

Change and Uncertainty

Current federal priorities

Cut federal taxes

Scale back mandatory programs

Reduce or eliminate discretionary grants

Shrink the federal footprint

There are many ways to cut federal spending

Executive orders	Restructuring, layoffs	Regulations	Guidance
FY 2025 spending plans	“Pauses”	Rescissions	Cancellations
Eliminations	Reconciliation	Debt ceiling	FY 2026 appropriations

What was FY 2025 reconciliation used for?

Action	Reconciliation
Increase/reduce mandatory spending	<input checked="" type="checkbox"/>
Modify mandatory programs, including Medicaid/ACA/SNAP	<input checked="" type="checkbox"/>
Rescind IRA unobligated balances	<input checked="" type="checkbox"/>
Repeal IRA tax provisions	<input checked="" type="checkbox"/>
Cancel/eliminate IRA programs	<input checked="" type="checkbox"/>
Extend TCJA	<input checked="" type="checkbox"/>
Tax breaks for tip income, overtime pay, car loan interest	<input checked="" type="checkbox"/>
Raise the debt limit	<input checked="" type="checkbox"/>

Big-picture reconciliation impacts: direct

Federal tax cuts

- Temporary tax cuts are front-loaded: overtime, tips, cars, seniors
- Impact depends on if and how a state links to federal tax code

Spending cuts

- In contrast to tax cuts, these are back-loaded: post-2026 midterms

IRA rescissions

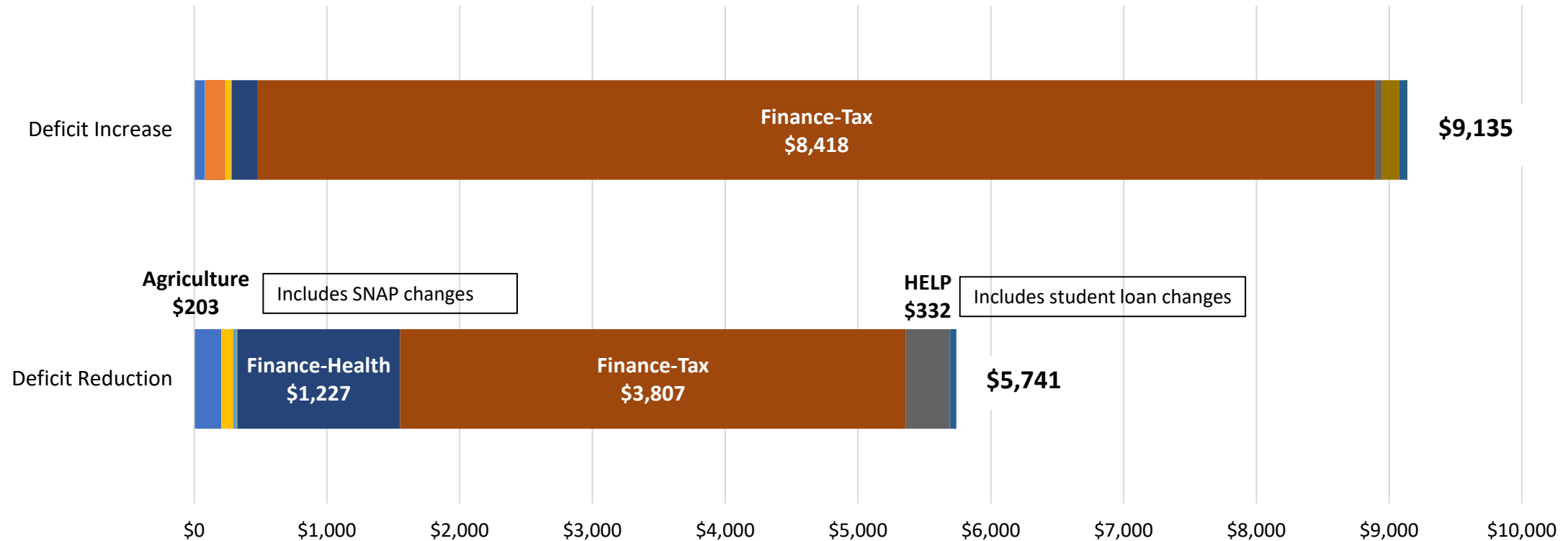
- Most programs and most tax policies cancelled
- A few big grant programs survived

Other mandatory programs

- Several programs received appropriations (DHS, DOJ, USDA)

One big “beautiful” bar chart

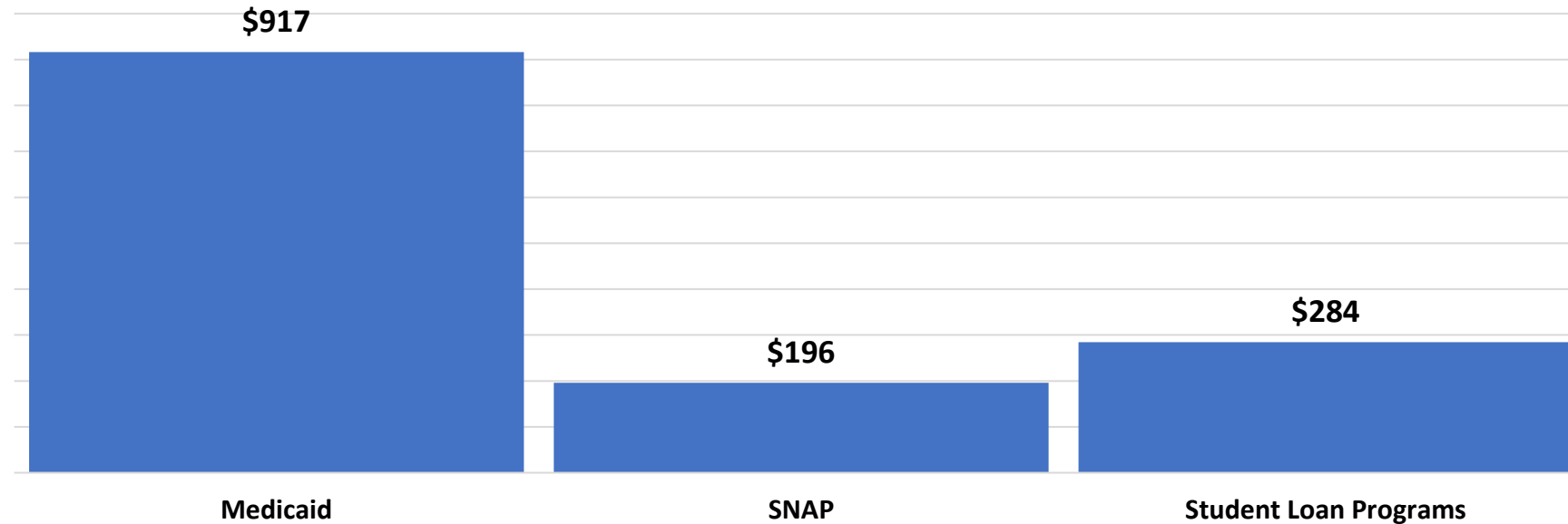
10-Year Deficit Impact of One Big Beautiful Bill Act
(\$ in billions)



Source: Congressional Budget Office

Three programs generate most savings

Estimate of 10-Year Cut in Federal Programs
(\$ in billions)



Source: Congressional Budget Office

Medicaid

Restrictions on financing, eligibility, benefits, and enrollment

More than 50% of savings come from expansion state provisions

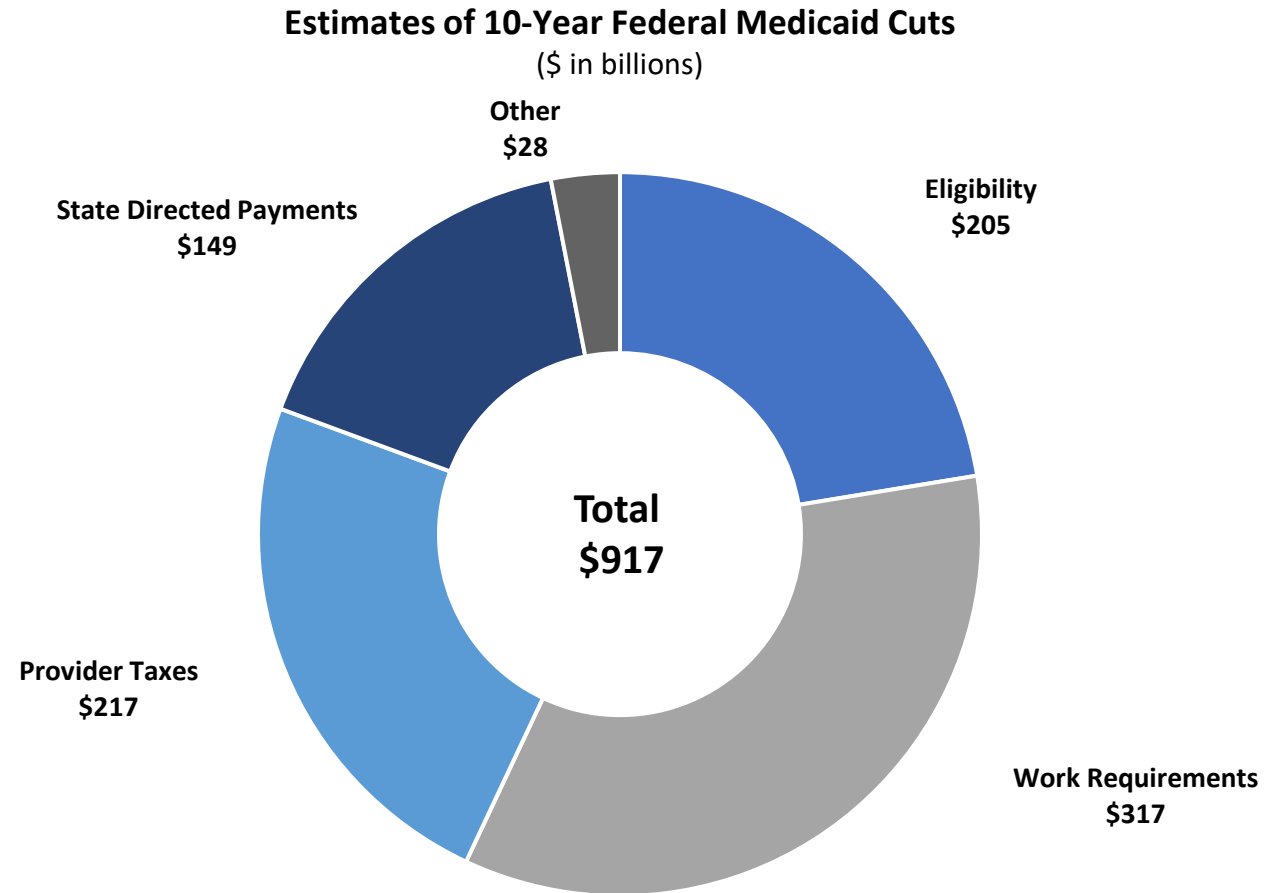
Most cuts occur in two waves: enactment and January 1, 2027

Increase uninsured by at least 10 million by 2034

Significant administrative and system challenges for states

Limited implementation funding

Medicaid: How Big?



Source: Congressional Budget Office

Medicaid: How soon?

Biggest cuts come in **two waves**:

- Enactment
- January 1, 2027

Enactment:

- **Financing**: Moratorium on **provider taxes**, revised payment limits for **state-directed payments** (Jan. 2028 for reduction in existing payments), modification of **uniform tax requirement**
- Prohibits implementation of final rules (**eligibility rules, nursing home minimum staffing**)

January 1, 2027:

- **Work requirements**
- Several **eligibility changes**

Medicaid: Other key dates

10/1/25: Rural Health Transformation Program (\$50B in formula grants)

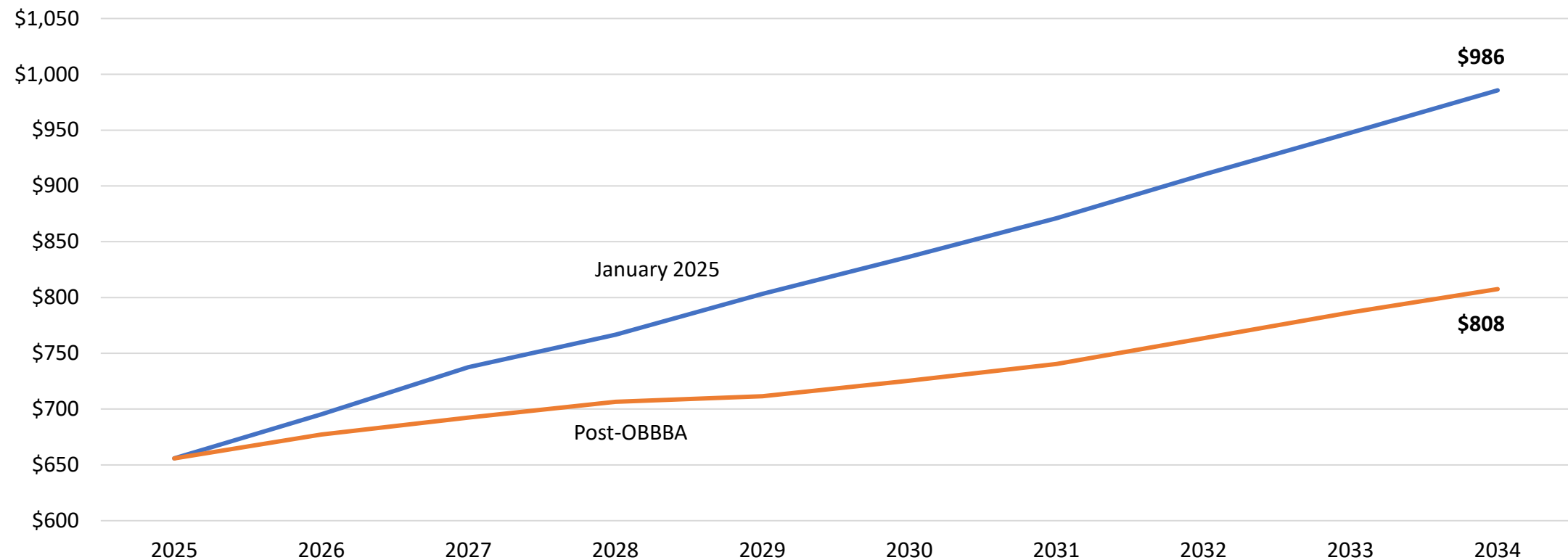
10/1/26: Eliminates expansion FMAP for emergency Medicaid

10/1/27: Amends hold harmless safe harbor threshold for expansion population

10/1/28: Cost sharing for expansion adults

Medicaid growth slows

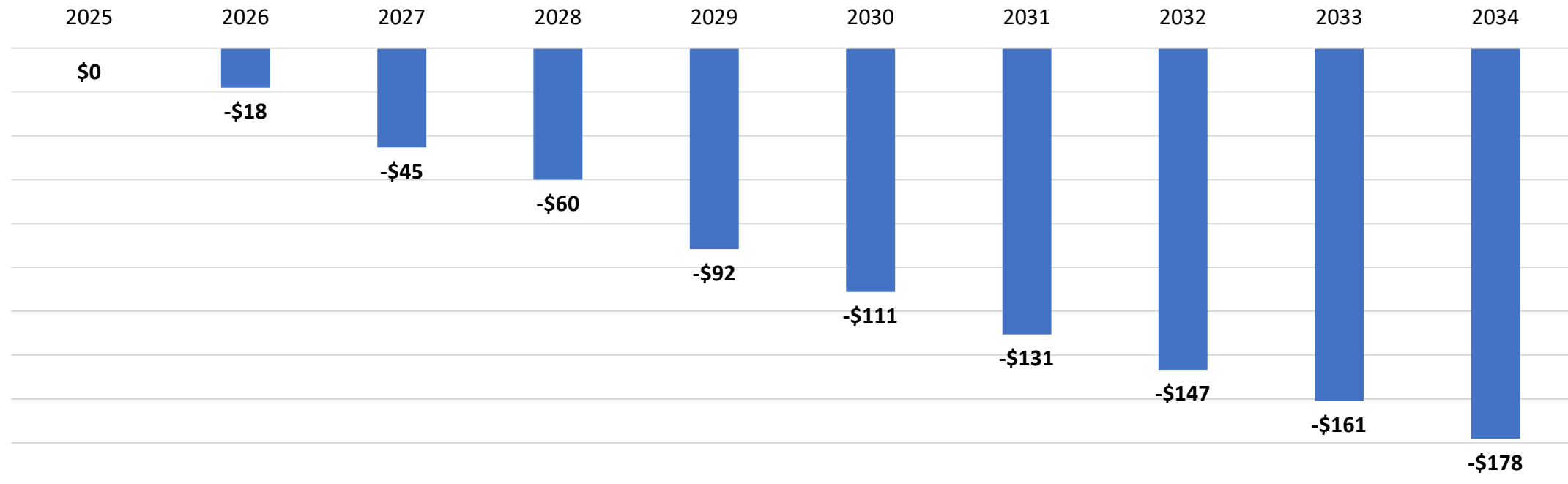
Estimated Federal Medicaid Outlays Pre- and Post-OBBBA
(\$ in billions)



Source: CBO, FFIS

Medicaid reductions by year (federal)

Estimated Changes in Federal Medicaid Outlays from OBBBA
(\$ in billions)



Source: CBO, FFIS

Key takeaways

Benefits

- Decline in enrollment leads to lower projected state expenditures for benefits; impacts vary by state (CBO)
- Savings from enrollment reduction largely offset by changes in SNAP
- Limits on provider taxes and state directed payments will reduce resources for remaining enrollees
- Total state costs depend on responses to replace federal resources

Administration

- Uncertainty on spending growth: eligibility determinations, work requirements, compliance
- New funding unlikely to cover new costs

Some help on the way

Rural Health Transformation Program

- \$10 billion/year, FYs 2026-2030
- Guidance expected early September
- Minimum \$100 million per state; no match

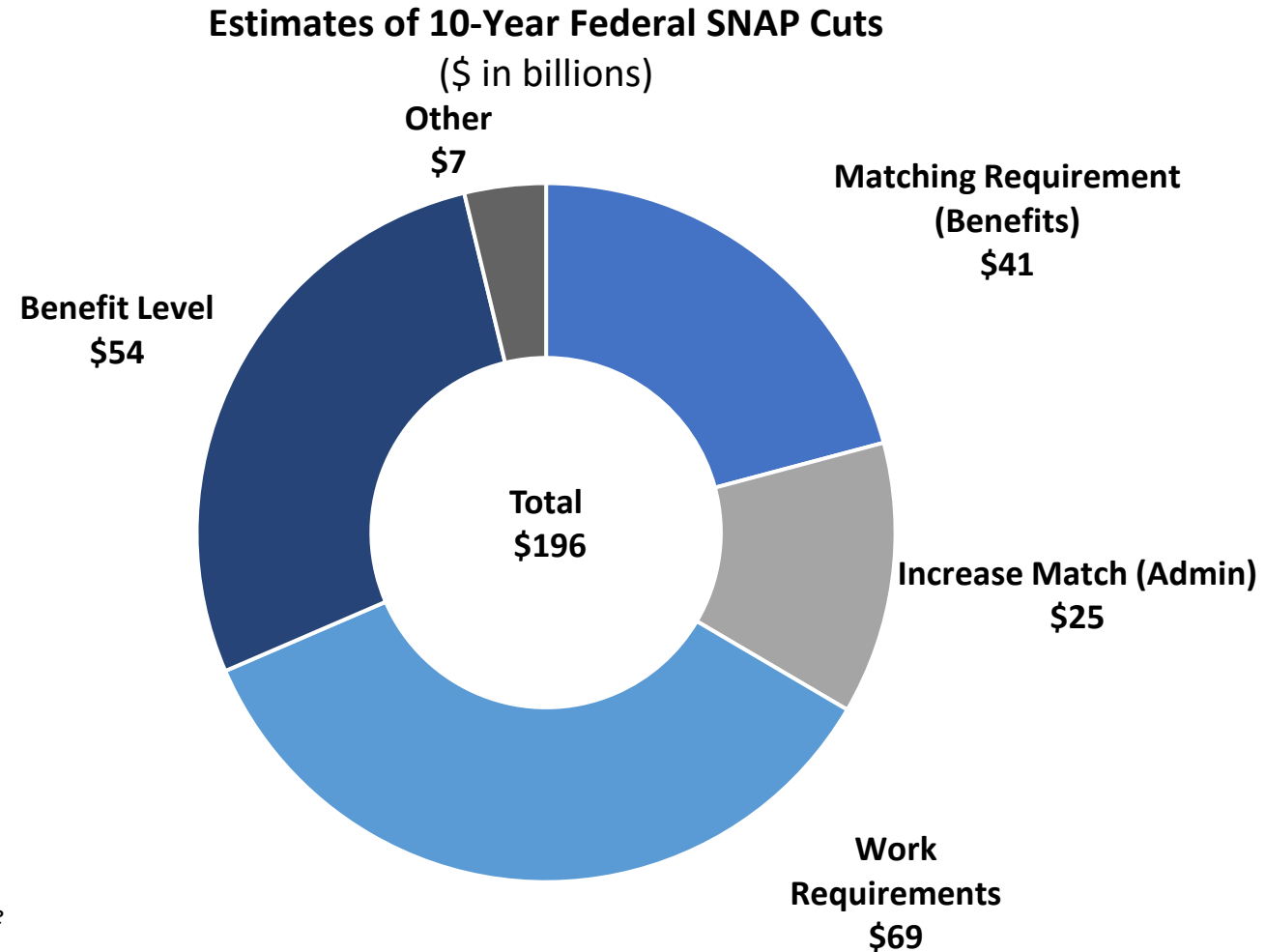
Work requirements implementation grants

- \$200 million, FY 2026
- Guidance by end of calendar year 2025
- 50% distributed equally, 50% by enrollment

HCBS expansion

- Voluntary
- \$100 million for formula grants, FY 2027

SNAP: How Big?



Source: Congressional Budget Office

SNAP: How Soon?

Enactment

- Limits updates to **Thrifty Food Plan**, which are the basis for calculating benefits
- **Work requirements** strengthened (raises age from 54 to 64, modifies definition of dependent child to under 14, allows waiver for AK and HI)
- Limits **utility allowance**; eliminates **internet expenses** in shelter deduction
- Benefits available only to **citizens, permanent lawful residents, a few others**

October 1, 2025

- Allows the National Education and Obesity Prevention Grant Program to expire

October 1, 2026

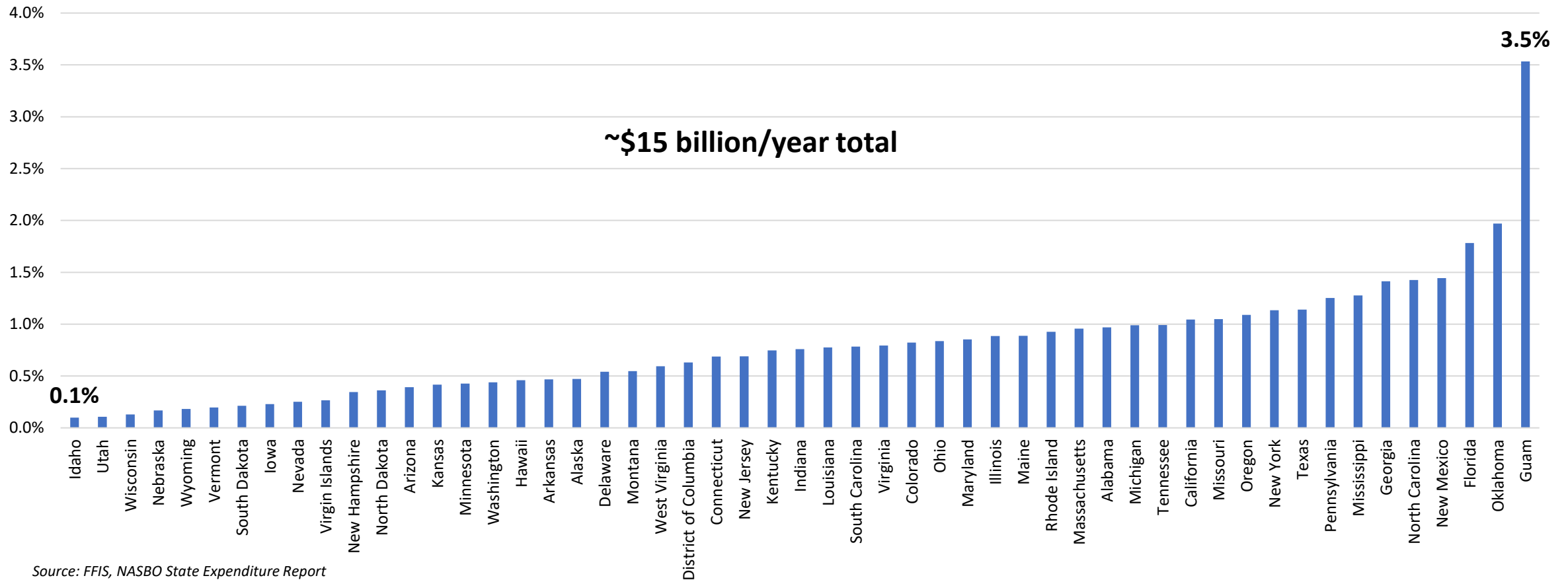
- **State share of administrative costs increases** to 75% (from 50%)

October 1, 2027

- **Requires states with an error rate >6% to contribute at least 5%** (and up to 15% based on error rates); **delayed implementation** for states with high error rate

SNAP cost shift to states

Estimated New SNAP Costs Based on FY 2024 Spending and Error Rates
(% as a share of own-source state spending)



And then there is PAYGO

What is PAYGO?

- Prevents legislation from increasing deficit over a five- or 10-year period
- **Resulting sequestration would exceed the total amount of funding for all non-exempt mandatory programs combined**
- Congress has always enacted a fix (e.g., 2017 tax cuts, ARP, IRA); 60 votes required in Senate

What is the impact on grants?

- Effectively eliminates funding for non-exempt programs for at least 10 years (Vocational Rehab, SSBG, Promoting Safe and Stable Families, MIECHV, portion of highway funding)
- Most mandatory funding is exempt (Social Security, Medicaid, and open-ended entitlements); Medicare capped at 4%; discretionary funding unaffected

FY 2025 Budget Update

2025 Spend Plans and State Allocations

- Mandated by FY 2025 CR; no reports
- Some detail included in President's Budget, but most were never published
- Enacted level is unknown for scores of grants
- Lots of missing 50-state numbers

Impoundment

- More grant announcements, but some with 1-2 week application periods
- GAO rulings on legality of withholding funds; efficacy TBD
- Pressure from states seems to work
- Pocket rescissions; legality is being tested
- Much is unknown; will apportionment data help?

FY 2026 budget outlook

President's budget

- Topline: FY 2026 budget increases defense discretionary by 13%; **cuts non-defense discretionary by 23%**
- 193 grants (\$107B) identified for elimination

House

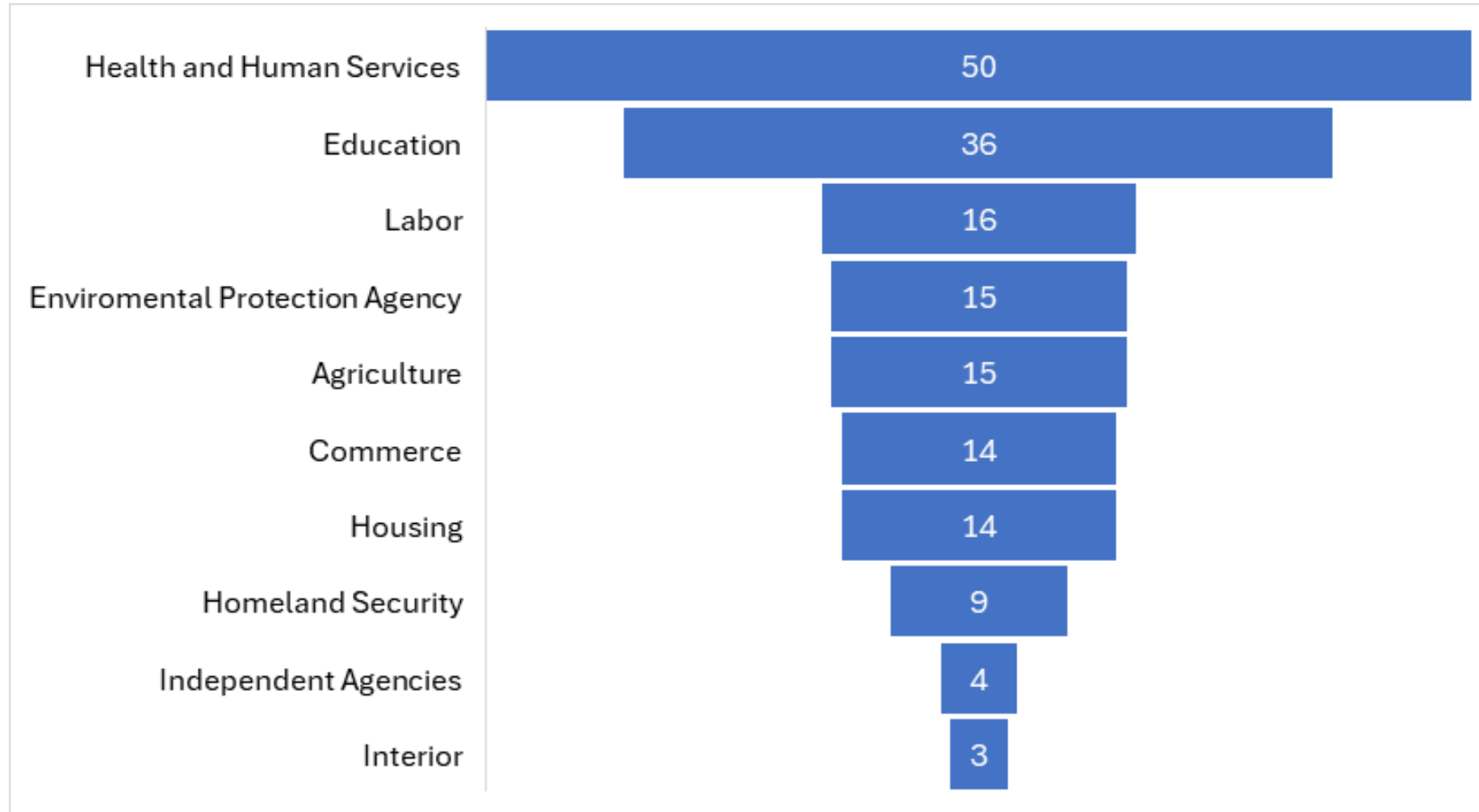
- Topline: Level funding for defense, **~6% cut to nondefense**
- Most committee work complete, but early August recess forced a pause

Senate

- No topline agreement, but committee approved **bipartisan bills**
- More funding compared to House; **roughly FY 2025 level**

Enacting final appropriations will be a challenge—bipartisan support needed in Senate

193 program eliminations in president's budget



Congressional pushback

- Senate has strong words for executive actions in appropriations report (HHS, ED, EPA, Interior)
- Impoundment, grant cancellations, agency reorganization & elimination, transparency, congressional intent, adherence to spending funds as appropriated
- House less so, but concerns exist

Appropriations Status

FY 2026 Appropriations Progress		
Appropriations Subcommittee	Approval Status	
	House	Senate
Defense	P	C
Energy and Water	C	
Labor/HHS/Education		C
State/Foreign Operations	C	
Agriculture	C	P
Commerce/Justice/Science	S	C
Interior and Environment	C	C
Military Construction/Veterans	P	P
Transportation/HUD	C	C
Legislative Branch	C	P
Financial Services/General Gov.	S	
Homeland Security	C	
P=Full chamber; C=Committee; S=Subcommittee		

Other issues on our radar

Shutdown

- What will the administration's approach be?
- Contingency Plans?
- Timing? Conventional wisdom may not apply

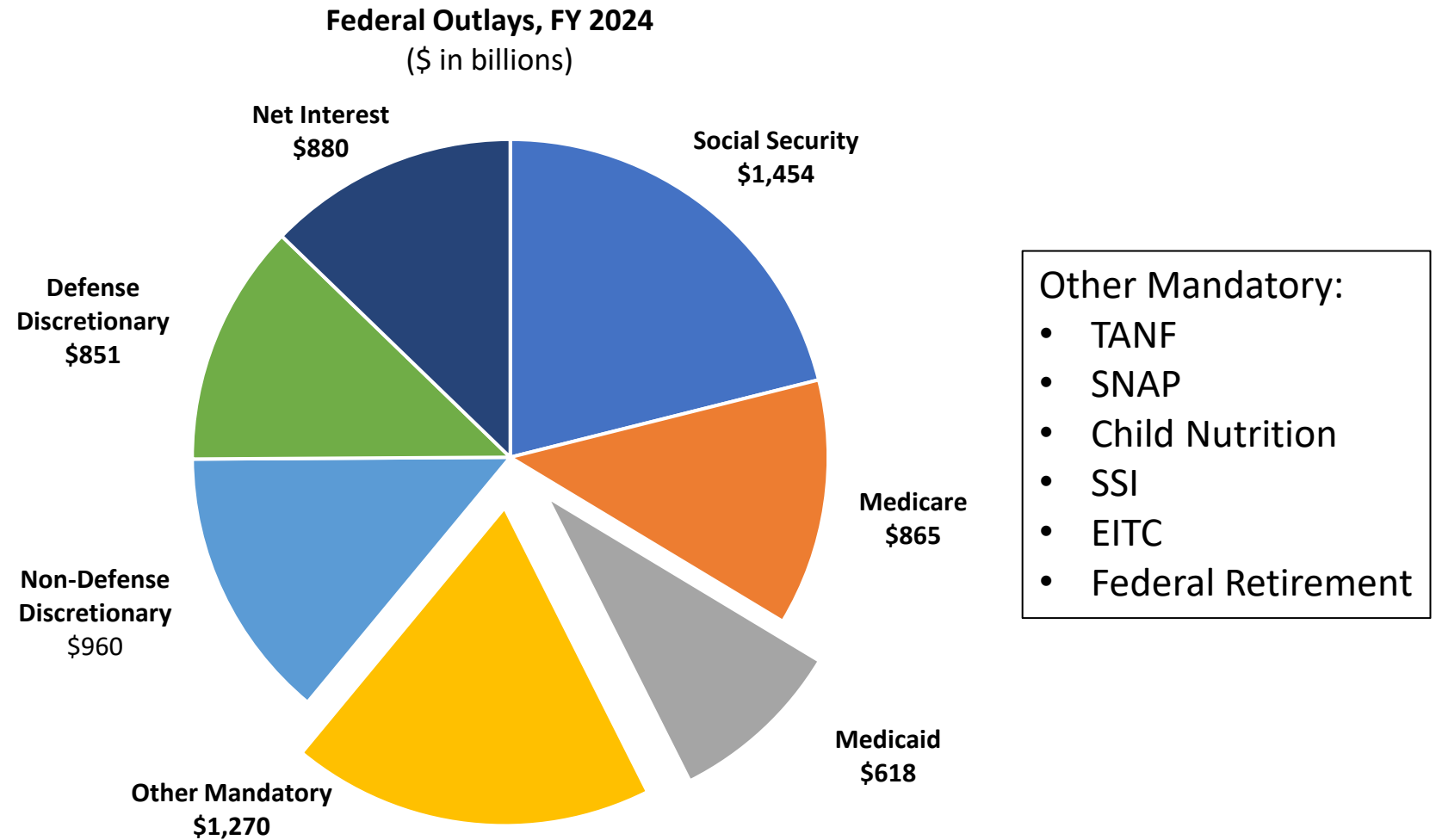
Funding cuts

- FY 2025 rescission packages
- Reconciliation FY 2026

FEMA

- A return to past proposals?
- Total Taxable Resources, disaster deductibles, or something new?

What could reconciliation target in 2026?



Source: President's Budget, FY 2026

Where things stand

Reconciliation	FY 2025; enactment complete, implementation underway
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	Can do again in FY 2026 (more cuts promised)
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Appropriations	FY 2025: the lost year?
	FY 2026 holds peril (rescissions, eliminations, consolidations, shutdown)
	Bipartisan support needed in Senate

Executive Grant Actions	How will impoundment/court cases play out?
	Will actions continue?

FFIS resources

- [Reconciliation Spreadsheet](#)
- [Reconciliation Updates](#)
- [Executive Grant Actions Tracker](#)
- [Federal Budget Updates](#)
- [Government shutdowns](#)
- [Infrastructure Investment and Jobs Act \(IIJA\)](#)
- [Inflation Reduction Act \(IRA\)](#)

FFIS contacts

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