

Welcome!

***Bracing for Impact -
How Medicaid and SNAP Cuts
Will Reshape College Access in
Your State***

State Higher Education Finance Network Presentation

AGENDA

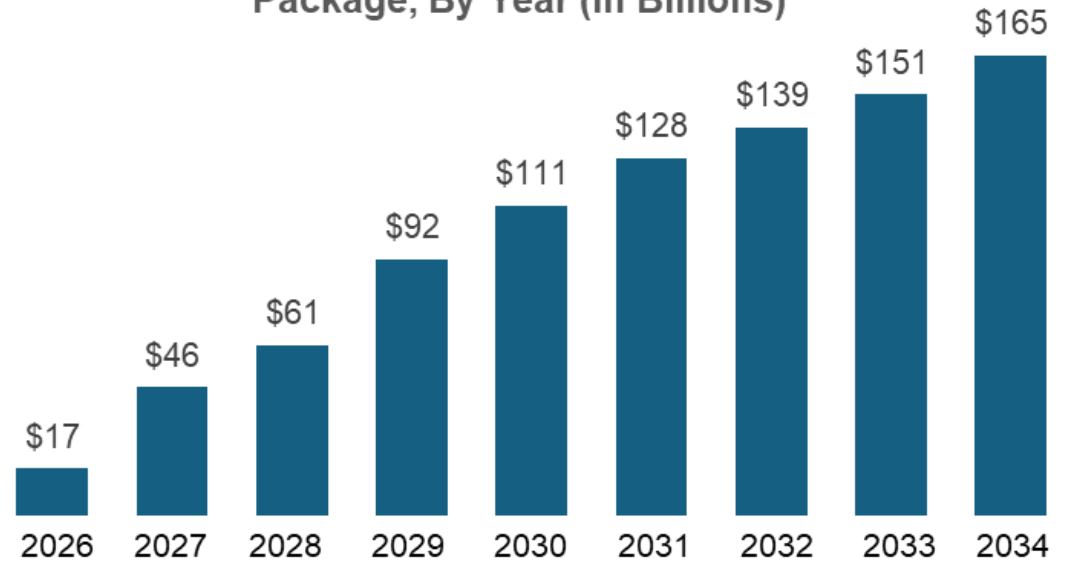
- I. **Summary of Budget Reconciliation Cuts to State Budgets**
 - A. Medicaid
 - B. SNAP
 - C. Tax Changes
 - D. Higher Ed
- II. **Differential State Impact**
- III. **Key State Budget and Policy Decisions**
- IV. **Policy Recommendations**
- V. **Action Steps**
- VI. **Discussion**

PULSE CHECK: On a scale of 1 to 3 with 1 being not too worried and 3 being extremely concerned, how are you feeling about how the budget reconciliation cuts will affect your state?

THE ONE BIG BEAUTIFUL BILL ACT

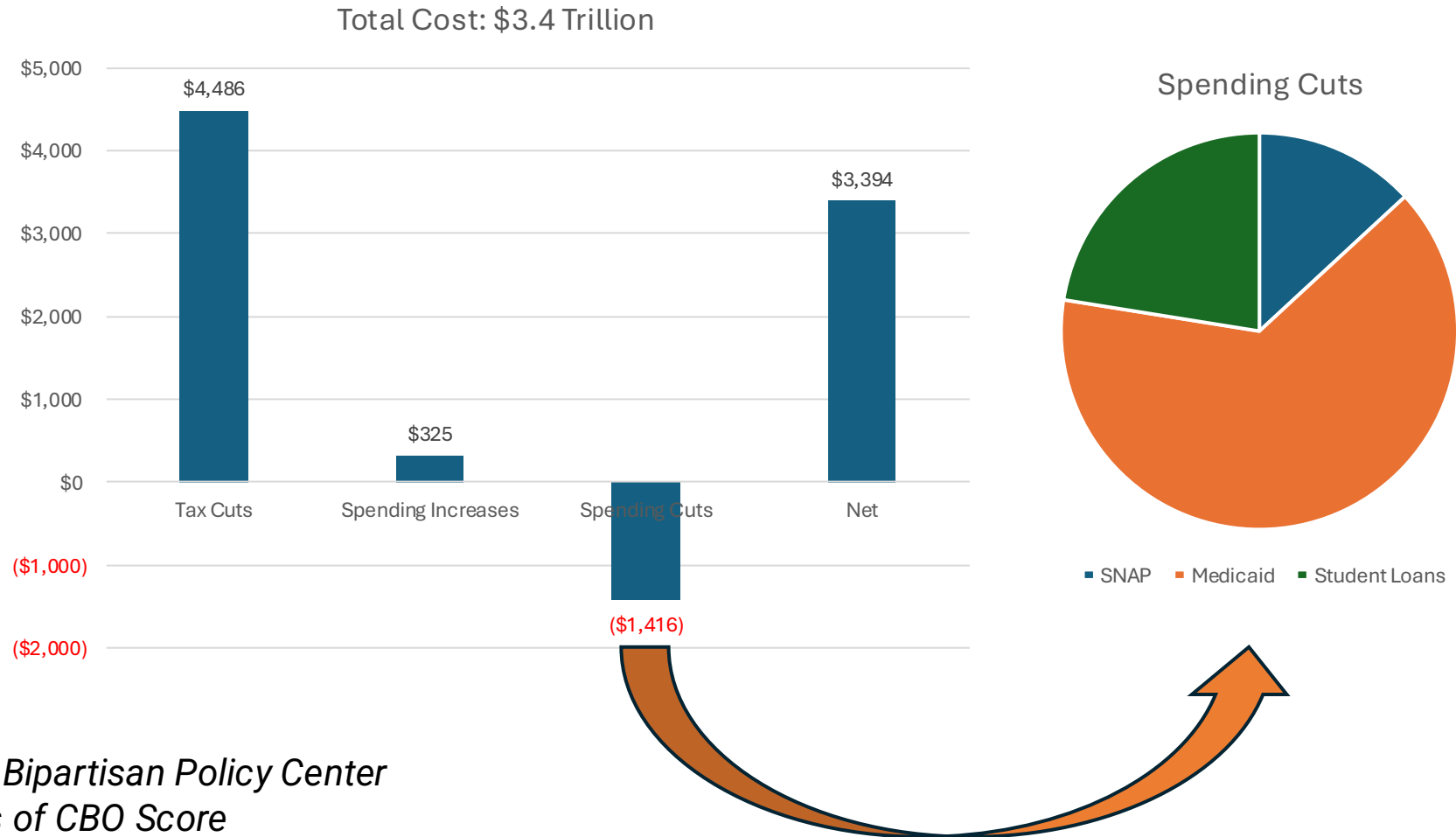
- The budget reconciliation bill made major cuts to Medicaid, SNAP, and federal student loans that will grow dramatically over time.
- These cuts may severely impact funding for higher education especially if states seek to backfill federal cuts with their own funds.
- The risk is particularly acute because higher education is often the first spending category cut during recessions.

Federal Medicaid Cuts in the Reconciliation Package, By Year (in Billions)



Source: KFF analysis of CBO estimates of the enacted reconciliation package

HIGH-LEVEL COST SUMMARY

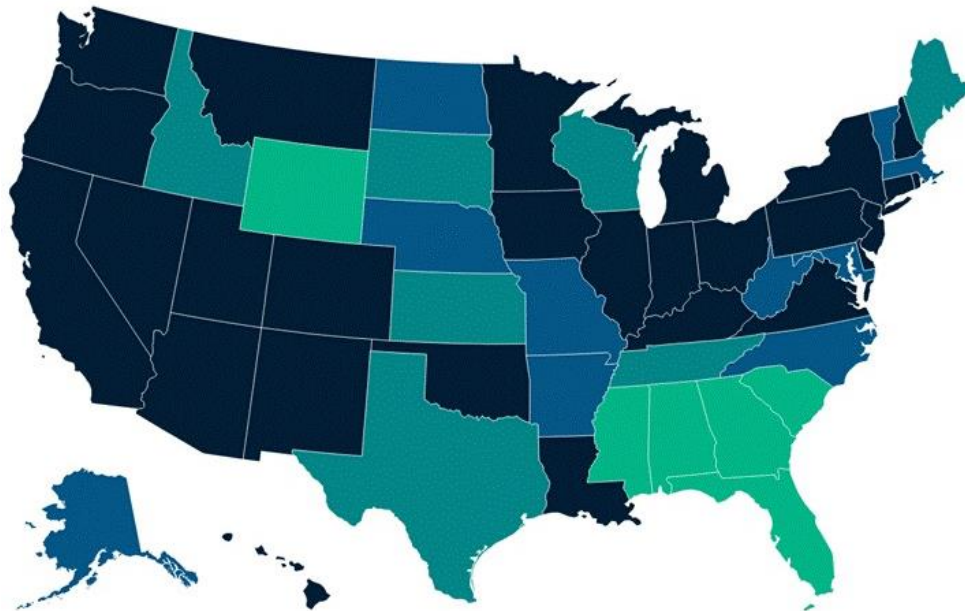


MEDICAID

Federal Medicaid Cuts in the Enacted Reconciliation Package, By State

As a % of 10-year baseline federal spending (2025-2034)

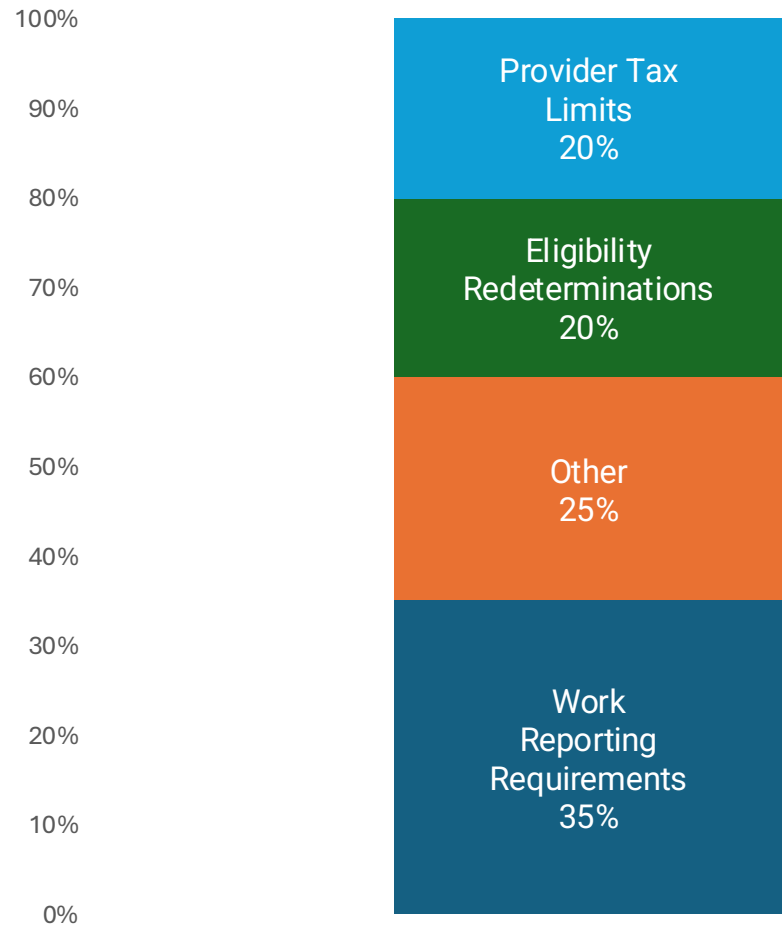
■ < 7% ■ 7%–10% ■ 10%–13% ■ ≥ 13%



- States will have to make up for **half of the \$900 billion cut** from Medicaid out of their own budgets.
- Medicaid represents about **30 percent of state budgets**, so this has serious implications for state finances.
- Students who rely on Medicaid are also at risk of losing their healthcare.
- The impact will vary significantly across states.
 - The 40 Medicaid expansion states and D.C. will see between 10 and 21 percent reductions in federal Medicaid payments to states.
 - Non-expansion states can expect reductions of 6 to 11 percent.

MEDICAID CONT.

Medicaid Cuts as % of CBO Score



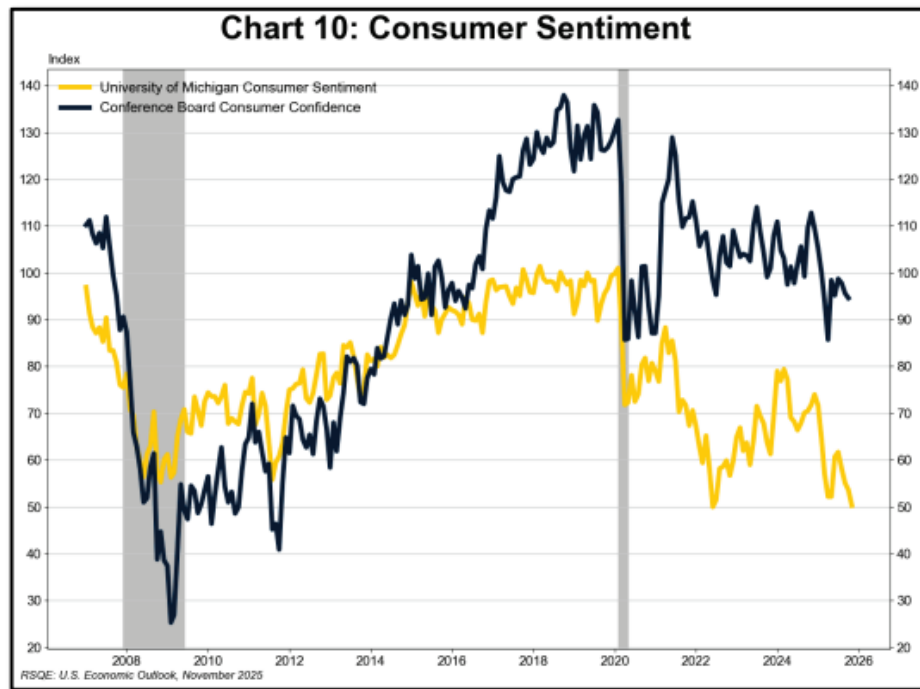
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TAX LOSSES

In addition to federal funding cuts, many states conform some or all of their tax codes to federal definitions, meaning that without state action, the OBBBA's tax cuts will create state revenue losses beyond the federal losses.

- **Rolling Conformity States:** These states automatically update their tax codes to match federal changes in real time. Examples include Alabama, Alaska, Colorado, Connecticut, Delaware, District of Columbia, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Missouri, Montana, Nebraska, New Mexico, New York, North Dakota, Oklahoma, Rhode Island, Tennessee, and Utah.
- **Fixed-Date (Static) Conformity States:** These states adopt the Internal Revenue Code as of a specific date and must pass legislation to update it. Examples include Arizona, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kentucky, Maine, Michigan, Minnesota, New Hampshire, North Carolina, Ohio, Oregon, South Carolina, Texas, Vermont, Virginia, West Virginia, and Wisconsin.
 - Oregon has legislation pending to decouple its tax code from the IRC.

COMPOUNDING ECONOMIC FACTORS



- Tariffs
- Population declines, including immigration pressure
- Uncertainty
- Federal Layoffs
- AI
- Inflation/Affordability

Source: University of Michigan, U.S. Economic Outlook
2026-2027 ([U.S. Forecast | U-M LSA Department of Economics](#))

STATES MOST AFFECTED

- **Medicaid expansion states** – All states except **Alabama, Florida, Georgia, Kansas, Mississippi, South Carolina, Tennessee, Texas, Wisconsin, and Wyoming**
- **Wealthier states with large populations of people who are undocumented** – **California, New York, New Jersey, and Illinois.**
- **States with "Trigger Laws"** – These laws require automatic termination of Medicaid expansion if the federal match rate for the expansion population drops below 90%, which the law does. The states include **Arizona, Arkansas, Illinois, Indiana, Montana, New Hampshire, North Carolina, Utah, and Virginia.**
- **States with large numbers of rural or urban hospitals** – Kansas has the most rural hospitals at risk in absolute numbers while states in the **West and Northeast** will be affected most by the cuts to urban areas.
- **States with high SNAP error rates** – **California, Delaware, Illinois, Maine, Mississippi, North Carolina, Oklahoma, Pennsylvania, and Virginia.**

HIGHER EDUCATION

Student Loans

- Eliminates Grad PLUS
 - Limits graduate loans
- Imposes lifetime \$257,500 borrowing cap
- Caps Parent PLUS loans
- Restructures income-driven repayment

Institutional Accountability

- Imposes new earnings test requiring average graduates to earn more than high school graduates in the case of undergraduates
- Penalties increase gradually, with loss of Pell imposed after three years of failing the test

In sum, OBBBA cuts more than \$300 billion over ten years from higher education.

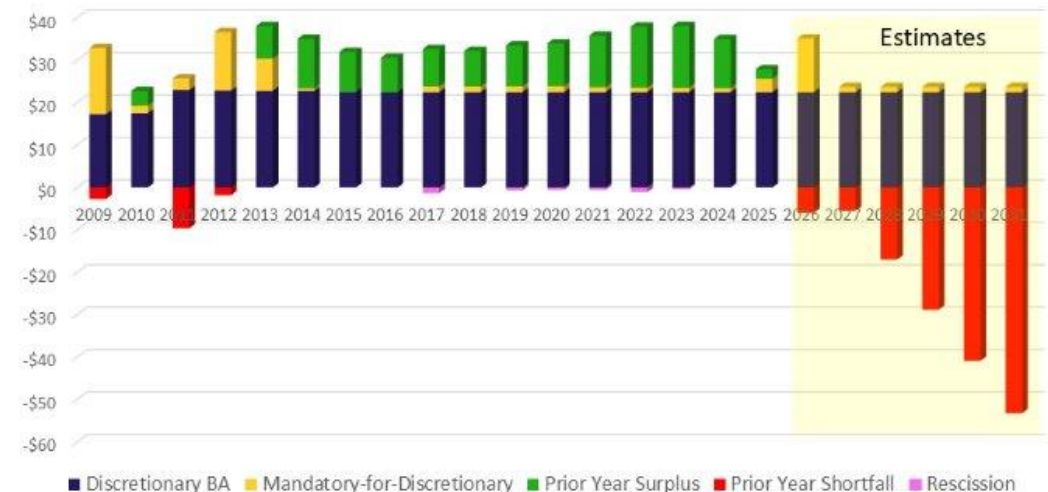
ADDITIONAL HIGHER EDUCATION BUDGET PRESSURE

Beyond reconciliation bill cuts, colleges and universities face additional financial pressure from:

- Proposed research cuts
- Declining international enrollment
- Uncertain federal student aid funding
- Pell shortfall of \$16.9B in FY27

Pell Grant Funding Sources: Discretionary Grant Only

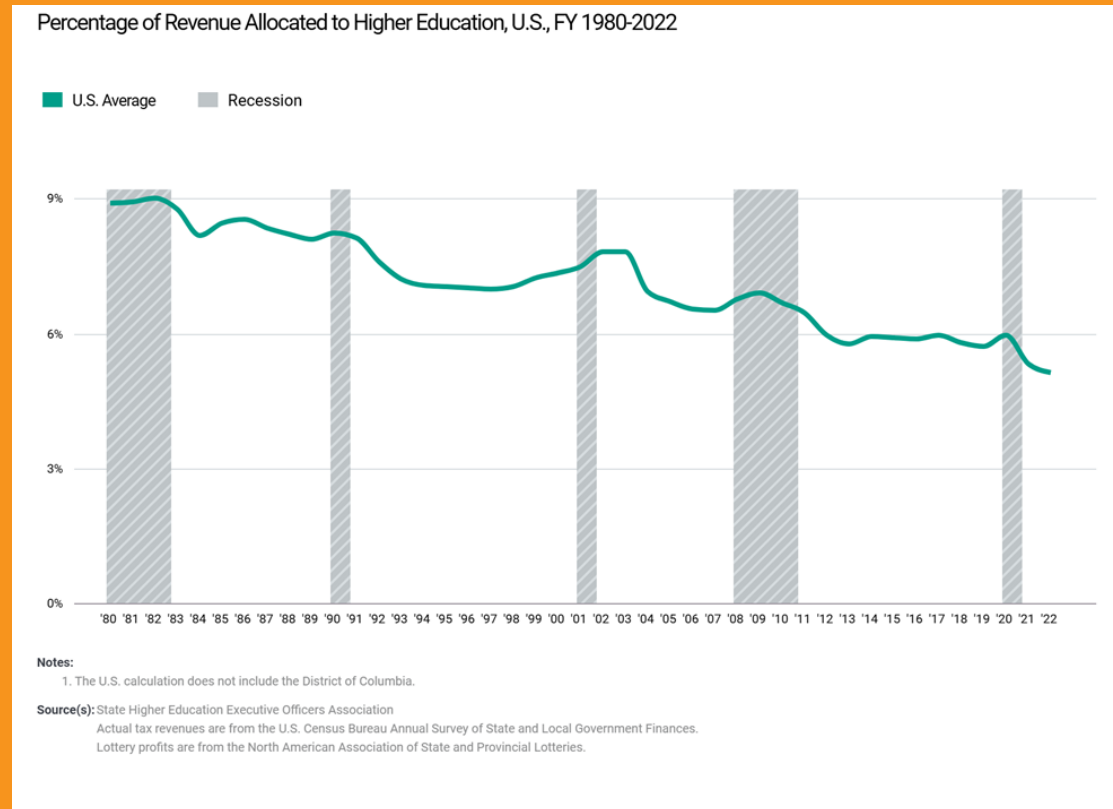
Billions of dollars provided, rescinded, or shortfall created. 2026-2031 are based on CBO estimates assuming discretionary maximum grant is frozen, no eligibility changes, and Congress keeps appropriating same amount it has since 2015



LESSONS FROM THE PAST?

What went well in your state to stave off cuts? What can we learn and what should we do differently?

Please put your answers in the chat.



Source: SHEEO 2024 SHEF report (State Effort - SHEE)

KEY STATE DECISIONS

- Whether/how much to shift funding towards covering people who lose Medicaid and SNAP
- How to implement work requirements



WHETHER TO BACKFILL

Key Considerations

- **Cheapest approach in the short-term:** end the Medicaid expansion and allow the SNAP cuts to go into effect
 - States will lose federal funding for services, but they will not need to find nearly as much savings from other areas of the state budget.
 - Millions will lose health care and food assistance and that will also come with a cost.
- **Important Note:** States with trigger laws will be required to terminate the Medicaid expansion, absent a change to their state laws.
- **Most expensive, complex, and equitable approach:** States that want to maintain enrollment - all or partial - will need to backfill or shift state funding to make up for the loss in federal funding.
 - To receive Medicaid, individuals will still have to meet the federal requirements.
 - Some states offer health care for non-Medicaid low-income residents or subsidize participation in other public programs.

WORK REQUIREMENT IMPLEMENTATION

Key Questions

- How much of an educational effort will a state undertake to make sure Medicaid and SNAP recipients know what they need to do to maintain coverage?
- How easy – or not – will the verification/reporting requirements be to fulfill?
- Will a state invest in new information technology and additional staff to build the necessary systems to comply with the law?

WHAT TO DO

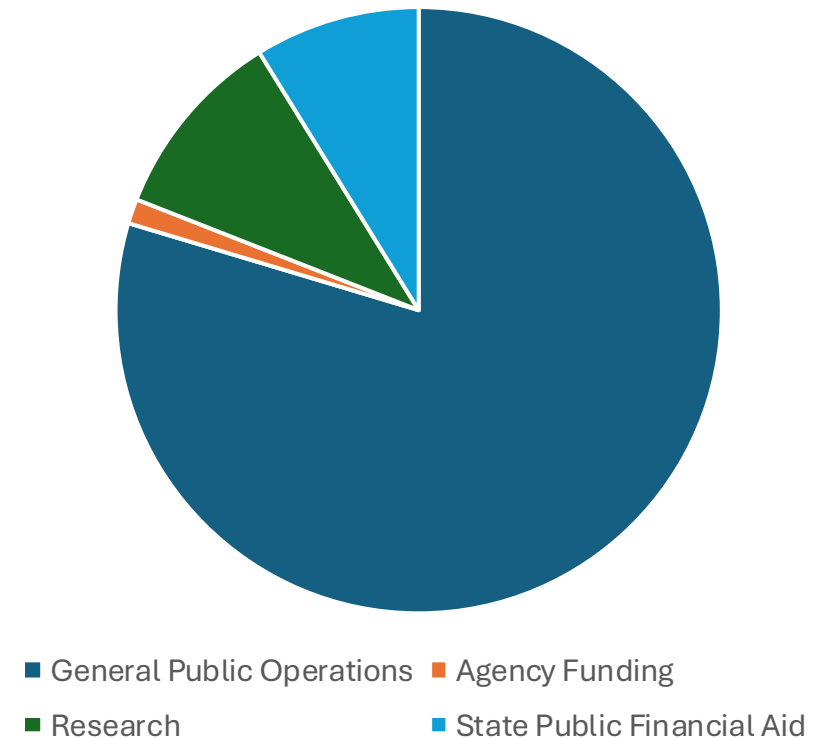


- Prepare to defend critical higher education investments
- Advocate for enhanced data-sharing to help students maintain access to Medicaid and SNAP
- Look for innovative ways to increase efficiency and raise revenue
- Help state leaders prioritize the most important college access and success programs and be strategic about cuts when necessary

PREPARE TO DEFEND HIGHER ED INVESTMENTS

- Build and strengthen coalitions
- Identify and cultivate champions
- Find student and employer stories
- Marshal evidence about the return on investment in higher education
- Make the case that maintaining robust support for colleges and students serves long-term state economic interests even in challenging budget environments.

What's at Stake



[See our toolkit here: How NCAN Members are Increasing College Affordability Through State Policy](#)

ADVOCATE FOR ENHANCED DATA SHARING

Postsecondary Enrollment Fulfills the Work Requirement

"D) Be enrolled in an educational program, including an institution of higher education (as defined in section 101 of the Higher Education Act of 1965) and a program of career and technical education (as defined in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006), at least half-time."

Data Sharing Minimizes the Burden on Students

- Federal guidance requires states to use "reliable" information available to the state prior to requiring additional information from Medicaid applicants or participants.
- Michigan's Tuition Incentive Program provides state financial aid to students who received Medicaid and Washington State guarantees state aid to SNAP recipients.

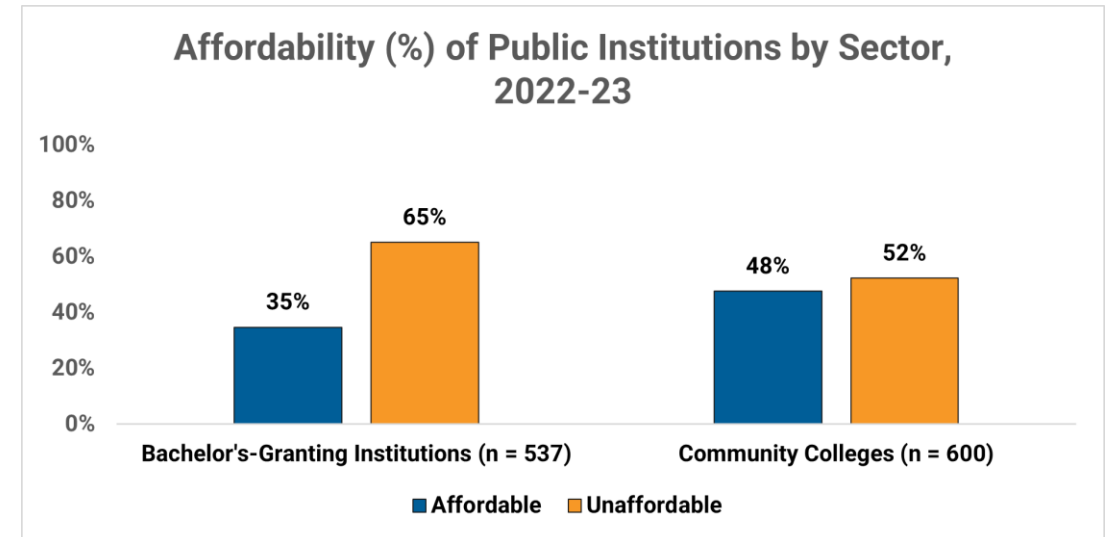
LOOK FOR INNOVATIVE WAYS TO INCREASE EFFICIENCY AND RAISE REVENUE



- Decouple state tax code from the federal one
- Impose or increase high-wealth surtaxes
- Modernizing sales taxes to include digital services
- Using technology and AI for better tax enforcement
- Consolidate state financial aid programs and IHE functions
- What are we missing?

HELP STATE LEADERS PRIORITIZE AND BE STRATEGIC

- Make clear which programs have the **greatest impact on college access and success**, ideally in coalition with other higher education advocates around the state.
- **Consider prioritizing need-based aid**, given the magnitude of the affordability challenge for low-income students.
- If states need to make cuts to higher education funding, they should **do so in a strategic manner**.
 - **Avoid across the board cuts** that harm higher education institutions with smaller margins and fewer revenue streams, such as community colleges and regional campuses.



WHAT WE'RE WATCHING THIS YEAR



1. How Medicaid expansion states respond to cuts
2. Tax conformity laws
3. Federal and state guidance / implementation of work requirements

 NCAN 2026

LEADERSHIP SUMMIT

APRIL 7-8, 2026

WASHINGTON, DC

Register @ ncan.org/summit



THANK YOU!

Please reach out with questions!



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