gives Congress veto authority over major federal regulations. In practice, this would prevent the executive branch from enacting protections for public health, worker safety, and more.

Impacts on SNAP and Medicaid: Work Requirements Would Take Food and Health Care from Families

The Speaker's bill would take assistance away from people and families receiving Supplemental Nutrition Assistance Program (SNAP) benefits and Medicaid. Specifically, the bill would subject older SNAP recipients (up to age 56) to work requirements, which currently only apply to adults without dependents up to age 49. Data shows that work requirements reduce SNAP participation by more than half, that unhoused adults are disproportionately barred from the program, and are rooted in racist tropes and myths that disproportionately harm Black families.

The bill also requires Medicaid beneficiaries aged 19-56 to meet income or work criteria, including participating in 80 hours of employment or community service per month to receive health care. Again, data indicates that work requirements reduce participation in the program considerably—including among people who *meet* the requirements but are confused by mandated reporting. Reports also indicate that people who lose coverage due to work requirements suffer long-term consequences: data from Arkansas shows that half struggle to pay off medical debt and nearly two-thirds delay taking medications due to their high cost.

Impacts on Student Debt and Pandemic Relief

The Limit, Save, Grow Act blocks President Biden's student debt relief program, which provides $20,000 of relief to qualified borrowers if they received a Pell Grant and $10,000 if they did not. If enacted, more than 40 million borrowers would see some kind of student debt relief. The program is currently under review by the U.S. Supreme Court in *Department of Education v. Brown* and a decision on its future is expected before the Court's current term ends.

The Speaker's bill also rescinds pandemic relief funding that remains unspent, including funding earmarked for future research and vaccine distribution, despite predictions that these rescissions will have little effect on the deficit.

Impacts on the Inflation Reduction Act

The Speaker's bill partially repeals the IRA. Specifically, the Limit, Save, Grow Act would eliminate certain energy tax credits that encourage clean energy adoption and reduce greenhouse gas emissions. At the same time, the bill incorporates H.R. 1, the Lower Energy Costs Now Act, designed to fast-track energy production on federal lands and waters and roll back environmental protections under the National Environmental Protection Act. Finally, the Limit Save, Grow Act would take back funding the IRA designated to improve customer service at the Internal Revenue Service (IRS) and allow the agency to pursue tax evaders. According to the Congressional Budget Office (CBO), this IRS funding would increase government revenues by $207 billion and *decrease* the deficit by $127 billion through 2031.

Conclusion: What Happens Next?

While the Limit, Save, Grow Act would address the 2023 debt limit crisis, it sets up a similar showdown in 2024. In addition, the cuts associated with the bill risk harming the public in exchange for less than a one-year extension of the default deadline.

The Senate Majority Leader and White House have rejected the Speaker's bill. Should it pass the House, it will not advance through the Senate. Senate Majority Leader Chuck Schumer (D-NY) called for a debt ceiling increase that prevents a default "without hostage-taking," and the White House similarly supports a "clean" default-prevention bill, rejecting the manufactured connection between the debt limit and cuts to federal programs that the public depends on. Thus, the Speaker's proposal will not hasten any resolution to the current crisis, even as forecasters predict a default as early as June without action from Congress.

Congress has the power to put an end to recurring debt limit showdowns. To learn more about the manufactured connection between the debt limit and spending cuts, the debt limit's history, and ways to address it long-term, check out From Debt Ceiling Showdowns to Service Slowdowns: Understanding the Connection, Manufactured Crisis: Understanding the Debt Limit, and Manufactured Crisis: The Debt Limit in 2023.