



Update on Federal Funding: June – July 2025

Finance Committee
June 23, 2025

Agenda

- Legal Update
- Federal Budget Update

Legal Update

Mike Haas, City Attorney

Finance Update

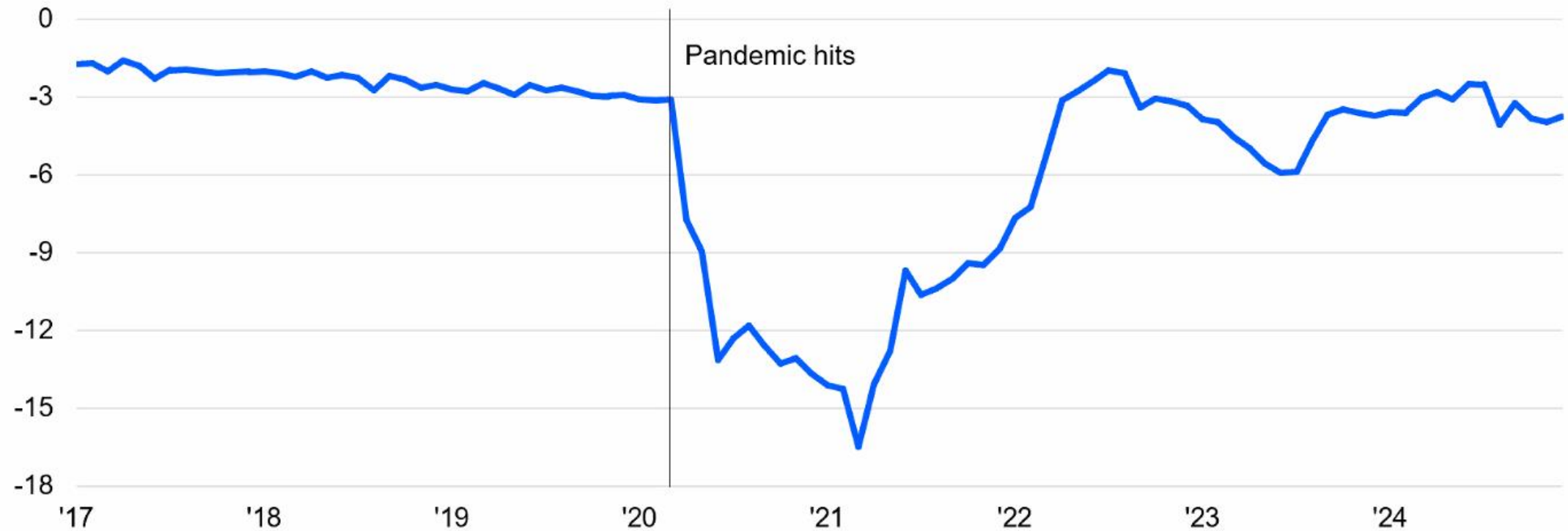
David Schmiedicke, Finance Director

Federal Budget Reconciliation in the Senate

- Senate Finance Committee
 - Makes certain individual and business tax deductions permanent (temporary in House version).
 - Higher tax deduction for older taxpayers (\$6K in Senate vs \$4K in House)
 - More limited approach on tax deductions for tip income
 - Keeps \$10,000 limit on State and Local Tax (SALT) deduction (House increased limit to \$40,000).
 - Deletes tax on private foundations and reduces tax on college endowments from 21% in House version to 8%.
 - Longer phase outs of certain clean energy credits.
 - Expands Medicaid work requirements to adults with older children.
 - Reduces maximum Medicaid provider tax rate from 6% to 3.5% in expansion states; prohibits increases to provider taxes in non-expansion states.
 - More flexibility on SNAP reductions – does not include House 5% cut; allows restoration of funds if states reduce error rates to zero.

Big Budget Deficits Will Continue on...

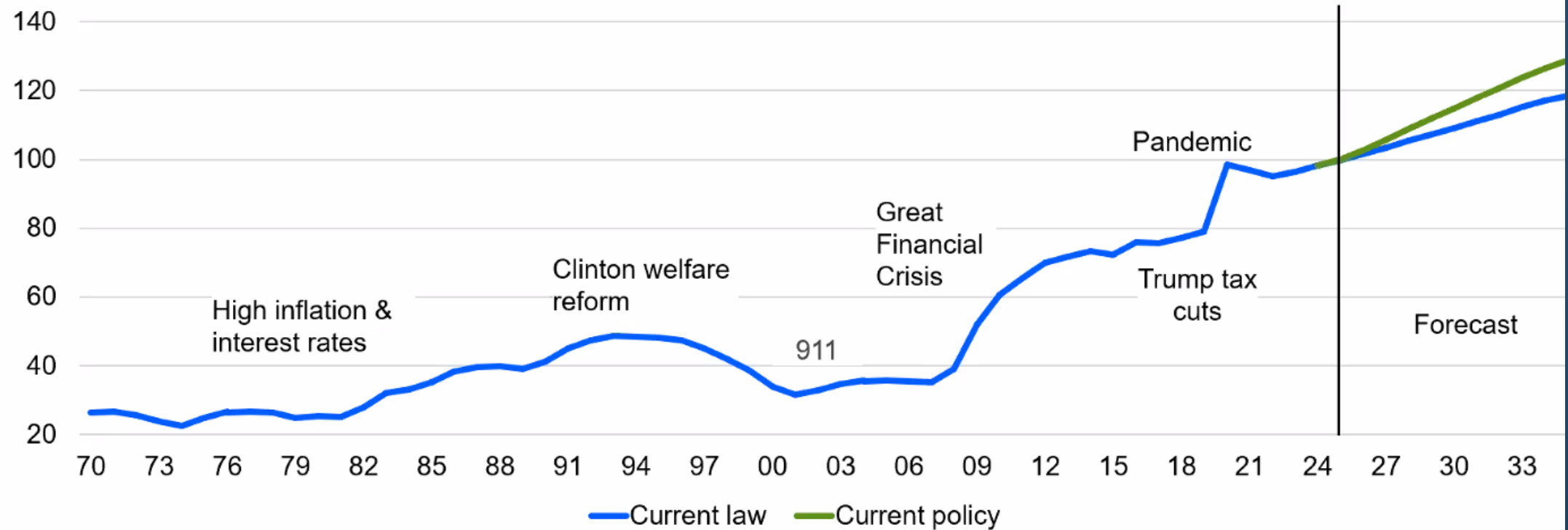
Primary budget deficit as a % of GDP



Sources: U.S. Treasury, BEA, Moody's Analytics

...Resulting in a Disconcerting Fiscal Outlook...

Federal debt held by the public, % of nominal GDP, by fiscal yr

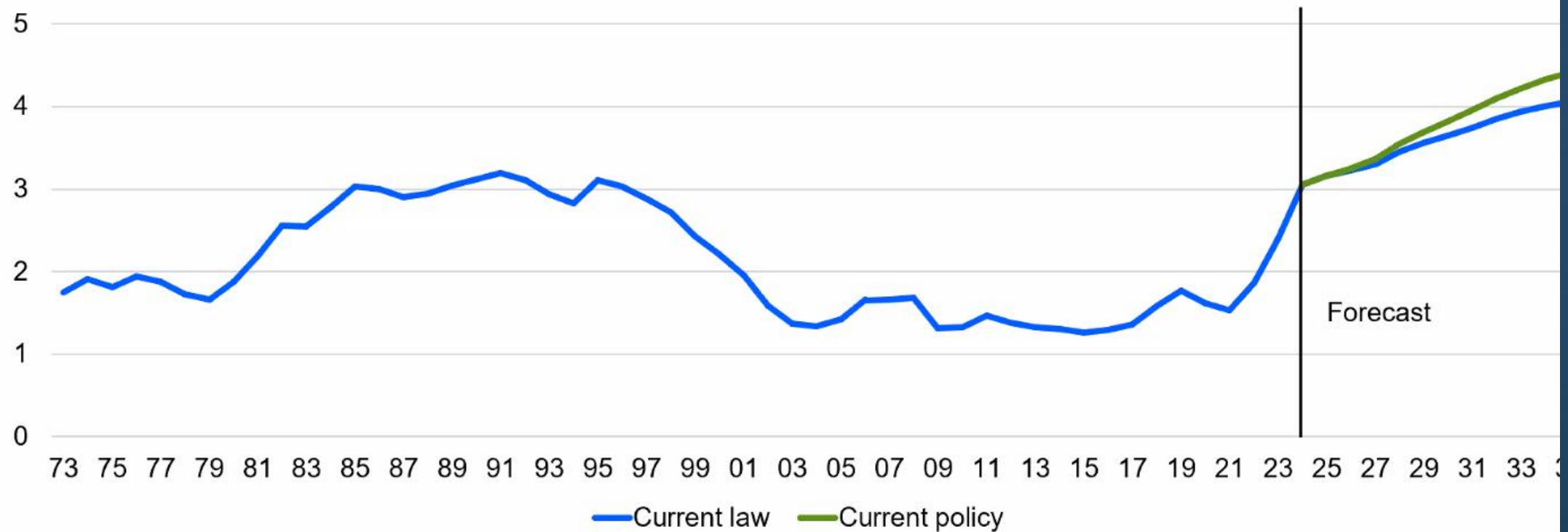


Sources: CBO, Moody's Analytics

Moody's Analytics

...Very Disconcerting

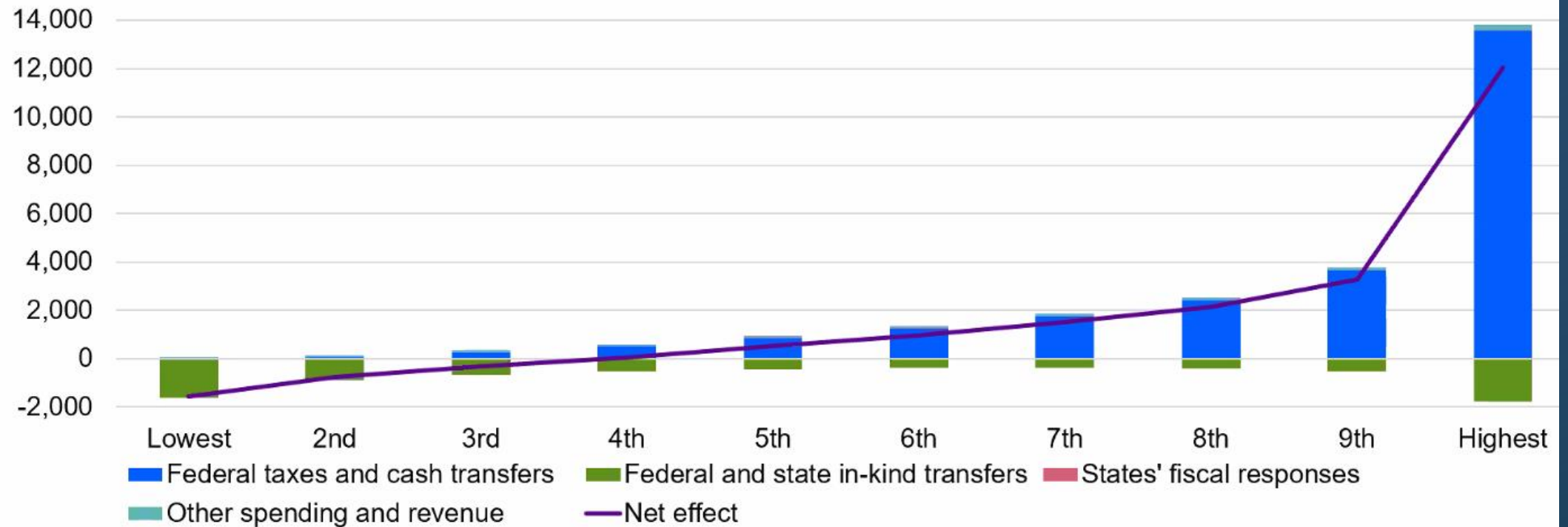
Net interest outlays, % of nominal GDP, by fiscal yr



Sources: CBO, Moody's Analytics

Wealthiest Households Win

Avg annual change in resources per household by income decile, 2026 to 2034

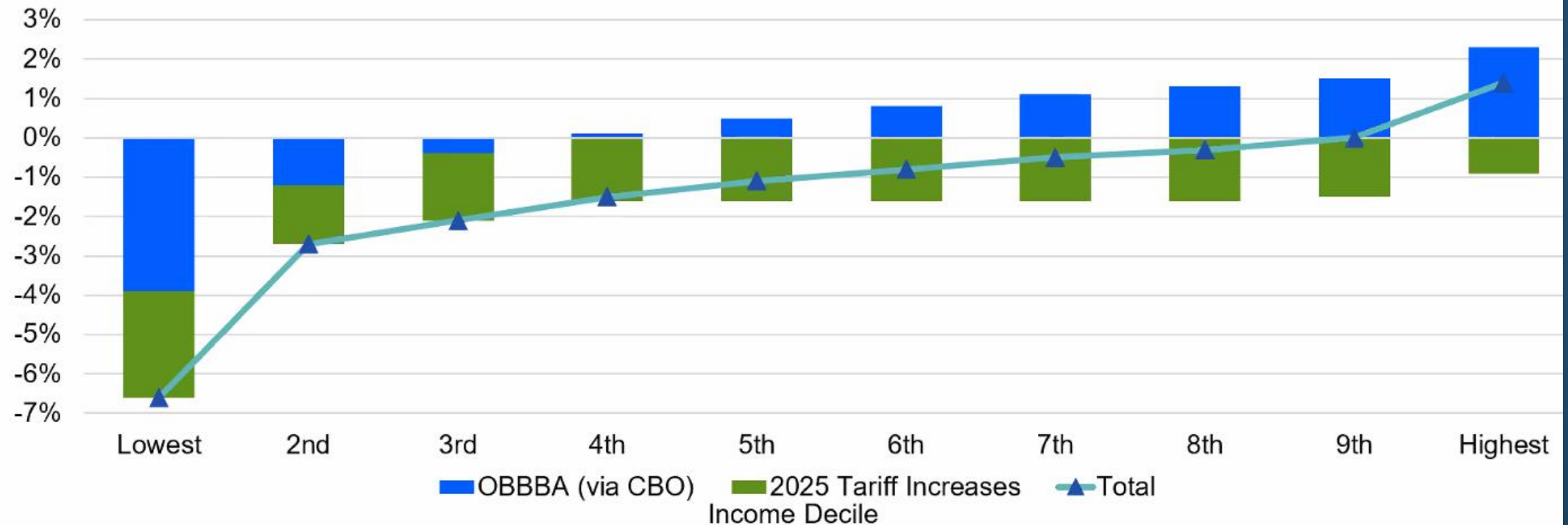


Sources: CBO, Moody's Analytics

Moody's Analytics

Combining One Big Beautiful Bill and Tariffs Benefits the Top

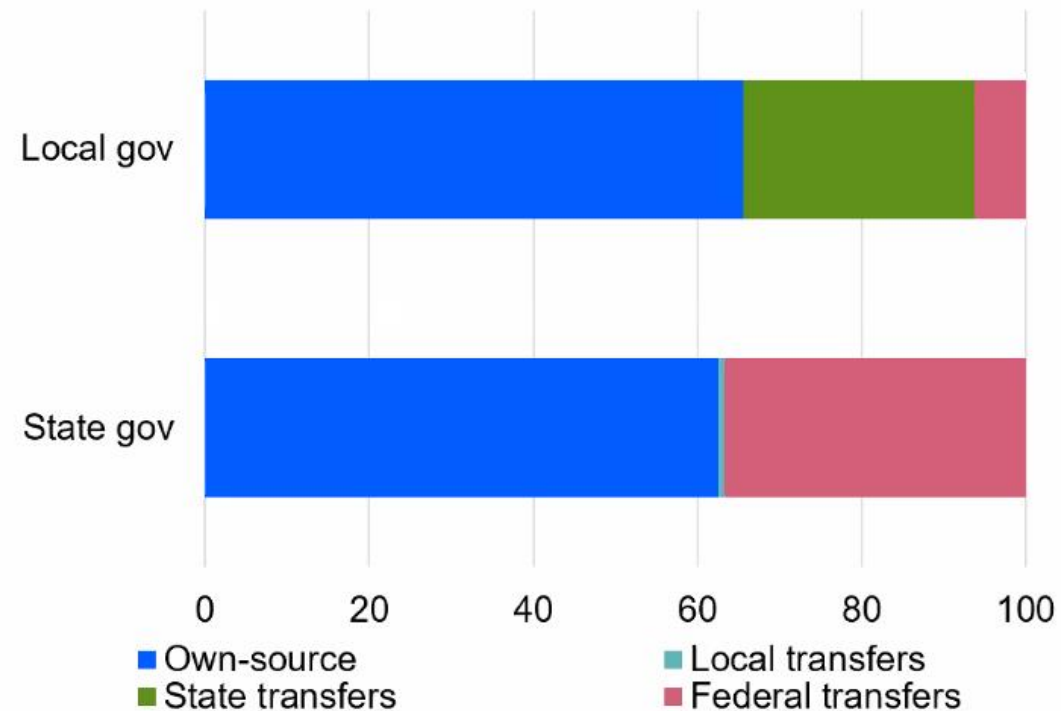
Avg annual change in household resources as % of current law income after transfers & taxes (2026-2034)



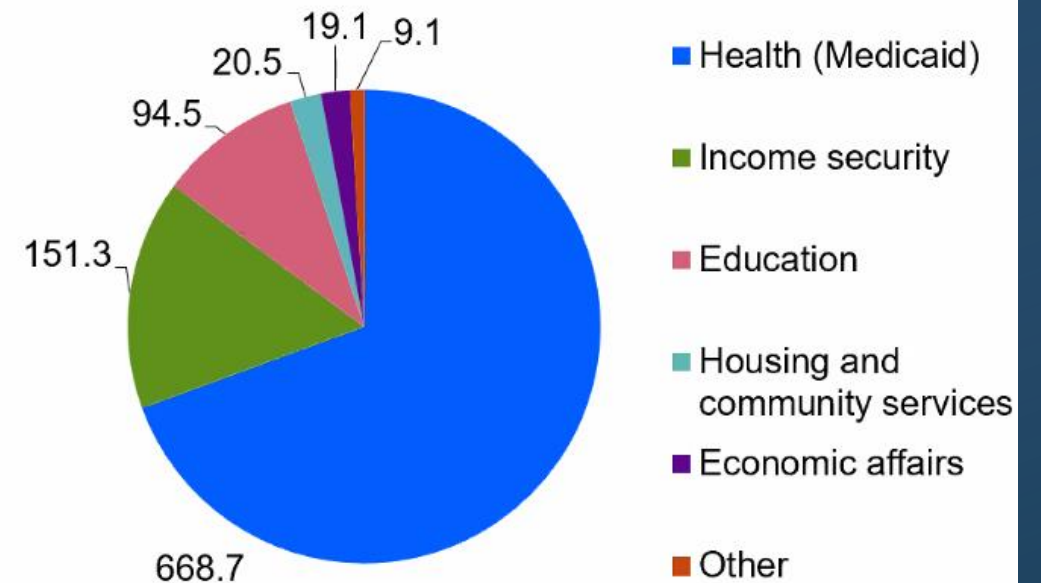
Sources: Yale Budget Lab, Congressional Budget Office, Moody's Analytics

Federal Funds A Crucial Source of State Spending

% of total operational revenues, 2022



Federal grants-in-aid to state and local govs, \$ bil, 2024



Sources: BEA, Moody's Analytics

Moody's Analytics

Potential Madison Impacts

Estimated Medicaid loss

6,159

- Madison residents estimated to lose Medicaid from 2025-2034
- Wisconsin DHS estimates losses will fall mainly on childless adults without disabilities

2.2%

- Of Madison's current population

Source: [Senate Joint Economic Committee – Minority](#), Wisconsin Department of Health Services [\(1\)](#) [\(2\)](#) [\(3\)](#), Census [\(1\)](#) [\(2\)](#)

Method: Starting with JEC estimate of Medicaid loss by state, apportioned by county based on Medicaid enrollments of childless adults, whom DHS estimates are most at risk of losing Medicaid. Apportioned from Dane County to Madison based on population proportion.

Potential Madison Impacts

Estimated SNAP loss

1,952

- Adult Madison residents at risk of losing SNAP
 - *i.e. they are themselves are a SNAP recipient*

0.8%

- Of adult population of Madison

4,023

- Madison residents at risk of losing some amount of SNAP
 - *i.e. they or a household member are a SNAP recipient*
 - *Includes 1,952 residents from other estimate*

1.4%

- Of total population of Madison

Source: [Center on Budget and Policy Priorities](#), Census [\(1\)](#) [\(2\)](#)

Method: Starting with CBPP estimates of SNAP loss by Congressional district, apportioned to Madison based on Census estimates of age, households, disability, and SNAP recipients.

Other requests

- *Impact on hospitals (for example uncompensated care, emergency room visits)*
- *Impact on mental-health services*
- *Impact on homeless services*
- *Impact on crime rates, jails, police services*

These were investigated but subject-matter experts were unable to find reliable estimates for a small geographic area

Next Steps

- Budget bill work continues in Senate; goal is to pass bill before July 4th recess.
- Fiscal hawks will want more cuts to reduce size of deficit.
- Others are concerned with depth of Medicaid cuts and impacts on individuals, families and state budgets.
- SALT deduction and clean energy credits are other areas of difference.
- Final budget needs approval of both houses.
- US Treasury has projected that debt ceiling will be breached by August.
- While tax exemption on municipal bond interest remains an option to reduce the cost of the budget package, it seems unlikely.