



## ITCA Update May 19, 2025

This update discusses the status of funding for FFY 2026 that begins October 1, 2025. It also provides updates on the budget reconciliation process underway in the House and the Senate. The Congress adjourns at the end of this week for the Memorial Day recess.

**FFY 2026 Appropriations Process** The FFY 2026 funding process began with the President's "skinny budget" that was released several weeks ago and included recommendations for significant cuts for domestic programs as well as several consolidation plans. The full version of President Trump's budget request for FFY 2026 is expected to be released late this month or early in June. The funding levels included are only recommendations. The Congress is charged with developing funding levels for all federal programs through the Appropriations process. Congressional hearings on the budget request are scheduled this week. Secretary Robert Kennedy Jr, Secretary of Health and Human Services (HHS), will testify before the Senate Appropriations Committee on Tuesday. Education Secretary Linda McMahon will testify before the House Appropriations Committee on Wednesday of this week.

FFY 2026 begins October 1, 2025, and will include the funds for Part C awards, July 1, 2026. The Congress and the President have until midnight September 30<sup>th</sup> to enact a bill to fund all federal programs for the year. It is very unlikely a final bill will be completed by this deadline given how late the process is beginning. It is expected a Continuing Resolution (CR) will be passed to allow more time for agreement to be reached after October 1, 2025.

**House Reconciliation Bill** Late Sunday night, the House Budget Committee moved forward a budget resolution that will now proceed to the House Rules Committee and then onto the House floor for consideration. The bill is about 1,100 pages. The bill was a compilation of a number of committee marked-up provisions based on instructions given to them to achieve savings in the final bill. Leadership in the House intends to have this bill considered by the full House before the Congress adjourns for the Memorial Day recess later this week.

The version of the bill approved by the Budget Committee contained a promise for some changes to secure the vote of four conservative members of the committee that had voted no on the bill last week. These members want additional spending cuts in the bill which will be considered throughout this week. These could include changes to the federal match, moving the start date earlier for the new Medicaid work requirements and speeding up the phase-out of green energy incentives. However, leadership has to be sure that additional savings will be agreed to by more moderate members of the House who are concerned particularly about Medicaid and SNAP cuts.

Some specific provisions in the current version of the bill include:

- \$3.7 trillion in tax cuts.
- Additional funding for Defense and border priorities of the administration.
- Reduction of funding for student loan programs by \$350 billion, which would limit access to Pell Grants for low-income students. Additionally, undergraduate students would no longer have interest-free loans while they are enrolled in school.
- A version of the school voucher initiative, the *Educational Choice for Children Act*, a \$20 billion plan that would provide tax credits to people who donate money to scholarship organizations. These organizations would then give families up to \$5,000 a year to pay for private school tuition, books, or online education.
- Cuts to Medicaid funding by over \$715 billion, potentially resulting in 7.6 million people losing their health coverage. While Medicaid for children, schools, and early childhood services are not explicitly targeted, it will significantly limit states in how they fund Medicaid services. Nearly all states use Medicaid to finance Part C early intervention systems. Medicaid is one of the largest federal funding sources for K-12 schools.
  - Implementation of work requirements for “able-bodied adults” ages 19-64.
  - A freeze on state provider taxes at current rates and prohibiting any new taxes.
  - Option for states to charge up to \$35 co-pay per service based on income.
  - A plan to cut Medicaid funds to states that use their state funds to provide health insurance coverage to undocumented immigrants.
- Cuts of \$300 billion to SNAP and adds administrative and benefit costs under SNAP, the Supplemental Nutrition Assistance Program, to state governments.
- Increases childcare tax credit but does not allow parents with no documentation to access the credit.
- Creates new taxes on higher education endowments.
- Creates a program which gives newborns a \$1,000 “money account for growth and advancement.” Parents or beneficiaries could contribute \$5,000 each year to that account, tax-free, until the beneficiary is 31 years old.
- An end to taxes on tips or overtime.
- Tax deductions on American made cars.
- A new tax deduction for seniors.
- New tax benefits for vouchers and scholarships.
- Raises the debt ceiling by \$4 trillion.

The Senate is expected to develop its version of the bill by the end of June. Leadership in both the House and the Senate want the final bill to be passed by both chambers before the Fourth of July recess. There also will be similar challenges in the Senate process with many wanting significant cuts to Medicaid and SNAP while others are pushing for fewer cuts.