

The State Budget Landscape in 2026

Medicaid Summit – State & Local Fiscal Briefing

Boston, MA

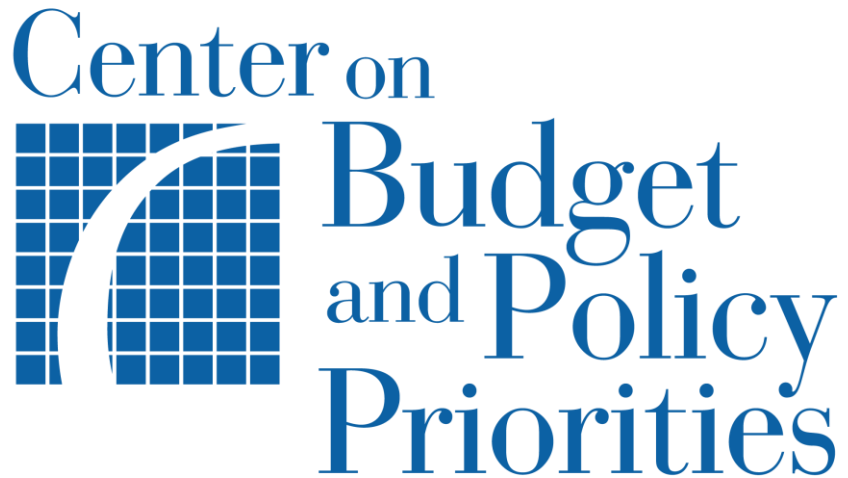
July 9, 2026

Wesley Tharpe

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Center Budget and Policy Priorities - cbpp.org





Who We Are

Nonpartisan research and policy institute in Washington, D.C. that since 1981 has advanced federal and state policies to help build a nation where everyone has the resources they need to thrive and share in the nation's prosperity.

FINANCE

States Brace for Budget Shock Amid Federal Changes

Program and tax changes in the massive budget reconciliation bill are reshaping states' short- and long-term fiscal pictures. How will policymakers respond?

December 1, 2025 •

Rebecca Thiess and Justin Theal, Pew Charitable Trusts



Latest News

HOUSING AND URBAN ISSUES

Localities Welcome Congressional Act
Housing

March 5, 2026

FINANCE

**H.R. 1 = Historic
Spending Cuts to
Pay for Major Tax
Breaks**

Cuts to SNAP: \$187 billion

**Cuts to Medicaid and
ACA Marketplaces
\$1+ trillion**

**Tax cuts for people with
incomes over \$500,000
\$1.4 trillion**

Note: ACA = Affordable Care Act. All estimates through 2034. Reflects Public Law 119-21.

Source: Tax cuts from CBPP calculations using JCT tables JCX-35-25 and JCX-37-25. JCT numbers are adjusted to incorporate the impact of the estate tax cut using TPC tables T25-0042 and T22-0101. SNAP and health coverage numbers from CBO "Estimated Budgetary Effects of Public Law 119-21...Relative to CBO's January 2025 Baseline" (July 21, 2025).

Tax Fallout from Federal “Conformity”

- Federal & state income tax codes are closely linked, so spillover costs
- Expensive corporate and business provisions
- Poorly targeted personal tax breaks for tips, overtime, auto loans
- States can act – and many are!
- **MA:** \$442m in current FY, \$250m+ thereafter – would phase in under compromise budget

June 9, 2026



Major New SNAP

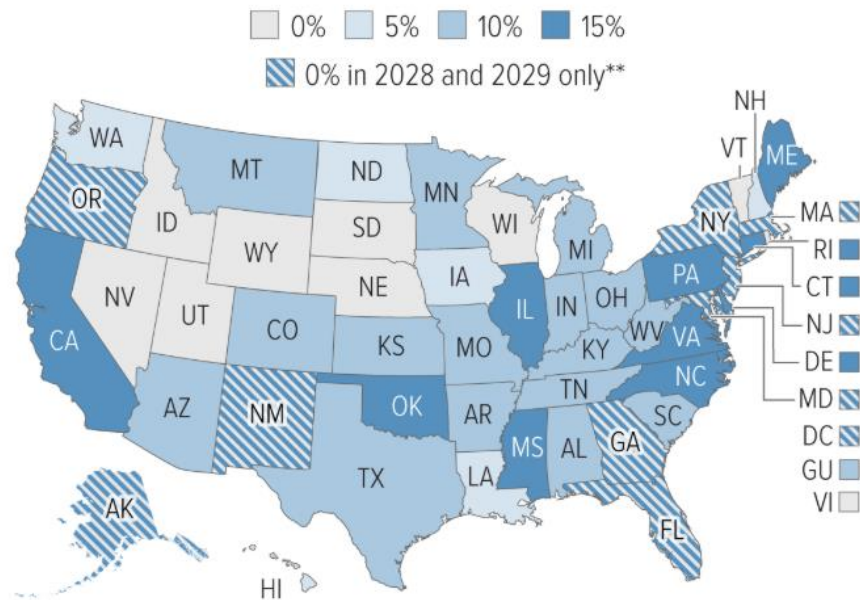
Responsibilities

- Unprecedented state obligation for food assistance (5-15% for most states)
 - **MA** = Two-year delay, then up to \$390m starting in FY30
- Higher share of SNAP administrative cost
 - **MA** = \$64m/year
- Indirect and long-term fallout from benefit loss, increased hunger

June 9, 2026

Nearly All States Would Face Cost-Shift Based on 2024 Error Rates

States' cost shares in 2028 and 2029, assuming error rates from 2024*



*Actual cost shares will be based on 2025-2026 error rates. 2024 used for illustrative purposes.

**Based on delay for states with the highest error rates.

Source: USDA FNS, "SNAP Payment Error Rates," fiscal year 2024. Payment error rates are equal to the sum of over and under payments.

Sharp Impact of SNAP Cuts

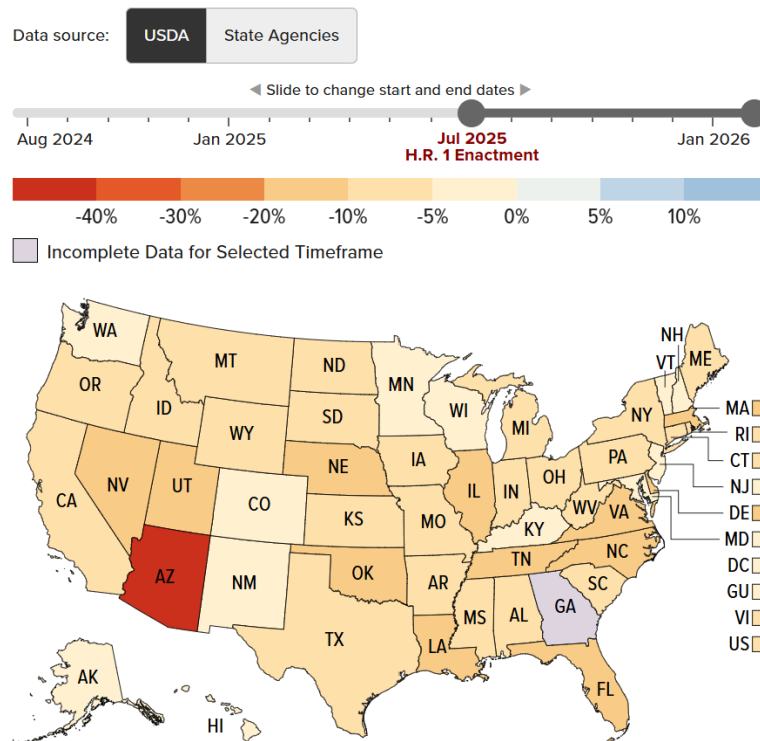
Already Arriving

- SNAP participation nationwide fell by more than 3.5 million people (nearly 9%) between H.R. 1's July 2025 enactment and February 2026
- **Highs:** AZ (49%), LA (15%), VA (15%), TN (14%)
- **Mass:** 11.4% decline, or nearly 124,000 people
 - That's roughly the population of Cambridge, or approaching that of Springfield

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SNAP Participation Dropping Following Enactment of Harmful Republican Megabill

Percentage change in SNAP participants between July 2025 and February 2026

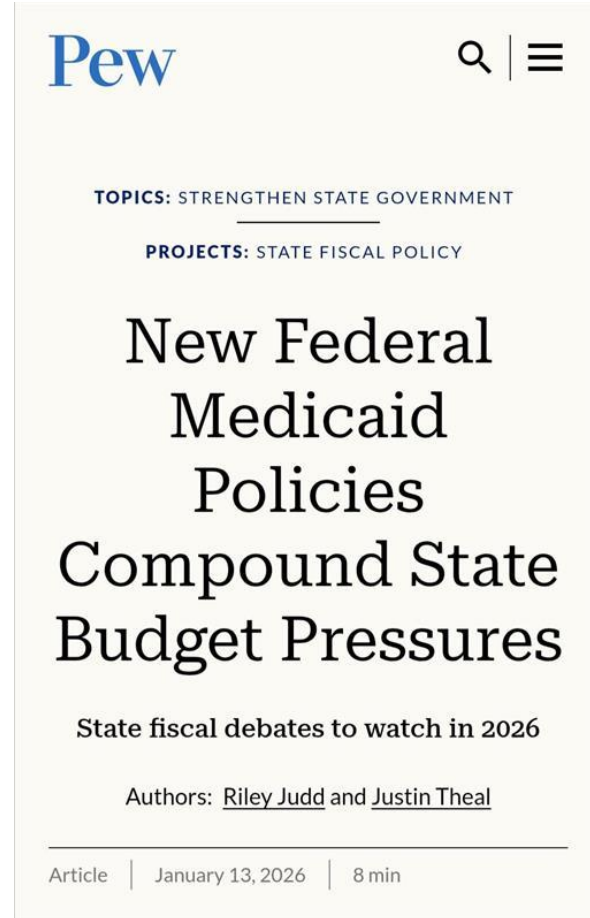


Layered Impact of Health

Care Cuts

- Startup & ongoing costs to administer new Medicaid work requirement
- Strict new “provider tax” limits
- Indirect spillover costs from widespread coverage loss especially for providers serving disproportionately vulnerable pops
 - **MA** = \$3.7 billion in increased uncompensated care costs over 10 yrs

June 9, 2026




Federal Health Cuts Already Applying Pressure

POLITICS & GOVERNMENT

Cuts coming to Kentucky Medicaid program, social services and more

By Hannah Pinski

June 5, 2026 5:00 AM |  Gift Article

POLICY

Medicaid Work Requirements Squeeze Community Health Centers

Coverage losses and reduced funding coincide with a surge in uninsured patients seeking care.

April 6, 2026 • Phil Galewitz, KFF Health News, TNS



NEVADA | News

Not just Medicaid: Trump's Big Beautiful Bill will strain all NV healthcare, lawmakers told

HEALTHCARE | May 08, 2026 | 8:00 am ET | By Matthew Mondschein

SHARE     

GOVERNMENT & POLITICS | HEALTH

Georgia's ACA enrollment plunges, raising concerns for rural hospitals

BY: ARIEL HART - APRIL 20, 2026 7:48 PM | UPDATED APRIL 22, 2026 9:49 PM



Nuance Alert: States Can *Limit* Some Costs With High-Road Policy Response

- State policymakers can partially mitigate harm from federal actions through **sound implementation**, such as by reducing administrative hassle and mistakes that cause eligible people to lose their health coverage or food assistance
- Working to ensure eligible people don't lose benefits can help **keep some federal funds flowing** and **limit indirect spillover costs** such as spikes in uncompensated care, partially reducing fiscal impact

“

“[The Gov. Wes Moore] administration is investing to implement HR 1 in a way that will keep people covered. About \$1.4B of [Maryland’s \$2.7B Medicaid loss] is if that entire 115,000 member group loses coverage. But if we can keep most people eligible ... then that \$2.7B could reduce to \$1B or even much less.”

Perrie Briskin

Maryland Deputy Health Secretary

January 29, 2026

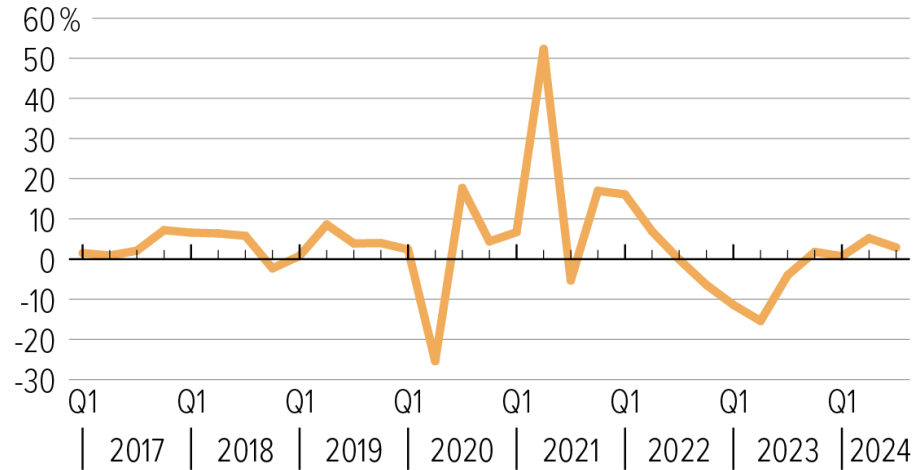
Additional Fiscal Risks

- Now-expired pandemic-era fiscal aid for states, localities, school districts
- Economic disruption from federal tariff policy, war in Middle East, etc.
- In some cases: states' own fiscal choices
- **All told:** State revenue growth has dampened from post-COVID highs
- **Also:** Specter of additional federal cuts (housing, child care, schools, etc.)

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State Revenues Have Declined From Spike

Real year-over-year change in revenue from major state taxes



Source: The Urban Institute

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Expired and Expiring Federal Aid

ARPA / SLFRF (State & Local Fiscal Recovery Funds)

Jurisdictions had to obligate projects by Dec. 31, 2024, and may spend through Dec. 31, 2026

ESSER (Elementary and Secondary School Emergency Relief) Fund

ESSER funds have expired, though spending deadlines have been extended in several cases

Pandemic Public Health Emergency/CDC Emergency Grants

Emergency grant streams and temporary CDC funding sources tightened when the federal emergency ended

Significant State-Led Budget Pressures

Wave of state income tax cuts

26 states in past 5 years

Property tax cuts/caps

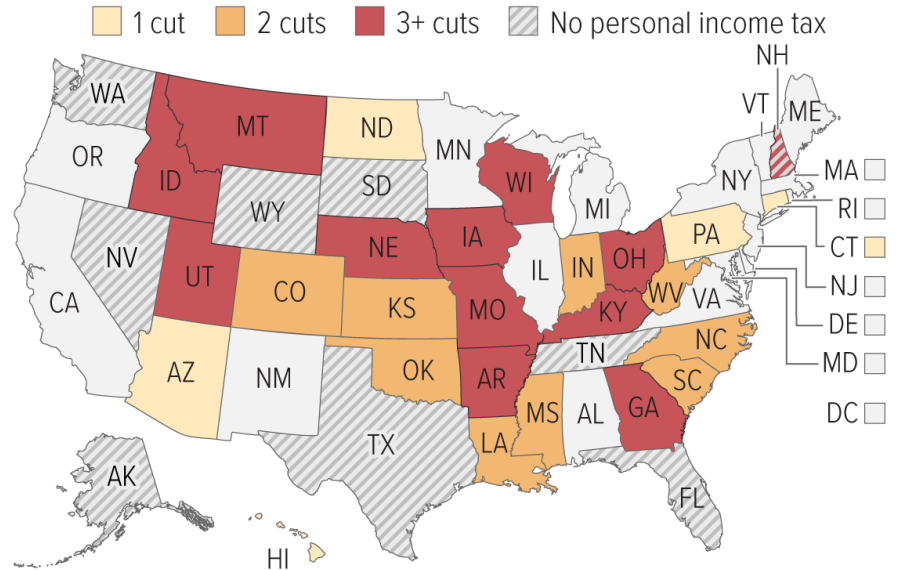
17 states in past 2 years

Proliferating school vouchers

20 states expansions in just 2025

States Have Passed Wave of Costly Income Tax Cuts

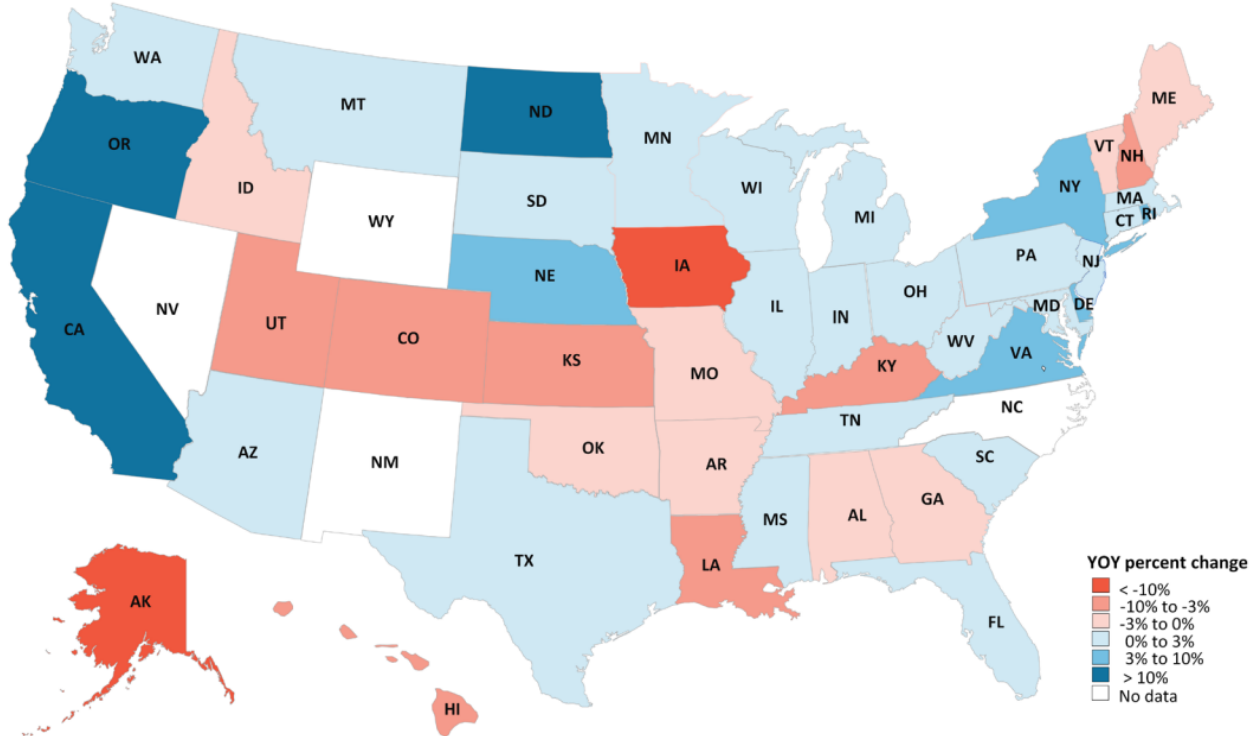
Enacted cuts to personal or corporate income tax rates, 2021-2025



Source: CBPP analysis of state legislation and budget documents

Percent change in inflation-adjusted state total tax revenues

July 2025–March 2026 vs July 2024–March 2025, percentage change



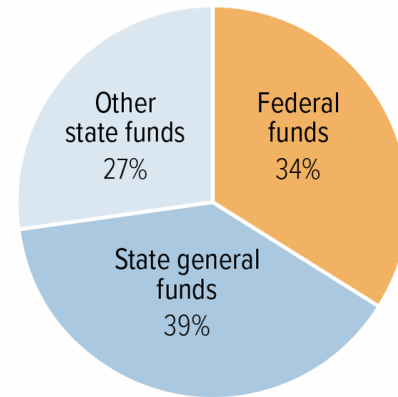
Notes: Complete data is still not available for Nevada, New Mexico, North Carolina, and Wyoming.

Combined pressures threaten all state & local services

- About 1 in every 3 dollars available for state investment comes from the federal government
 - **MA:** About 30% of budget = federal funds (of which two-thirds are for Medicaid)
- States must balance their budgets, which means hard choices and tradeoffs
- That means big risk of harmful cuts to both food assistance and health care, *and* shifting of funds from **additional state and local services** like education, housing, child care, and infrastructure

Federal Funds Comprise About a Third of States' Annual Spending

Share of state expenditures by category, fiscal year 2024



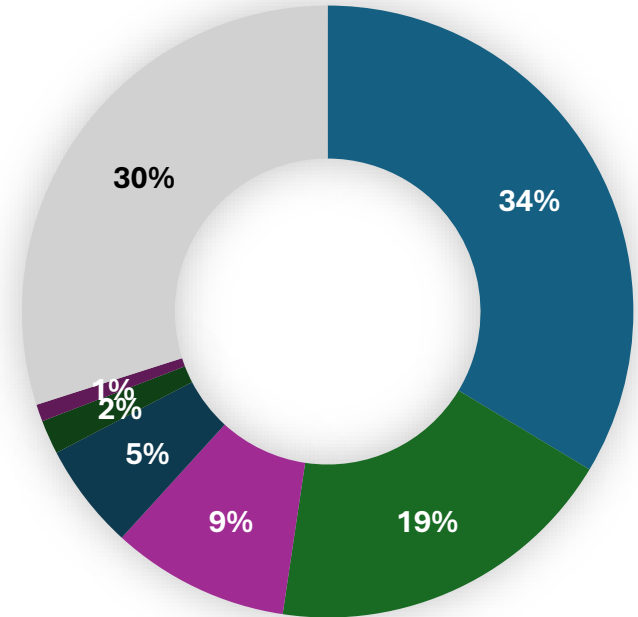
Source: CBPP calculations from data in 2024 State Expenditure Report, National Association of State Budget Officers. Expenditures include capital and non-capital.

State budgets support wide array of investments in programs and services

State general funds expenditures by function, FY 2024, U.S.-wide

In aggregate, states spent nearly \$1.2 trillion dollars on schools, healthcare, higher education, public safety, transportation and supports for working families

- K-12
- Medicaid
- Higher Education
- Corrections
- Transportation
- Public Assistance
- Other



State Tax & Budget Choices in 2026

In the wake of fallout from federal policy and other fiscal pressures, many state policymakers and stakeholders are working to:

- **Preserve** revenues states stand to lose from federal-state tax conformity
- **Raise** new revenues to help offset recent federal cuts and invest in states' own longstanding priorities and unmet needs

... whereas some other states continue to move in **the opposite direction**, with additional and in some cases increasingly extreme fiscal policies.

Preserve

An increasing number of states are delinking from many of the megabill's costliest "conformity" impacts:

- Policymakers in more than a dozen states have decoupled from some **corporate provisions**, like expanded breaks for bonus depreciation or research & development
- Two states – Maine and Oregon – have delinked from a major **personal income tax** break primarily for venture capitalists (QSBS)
- CO, NM, (likely) VT have taken **additional steps** to protect revenue from increased risk of corporate tax avoidance

State Tax Policies Evolve After Big Beautiful Bill

Lawmakers continue to adopt measures to limit the revenue impacts of the president's tax cut and policy law.

By Joe Livingston | May 21, 2026

State Legislatures News

Fiscal



Raise

Several states have taken proactive action to raise new revenues in 2026 to mitigate cuts and bolster public investments:

- Targeted **income tax** policies, or “millionaires’ taxes,” in at least three states: Hawai’i, Maine, Washington
 - Rhode Island increasingly likely too
- Other noteworthy **revenue increases** in at least Illinois and New York so far
- Potentially sizable revenue policies **via ballot measures** in California and Colorado



Other States Taking Opposite Approach

Governor cuts budget after income tax bill creates \$1.3 billion hole

Kemp outlined \$300 million in reductions Tuesday

BY: **JILL NOLIN** - MAY 12, 2026 7:07 PM



West Virginia Governor Vetoes Help for Neglected and Foster Kids After Approving Tax Cuts

Gov. Patrick Morrisey has vetoed a handful of bills aimed at helping vulnerable West Virginians

 By Associated Press | April 6, 2026, at 1:50 p.m.

North Carolinians to vote on income, property tax limits after lawmakers OK ballot questions

Voters in November will be asked: Should the state constitution cap the state's income tax rate at 3.5%? Should the state limit local governments' control over their property tax rates?

Posted 4:00 AM May 20, 2026 – Updated 7:48 PM May 20, 2026

Plan to replace Missouri income tax with expanded sales tax heads to voters



Thank You !