



## How the Debt Ceiling Deal Impacts Education Funding

Overview and Toplines: ([All Debt Ceiling Docs Compiled Here](#) by Allied For Progress)

- **Fiscal Responsibility Act:** This bill, if passed, would suspend the debt ceiling until January 2025 and set limits for fiscal year (FY) 2024 and 2025 for defense and non-defense funding.
- **Compromise on Future Spending:** Non-defense discretionary spending would see minimal changes in fiscal 2024 and a 1% increase in fiscal 2025, following adjustments to appropriations. After fiscal 2025, there would be no budget caps. For FY24, the bill sets the limit for budget authority for the defense discretionary category at \$886.3 billion, a \$28 billion or 3.3% increase from the FY23 level. The defense spending cap for FY25 is \$895.2 billion, an \$8.8 billion or 1% increase from the FY24 cap. The nondefense side is more complicated. Total nondefense spending for FY24 is fairly flat from FY23; it rises by \$1 billion (or 0.2%) from FY23 to FY24 and \$7 billion (1%) from FY24 to FY25.
- **What is being cut?** In order to find spending cuts, the deal would rescind \$30 billion in unobligated COVID-relief funding, (including \$293 million of unobligated education funding), make changes to SNAP and TANF rules that limit eligibility, rescind some of the IRS funding provided in the Inflation Reduction Act, and a few other budgetary changes.
- **Messaging:** Republicans and Democrats are highlighting their respective wins, which are reflected in their two different fact sheets. House Republicans ([“FRA Section by Section”](#)) and one that I believe is from the White House ([“Background – Bipartisan Budget Agreement”](#)).
- **Timing:** House vote on Wednesday (today), it is expected to pass but there are some Rs saying they will not vote in favor—not likely enough to tank the deal. Once it passes the House, the vote in the Senate could be as early as Thursday and as late as early next week, which would be very close to the default date of Wednesday.

### Impacts on Education:

- **COVID Funding Rescissions:** The deal rescinds \$392 million of remaining Covid relief funds for education, a fraction of the hundreds of billions of dollars Congress approved for schools and colleges during the pandemic. Almost all of the \$260 billion that Congress approved across three major Covid relief packages has been committed to schools and colleges. The remaining \$391.93 million of unobligated funds would be at risk in the debt ceiling bill, according to an [updated list of rescissions](#) that the White House has sent lawmakers.

- **Resumes Student Loan Repayments:** The bill prohibits the Department of Education from continuing the pause on federal student loan repayments, ending it slightly earlier than originally expected at the end of August.
- **Budget Cap Restraints:** Historically, when Congress has enacted spending caps, education funding tends to slightly decrease, especially in the 2nd year of the deal. We can expect a very challenging fiscal environment, especially for non-defense discretionary spending, over the next two years with expected cuts to education programs. This could mean cuts to:
  - Agency admin budgets
  - Discretionary competitive grant programs
  - Formula programs