



Update on Federal Funding: May-June 2025

Finance Committee
May 27, 2025

Agenda

- Legal Update
- Federal Budget Update

Legal Update

Mike Haas, City Attorney

Finance Update

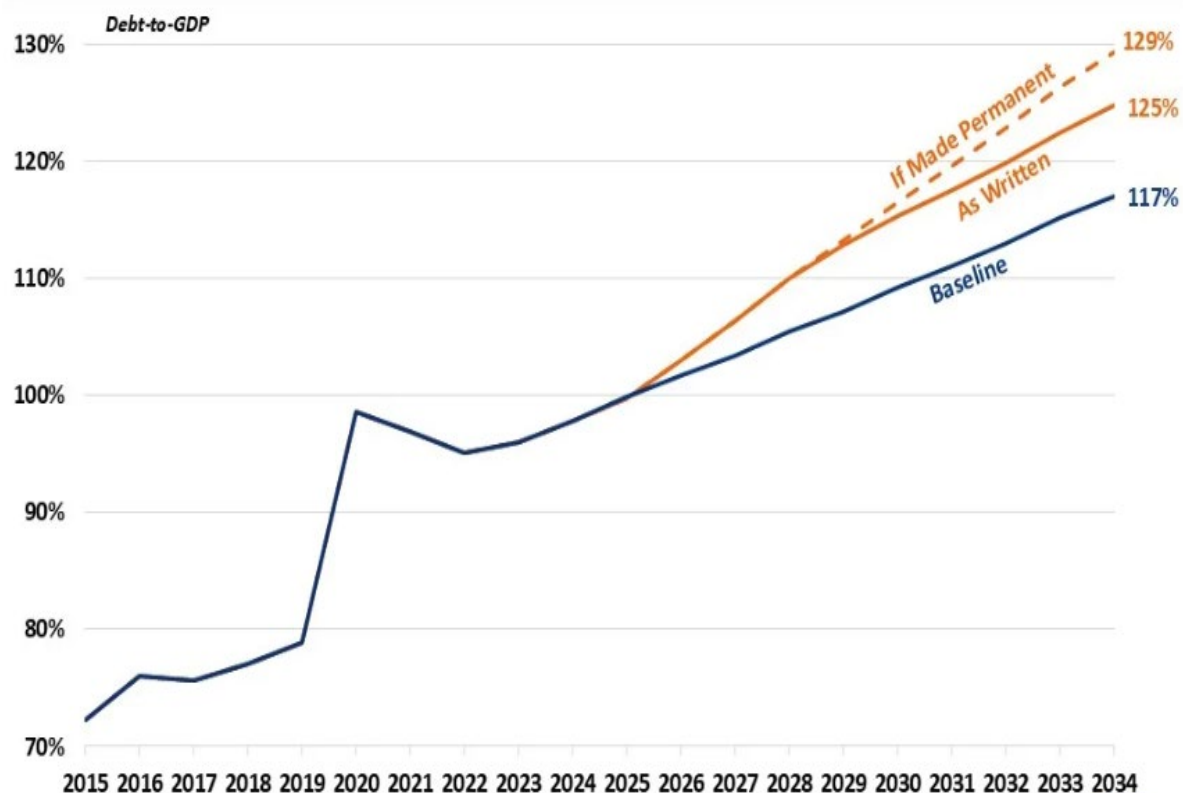
David Schmiedicke, Finance Director

Federal Budget passes House

Deficit Impact of the House Reconciliation Package

Committee	FY 2025-2034 Deficit Increase(-)/Decrease	
	As Written	If Made Permanent
Ways & Means*	-\$3,819 billion	-\$5,320 billion
Armed Services*	-\$144 billion	-\$410 billion
Judiciary#	-\$110 billion	-\$110 billion*
Homeland Security*	-\$67 billion	-\$100 billion
Financial Services*	\$5 billion	\$5 billion
Natural Resources*	\$19 billion	\$19 billion
Transportation & Infrastructure*	\$37 billion	\$37 billion
Oversight & Government Reform*	\$51 billion	\$51 billion
Agriculture#	\$230 billion	\$230 billion
Education & Workforce*	\$351 billion	\$351 billion
Energy & Commerce^	\$910 billion	\$910 billion
Interactions'	-\$150 billion	-\$150 billion
Subtotal, All Committees	-\$2,690 billion	-\$4,480 billion
Interest	-\$580 billion	-\$750 billion
Total Deficit Impact	-\$3,260 billion	-\$5,230 billion

Projected Debt Growth from Reconciliation Package



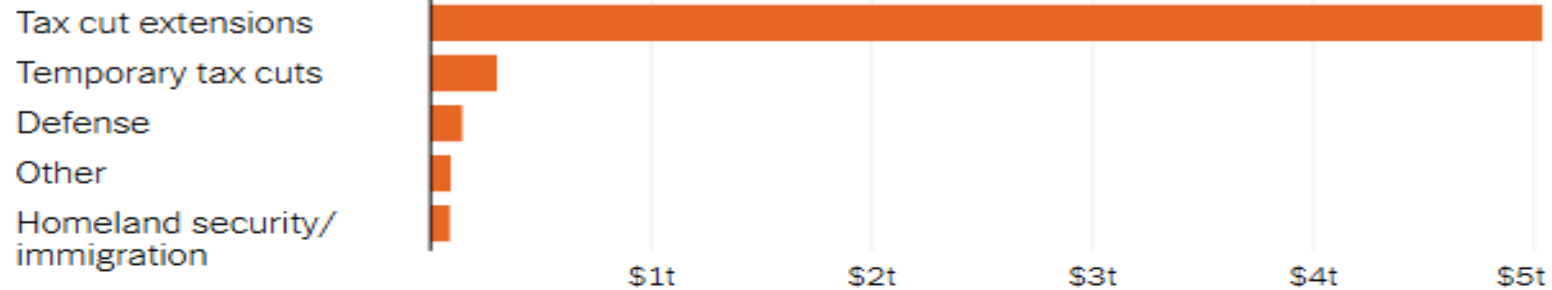
Sources: Committee for a Responsible Federal Budget, Congressional Budget Office, Joint Committee on Taxation, and House committees.

CRFB.org

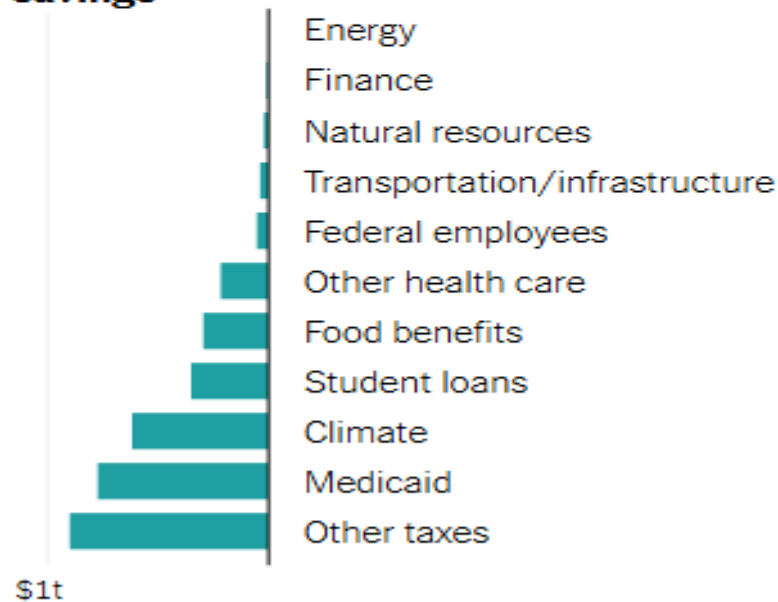


Major Components of House Budget

10-year costs



10-year savings

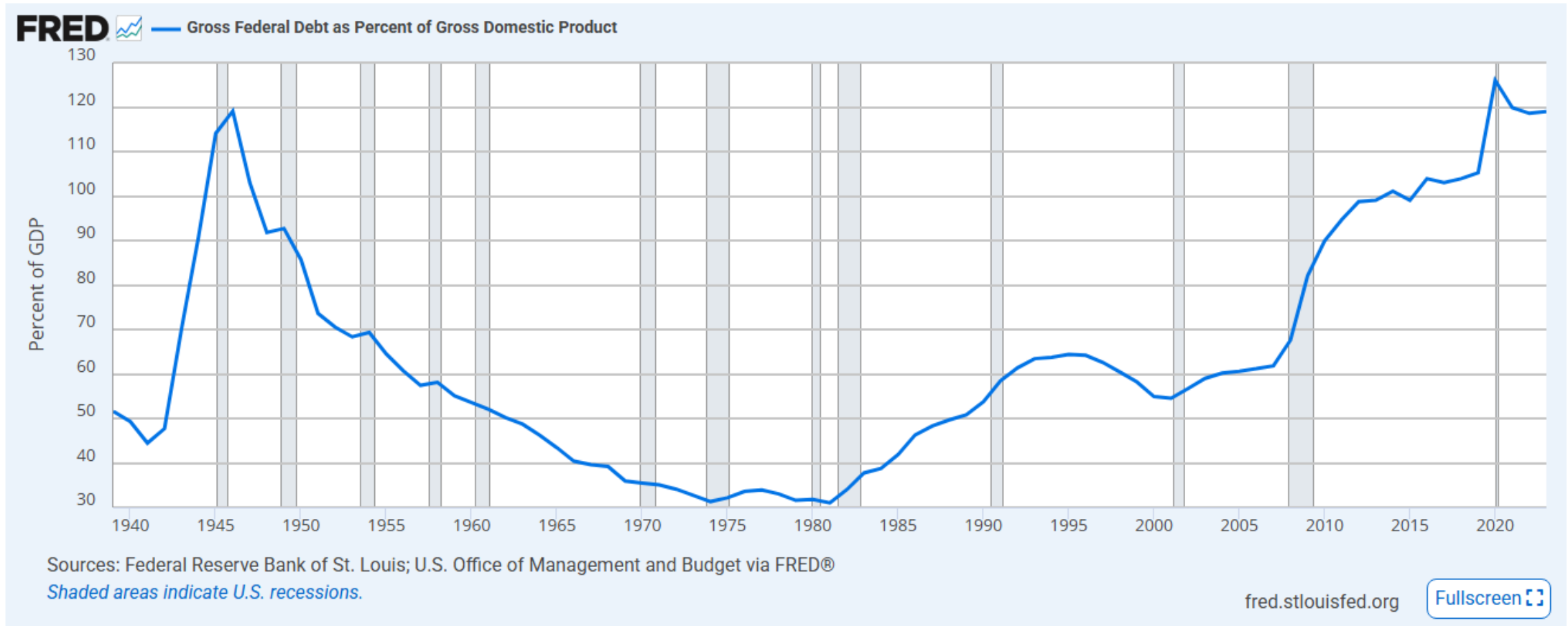


Source: New York Times analysis of Congressional Budget Office data - Note: Amounts are net totals by category and do not include all effects of interactions between provisions. - The New York Times

Graph is linked to article with further details on House budget.

Federal Debt Share of GDP

Already at highest levels since immediate aftermath of WWII



Bond Markets are Reacting with Higher Interest Costs

Treasury Yield 30 Years (^TYX)

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5.06 -0.03 (-0.57%)

At close: 1:48:11 PM CDT

↗ Advanced Chart



1D 5D 1M 6M **YTD** 1Y 5Y All

“People are getting fed up. It’s clear that there are no adults in the room in Washington. Zero. No accountability,” said John Fath, managing partner at BTG Pactual Asset Management US LLC. “You have to ask yourself, what is it going to take? It’s going to be the price action.”

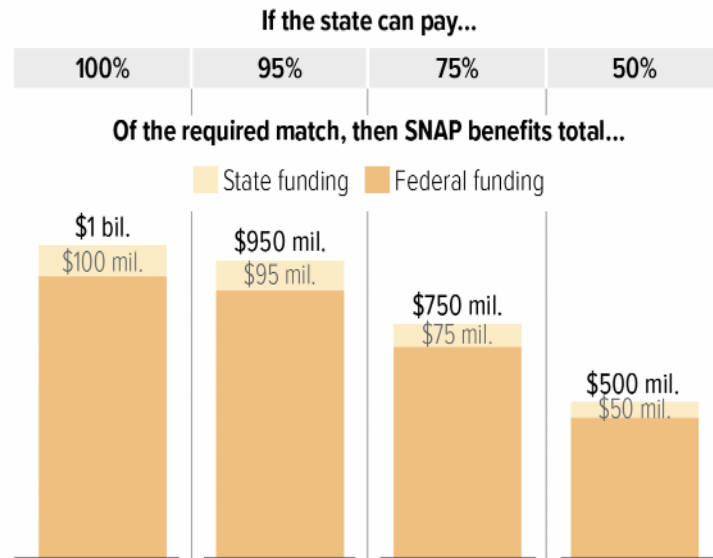
Moody’s downgraded US Government Debt from Aaa to Aa1 -- Moody’s said American economic strengths could “no longer fully counterbalance the decline in fiscal metrics.”

Supplemental Nutrition Assistance Program

1 in 8 Wisconsinites receive benefits (avg \$161/mo)

SNAP Cost Shift to States Could Lead to Large Benefit Cuts

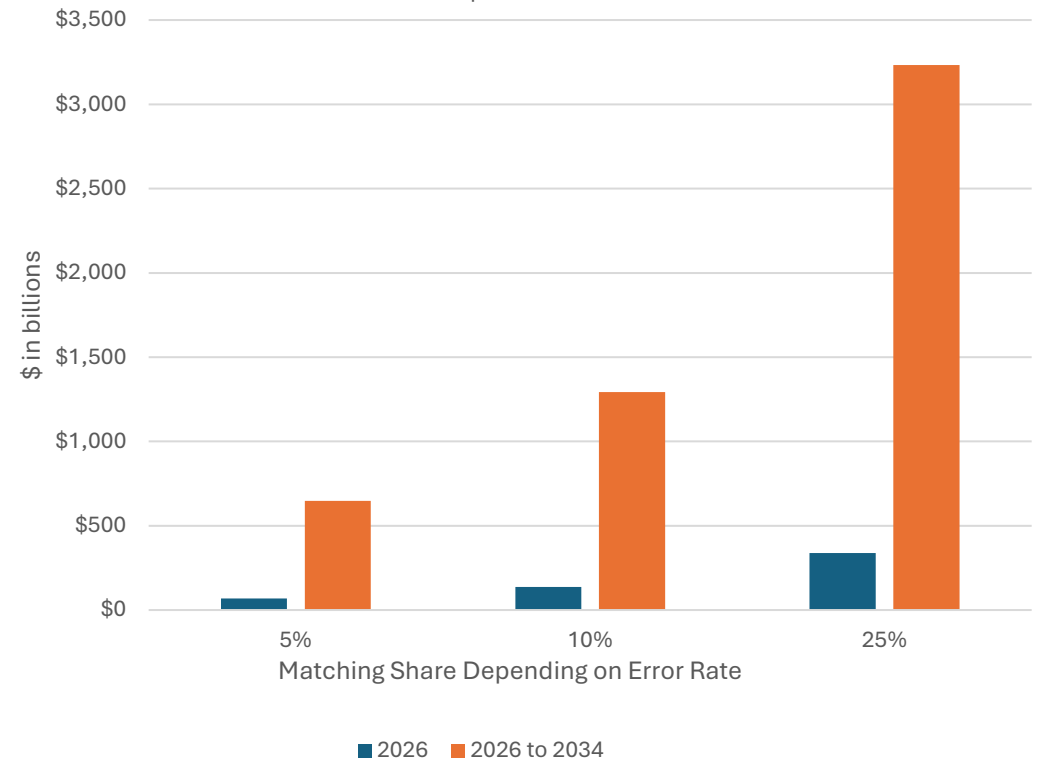
Hypothetical state where SNAP benefits are \$1 billion a year under a 10 percent state match requirement



Note: The details of how Republican lawmakers plan to require states to pay a share of SNAP benefits are not yet public. A 10 percent state cost-share requirement is shown for illustrative purposes. States that could not meet that requirement while maintaining benefit levels would need to reduce benefits, thereby lowering both state and federal SNAP funding.

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Wisconsin Impacts -- Various Sharing Ratios 2024 SNAP -- \$1.356 billion



Medicaid Changes

- Over \$600 billion cut.
- Eligibility determinations every 6 months (rather than annually) plus additional income and residency verifications.
- Work requirements no later than 12/31/2026 – two-thirds currently work and most of those who don't are caring for a family member that is ill or has a disability.
- Cuts to states that provide Medicaid to immigrants, except for pregnant women and children legally residing in the US.
- Ban Medicaid funding for gender transition procedures and medications.
- Increased cost-sharing/co-pays.
- Estimated 7 million to 10 million individuals would lose health insurance.
- 1 in 5 Wisconsinites receive Medicaid benefits; 147,000 could lose coverage by 2034.

Tax Law Changes

- State and Local Tax (SALT) exemption increased from \$10,000 to \$40,000 per year; phased out starting at \$500,000 of income.
- Makes permanent the 2017 tax cuts at cost of \$3.8 trillion.
- Eliminates taxes on tipped wages and overtime.
- Seniors allowed an additional \$4,000 tax deduction up to certain income.
- Full deductibility of auto loan interest for American-made vehicles.
- Temporary increase in child tax credit to \$2,500 (from \$2,000) through 2028, but must have SSN.
- Strengthens elements of Low-Income Housing Tax Credit.
- *Retains current law tax exemption on municipal bond interest.*

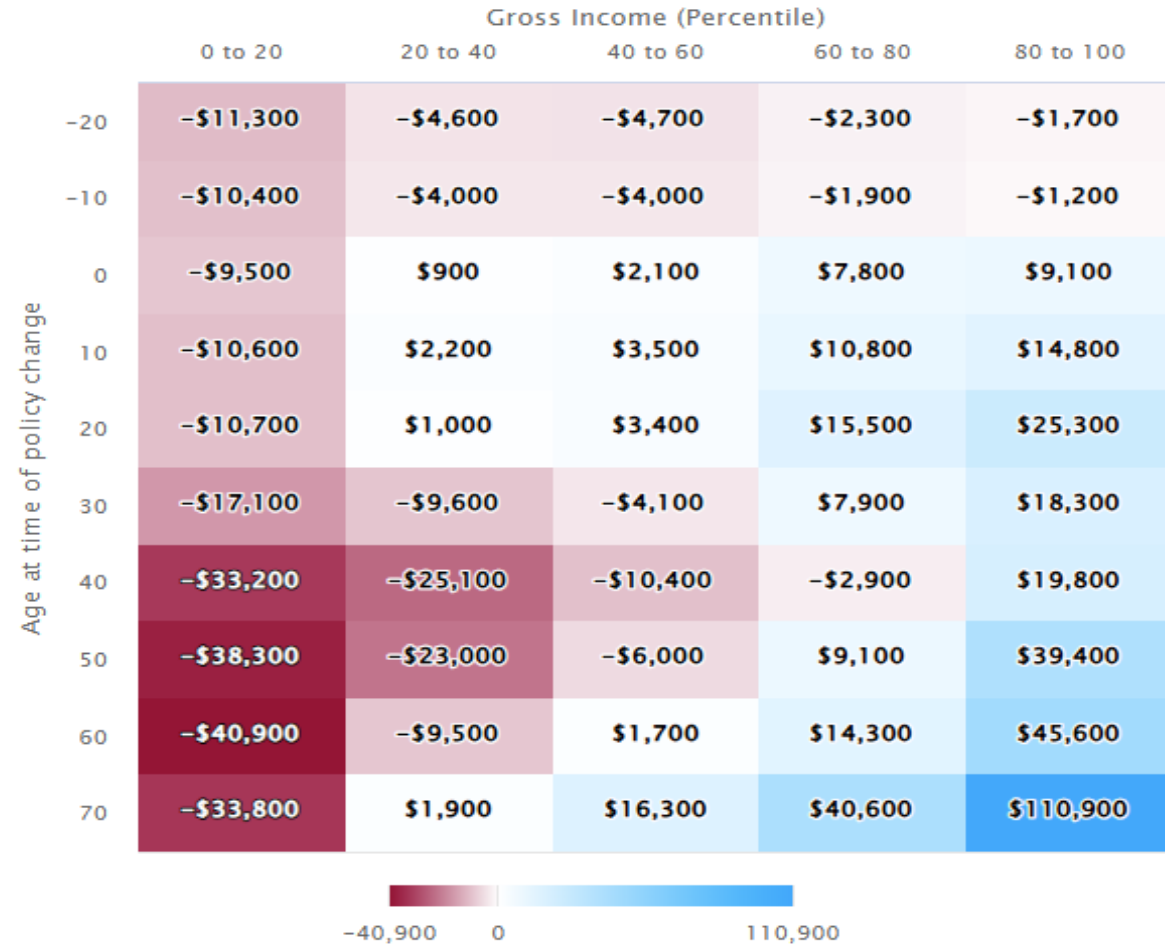
Other Changes

- Stricter student loan repayment requirements; more limits on parent PLUS loans.
- Environmental/Clean Energy changes:
 - Terminates EV vehicle credits
 - Establishes narrow window for clean energy credit projects before termination, excluding nuclear energy projects.
 - Rescinds unobligated funding for various Inflation Reduction Act programs, including greenhouse gas reduction, heavy duty vehicles, monitoring air pollution at schools, environmental and climate justice, and neighborhood access and equity.
- Additional revenue from expanded offshore oil and gas leases; creates a \$250 federal registration fee on electric vehicles and \$100 federal registration fee on hybrid vehicles for highway trust fund.
- More funding for defense, border control, immigration enforcement, and air traffic control.
- Reimburse states for border security and immigration enforcement since January 20, 2021.
- Creates “Trump” savings accounts -- \$1,000 for each American baby born over the next four years.
- Lifts debt ceiling by \$4 trillion – expected to allow additional spending through November 2026.

Distributional Effects

Univ of Penn / Wharton School of Business Budget Model

- Medicaid/SNAP Cuts affect those in bottom income quintile, including fewer individuals able to access health insurance.
- Tax Cuts benefit those in the highest income quintile the most.
- Higher GDP
- Higher hours worked
- More debt held by public



Note: "Gross Income" refers to each household's income in the year of the policy change. We categorize households not yet in the labor force (ages 20 and younger) by their gross income in the year they enter the labor force.

Source: Penn Wharton Budget Model

Next Steps

- Budget bill goes to the US Senate
- Fiscal hawks will want more cuts; some call for a “return to pre-pandemic” spending levels.
- Others are concerned with depth of Medicaid cuts and impacts on individuals, families and state budgets.
- US Treasury has projected that debt ceiling will be breached by August.
- Tax exemption on municipal bond interest remains an option to reduce the cost of the budget package.