

Current Issues in State-Federal Fiscal Relations

Four things

FY 2025 discretionary spending status

FY 2025 reconciliation implementation

FY 2026 budget update

FY 2027 and beyond

Backdrop: administration priorities

Cut taxes

Cut mandatory spending

Cut discretionary grants

Shrink the federal footprint

Expand executive power

Tools

Executive orders	Restructuring, layoffs	Regulations	Guidance
FY 2025 spending plans	"Pauses"	Rescissions	Cancellations
Eliminations	Shutdown	Reconciliation	FY 2026 appropriations

FY 2025 full-year CR laid the groundwork for uncertainty

Excluded explanatory statement: program funding and directives

- Allowed executive branch discretion: pauses, cancellations, reissuances
- Required agency spending plans

Missing data and other challenges

Usual data sources coming up short

FY 2025 explanatory statements

- None produced as part of full-year CR

FY 2025 agency spending plans

- Haven't been made public

FY 2026 *Analytical Perspectives*

- Wasn't part of budget release

FY 2026 Congressional Justifications

- Many are missing FY 2025 detail

FY 2026 committee reports

- Missing FY 2025 detail

FY 2025 summary

Still some unknowns

NOFOs and awards resumed after a pause

- Often with 1-2 week application periods

Impoundment is being tested in real time

- GAO nixes legality of withholding funds; does it matter?
- Supreme Court OK'd some pocket rescissions
- FY 2027 budget instructions add language about deferring or rescinding formula funds

Will they run out the clock?

FY 2025 reconciliation recap

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"/>

FY 2026 budget cycle

President/House/Senate

- **President's** budget has significant cuts; 193 grants (\$107B) identified for elimination
- **House** goes along with president but to a lesser degree; notable cuts to Title I (ED); HIV/AIDS, refugee assistance (HHS); WIOA Adult & Youth (DOL)
- **Senate** bills are bipartisan; funding roughly level with FY 2025

CR runs until January 30, 2026; SNAP risk replaced by Medicaid

Final appropriations need bipartisan support in Senate

FY 2026 reconciliation in the new year? Health reform, tariffs

Appropriations Status

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

Congressional pushback

Senate has blistering words in appropriations committee reports and legislative text (HHS, ED, EPA, Interior)

- These can carry the force of law but may be ignored
- Address impoundment, grant cancellations, agency reorganization & elimination, transparency, congressional intent, and adherence to spending funds as directed

House is less vehement, but also concerned

Other issues on our radar

Data quality and availability

- Data products being discontinued, delayed
- Radical opacity

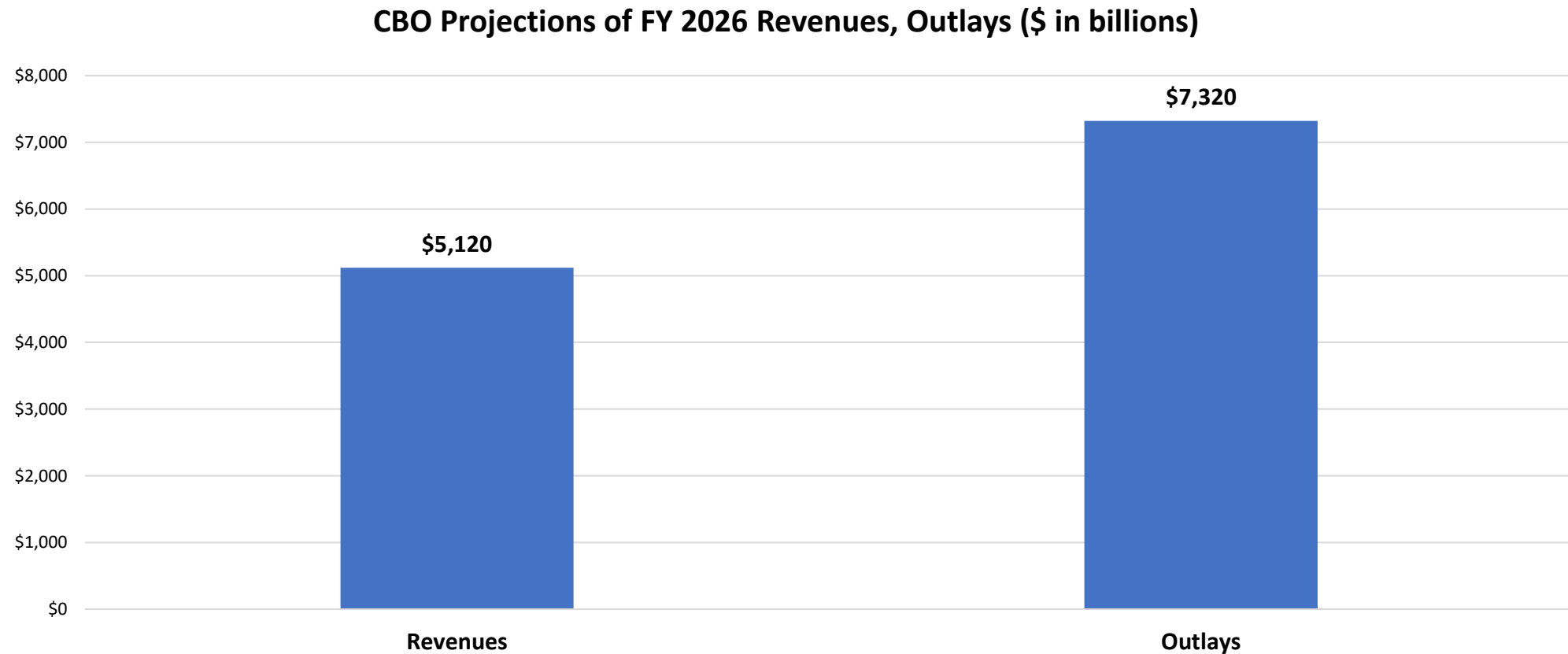
More funding cuts

- Rescissions? With Supreme Court blessing?
- FY 2026 reconciliation?

FEMA

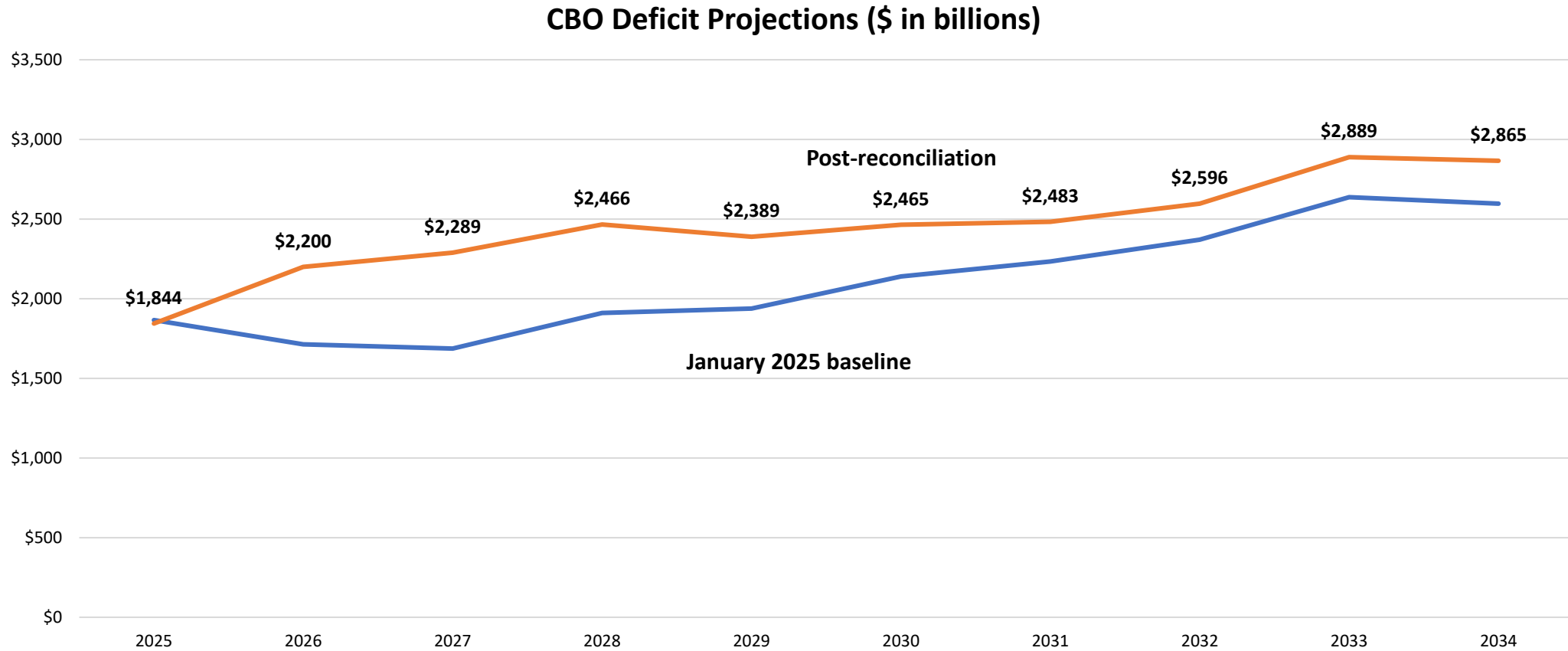
- A return to past proposals? Or just denying, slow-walking assistance?
- Total Taxable Resources, disaster deductibles, or something new?

FY 2026 revenue and outlay projections



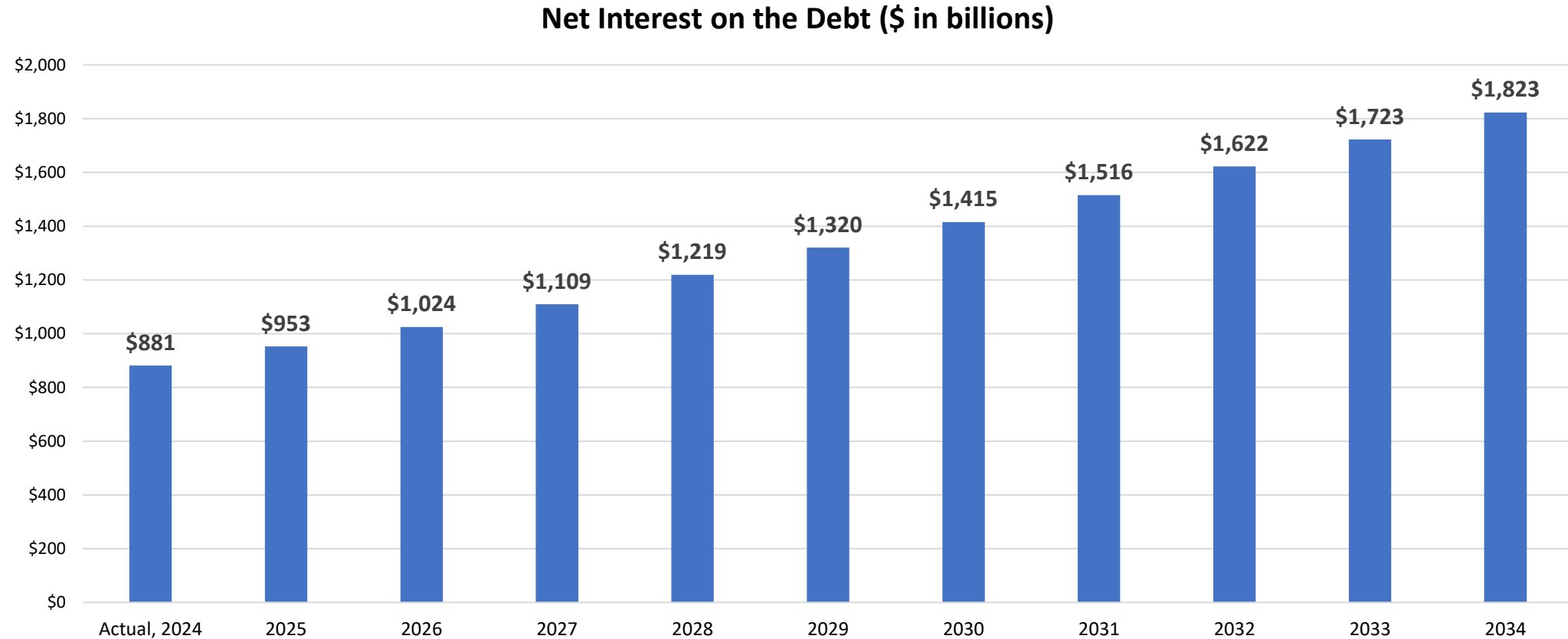
Source: CBO January 2025 baseline adjusted for OBBBA

Zooming out: Tax cuts are front-loaded; spending cuts are back-loaded



Source: CBO January 2025 baseline adjusted for OBBBA

Zooming out: Interest costs go up and up



Source: CBO January 2025 baseline adjusted for OBBBA

Where things stand

Where we've been

FY 2025 has loose ends, plus big program and tax changes awaiting guidance

Not clear if actions ruled unlawful will be reversed

Where we are

FY 2026 holds peril: more rescissions, eliminations, consolidations, shutdowns

Bipartisan support needed in Senate

Administration steps into the breach during shutdowns

Where we're going

How will impoundment/court cases play out?

Will fiscal condition lead to significant changes?

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

- **Get the latest updates** by joining the email list.

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