Agenda Item_____

BOARD OF COUNTY COMMISSIONERS BRIEFING PAPER

Topic: Federal Funding Update: Anticipated Impacts of Federal Budget Reconciliation Bill (H.R.1)

Presented by: Dan Conway, Chief Financial Officer, Carey Markel, Deputy County Attorney, Mary Berg, Human Services Director, Jesica Antonucci, Community Assistance Director

Date: 7/22/2025

☒ For Information ☐ For Discussion/Board Direction ☐ Consent to Place on Business/ Hearing Agenda

Issue: The 2025 federal budget reconciliation act (H.R.1) includes sweeping changes to Medicaid and the Supplemental Nutrition Assistance Program (SNAP) that will impact Jefferson County's Human Services operations, community well-being, and fiscal landscape. This briefing also includes other impacts as set forth below.

Background: On July 4, 2025, H.R.1 was signed into law, enacting wide-ranging changes to federally funded programs and implementing significant tax and policy changes across various sectors.

In Jefferson County on average, we serve 37,975 people active on SNAP benefits each month; 35% of these recipients are children. For Medicaid, we have an average of 79,241 individuals on our caseload each month.

H.R.1 enacts major structural changes to Medicaid and SNAP, including:

- Work requirements, copays, and more frequent eligibility reviews for Medicaid.
- Cost-sharing and federal reimbursement changes that shift financial responsibility to states and possibly local governments for SNAP.

- SNAP match requirements that could necessitate up to a 15% local match.
- Eligibility verification tightening, particularly for non-citizens and long-term care applicants.

These provisions are expected to increase administrative burdens, reduce program participation, and increase demand for uncompensated care locally. Please see *Attachments A B and C* for more details on these changes.

Other impacts of H.R.1 under review include the elimination taxes on overtime pay and tips, and potential effects from sequestration, which are being actively monitored.

Discussion:

Key Medicaid Impacts:

- Medicaid changes will significantly increase administrative burdens for counties. Community engagement requirements (80 hours/month of work or related activity) may necessitate substantial staffing increases for tracking and employment outreach. Redeterminations will occur twice annually, doubling staff workload and impacting clients. Other impacts include elimination of federal funding for individuals pending citizenship verification, shifting costs to state and local governments; and a reduction in retroactive coverage from 3 to 1 month, increasing financial risk for providers and potential gaps in urgent care coverage. Changes to direct and indirect County costs are currently under analysis to determine potential fiscal and operational impacts.

Key SNAP Impacts:

- The proposed SNAP changes would require states to cover a portion of benefit costs—based on each state's PER (see *Attachment B*)—and assume 75% of administrative costs. Currently, SNAP benefits are fully federally funded, with administrative costs split 50% federal, 30% state, and 20% county. The federal share is being decreased by 25%, which is anticipated to be passed onto the County. The table below estimates the increased costs that could be passed on to the County, based on 2024 benefit and administrative data.

Estimated SNAP Cost-Sharing Increases (using 2024 data)			
Entity	**Administration 45%** *(up from 20%)*	**Benefits 10%** *(up from 0%)*	**Total Added Costs**
Jefferson County	$2,156,404	$9,245,528	$ 11,401,932
State of Colorado	$35,115,876	$146,187,673	$181,303,549

Community Impacts:

- Reductions in Medicaid and SNAP enrollment are expected to increase uninsured rates—particularly among working-age adults—due to new compliance barriers, leading to greater reliance on emergency rooms and safety-net services, higher uncompensated care burdens for providers, and worsening health and economic disparities. More residents may forgo medical treatment, raising public health concerns. SNAP participation in Jefferson County could decline by 24% or more, increasing demand for emergency food and community support services.

Other Items for Discussion:

- Sequestration - Monitoring other Human Service programs such as the Social Service Block grant, Head Start, Community and Workforce Development programs and others for potential impact from sequestration. Sequestration is a legal process in U.S. federal budgeting that automatically cuts government spending when certain budget limits are exceeded. Sequesters are ordered by the President and enact across the board cuts, hitting most programs equally.

- Tax Code Changes - H.R.1 eliminates federal income taxes on overtime pay and tipped wages, effective January 1, 2026, through December 31, 2028. This change will impact employee compensation reporting, payroll systems, and future local revenue projections tied to taxable income. Further Treasury guidance on implementation is expected in late 2025.

- Child Tax Credit - H.R.1 modifies the Child Tax Credit (CTC), with changes taking effect January 1, 2026. Key provisions include increasing the maximum credit amount, adjusting eligibility thresholds, and partially indexing the credit to inflation. These changes may affect household income levels, tax filings, and eligibility for income-based programs starting with the 2026 tax year. Further IRS guidance is anticipated in late 2025

- Senior Tax Deductions - H.R.1 increases standard tax deductions for seniors beginning January 1, 2026. The enhanced deduction applies to individuals aged 65 and older, aiming to reduce taxable income and provide additional financial relief. This may influence eligibility for income-based services and tax-related benefits. Further clarification from the IRS is expected before the 2025 tax filing season.

- Workforce and Economic Development - Incentives for private sector hiring and apprenticeships could shift federal funding priorities. Reduced funding for job training programs not aligned with "high demand" sectors. May limit flexibility in workforce programs currently administered by counties.

Attachments:

Attachment A - National Association of County Human Service Administrators (NACHSA) Safety Net Cuts- Summarizes effects of H.R.1 on SNAP and the various components of Medicaid, timeline for implementation and payment error rate calculations, etc.

Attachment B - This attachment summarizes programs by department, categorized as having confirmed impact, under monitoring, or with impact yet to be determined. Gray tables indicate previously briefed items with no fiscal changes; white tables reflect new items or updated impacts.

Attachment C - H.R.1 – County Impacts Timeline Overview

Fiscal Impact: ☒ **yes** ☐**no**

This briefing itself does not have any direct fiscal impact. However, the fiscal impacts of the Executive Orders and federal legislation are detailed in the narrative and attachments.

SPA Review: Support, no concerns. Sherry Wilger, 7.14.2025.

County Attorney Review: Approved. Carey Markel, 7.15.2025.

Facilities Review: No fiscal impact. Mark Danner, 7.14.2025.

BIT Review: No impact. Andy Corbett, 7.15.2025

Fleet Review: No fiscal impact. Janice Mayer, Director, July 15, 2025.

County Human Resources Review (new FTE only): No FTE

Recommendations:
Continue to monitor potential and realized impacts to the County and its residents. This includes the development of mitigation strategies—addressing both financial and program impacts—and coordination of public communication efforts for discussion at the August 12 work session with the Board of County Commissioners.

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