Federal Focus

Potential Changes for Tennessee

October 9, 2025

THE SYCAMORE INSTITUTE

Our Agenda

Federal Funding Context

State Budget Context

Federal Actions to Date

Changes and Their Projected Impact

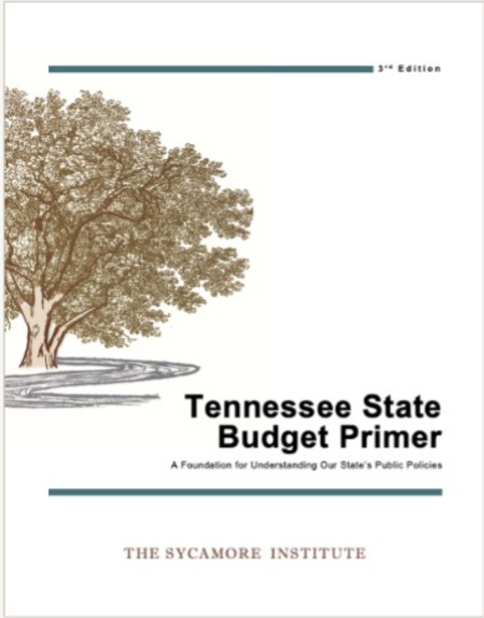
- Medicaid/TennCare
- SNAP
- ACA Coverage

SycamoreTN.org Resources

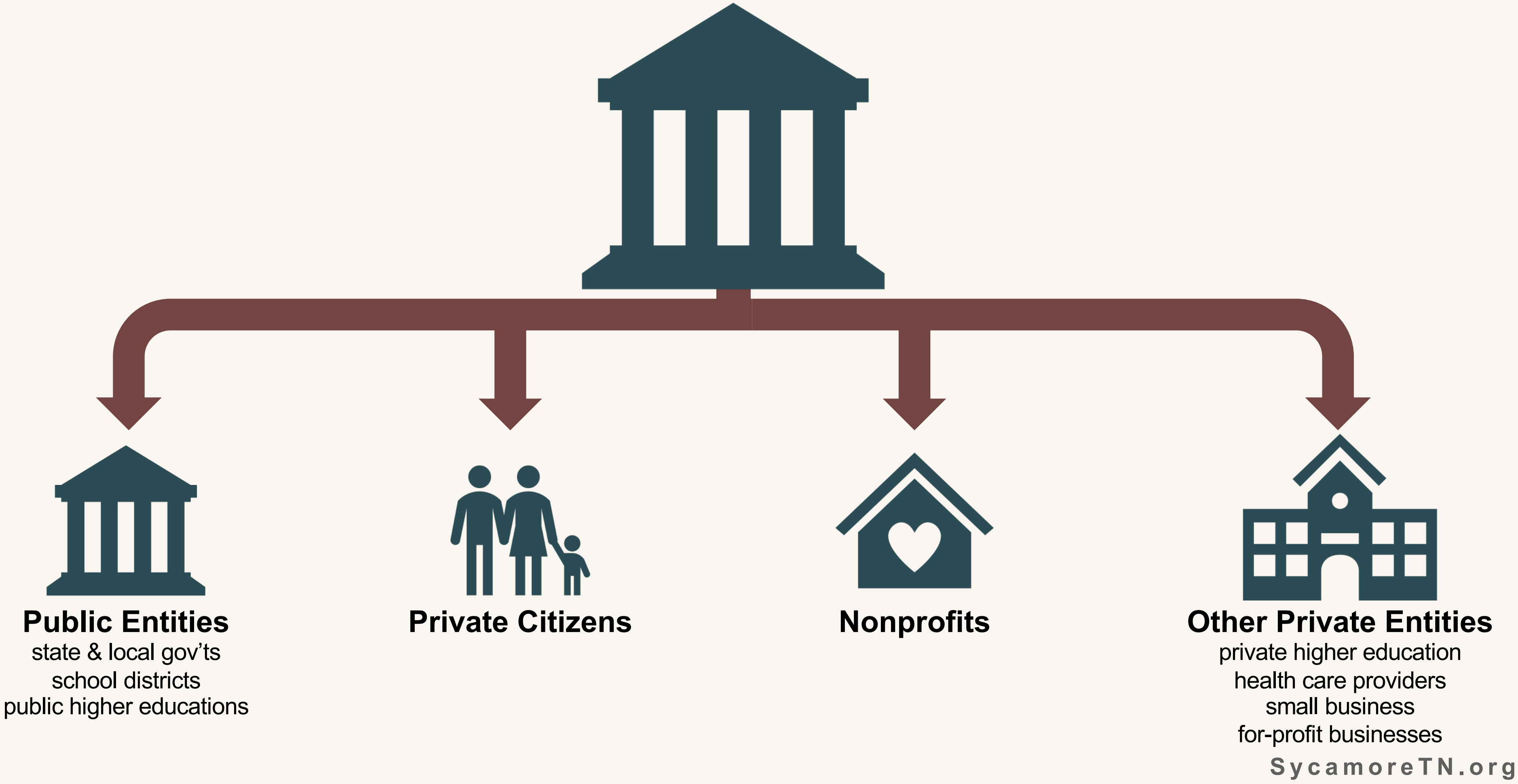
Useful Links

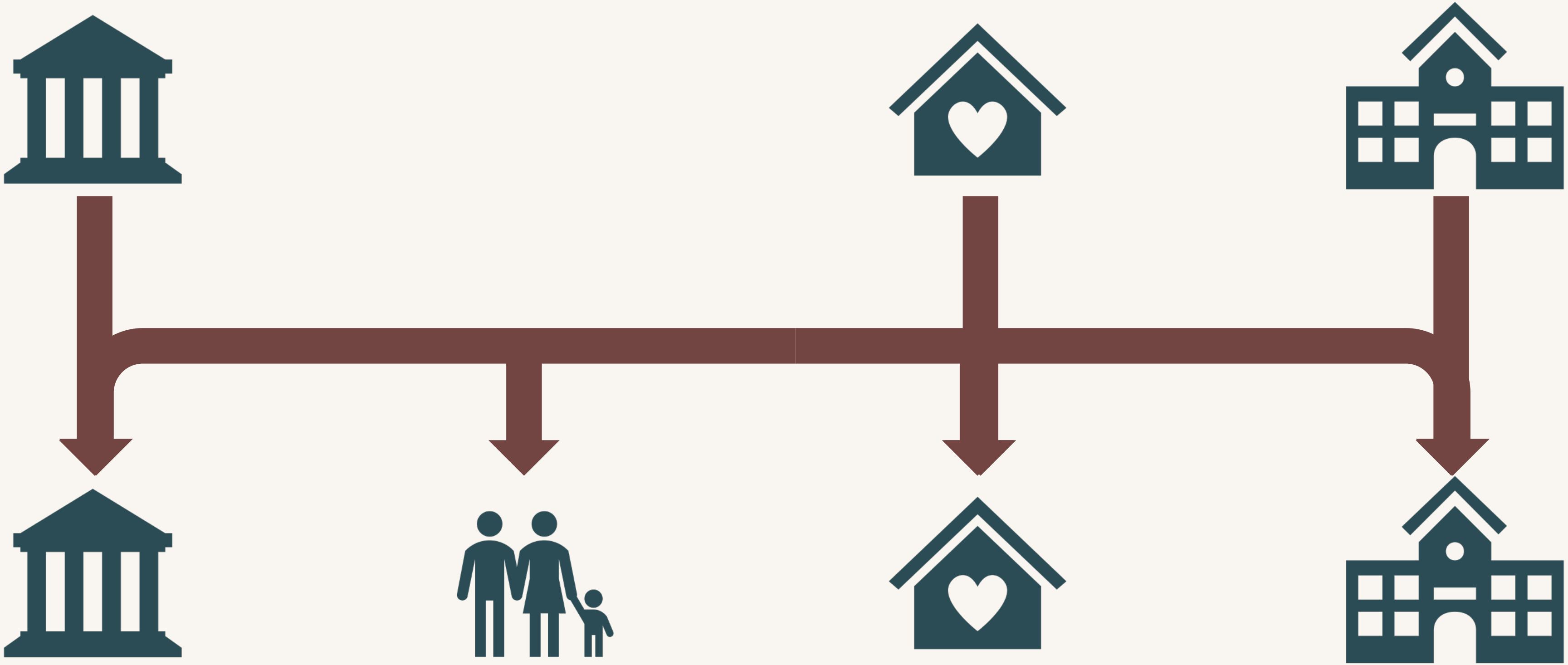
Federal Funding Dashboard
Safety Net Dashboard
[Double] Scoop Newsletters

State Budget Primer

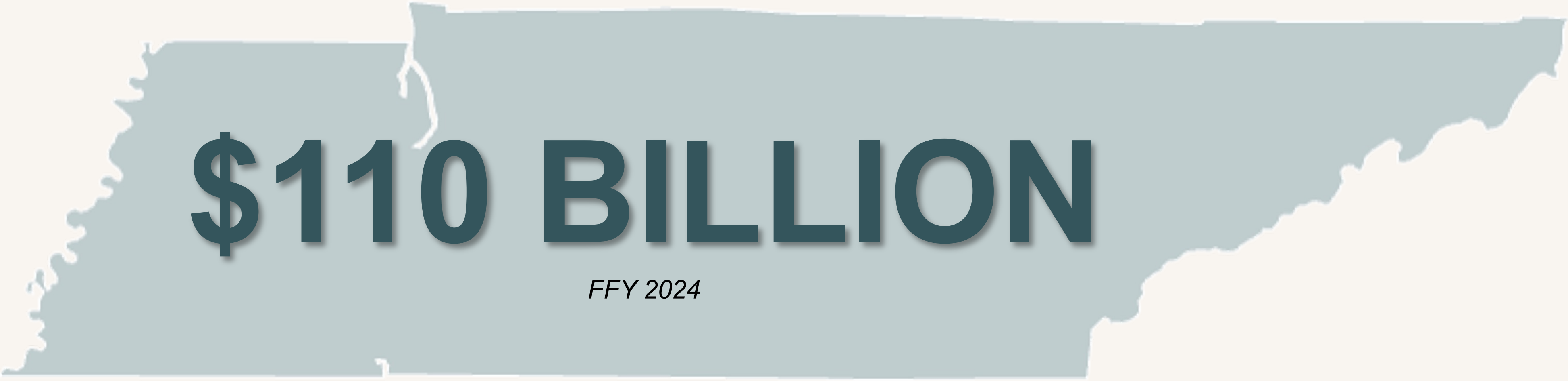


Federal Funding Context


Public Entities
state & local gov'ts
school districts
public higher educations
Private Citizens
Nonprofits
Other Private Entities
private higher education
health care providers
small business
for-profit businesses
SycamoreTN.org



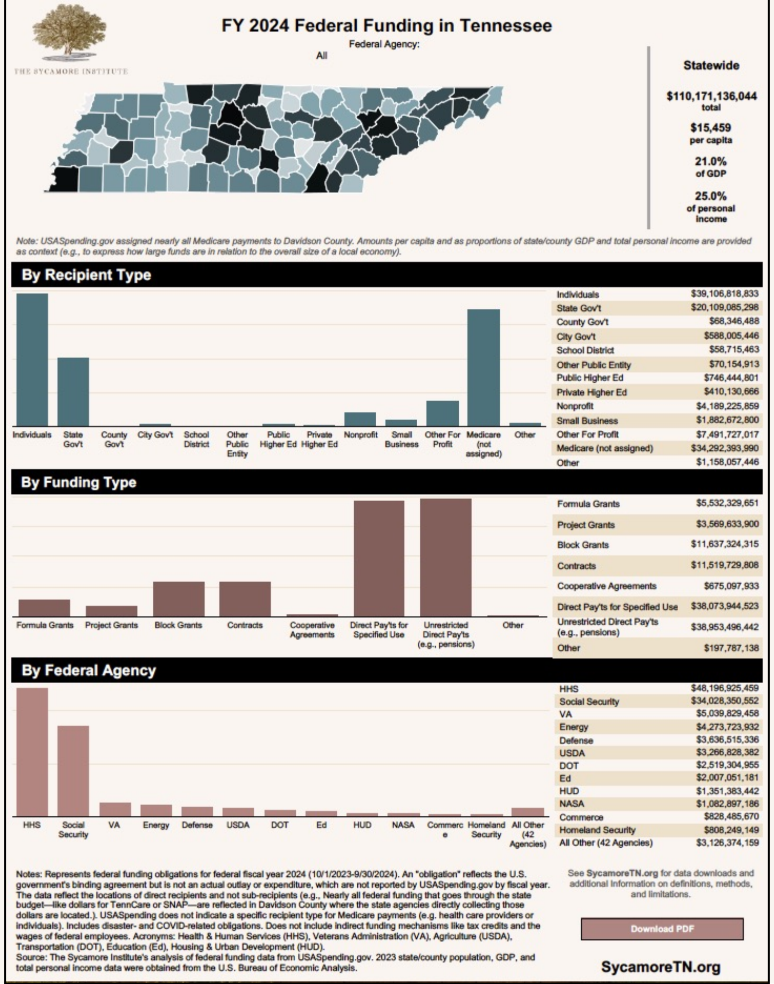
It's not always obvious when a federal dollar is a federal dollar.



Source: The Sycamore Institute's analysis USASpending.gov as of April 2025

FY 2024

Federal Funding Dashboard



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FY 2024 Federal Funding in Tennessee

Federal Agency:
All

Statewide

$110,171,136,044
total

$15,459
per capita

21.0%
of GDP

25.0%
of personal income

Note: USASpending.gov assigned nearly all Medicare payments to Davidson County. Amounts per capita and as proportions of state/county GDP and total personal income are provided as context (e.g., to express how large funds are in relation to the overall size of a local economy).

By Recipient Type

Individuals	$39,106,818,833
State Gov't	$20,109,085,298
County Gov't	$68,346,488
City Gov't	$588,005,446
School District	$58,715,463
Other Public Entity	$70,154,913
Public Higher Ed	$746,444,801
Private Higher Ed	$410,130,666
Nonprofit	$4,189,225,859
Small Business	$1,882,672,800
Other For Profit	$7,491,727,017
Medicare (not assigned)	$34,292,393,990
Other	$1,158,057,446

By Funding Type

Formula Grants	$5,532,329,651
Project Grants	$3,569,633,900
Block Grants	$11,637,324,315
Contracts	$11,519,729,808
Cooperative Agreements	$675,097,933
Direct Pay'ts for Specified Use	$38,073,944,523
Unrestricted Direct Pay'ts (e.g., pensions)	$38,953,496,442
Other	$197,787,138

By Federal Agency

HHS	$48,196,925,459
Social Security	$34,028,350,552
VA	$5,039,829,458
Energy	$4,273,723,932
Defense	$3,636,515,336
USDA	$3,266,828,382
DOT	$2,519,304,955
Ed	$2,007,051,181
HUD	$1,351,383,442
NASA	$1,082,897,186
Commerce	$828,485,670
Homeland Security	$808,249,149
All Other (42 Agencies)	$3,126,374,159

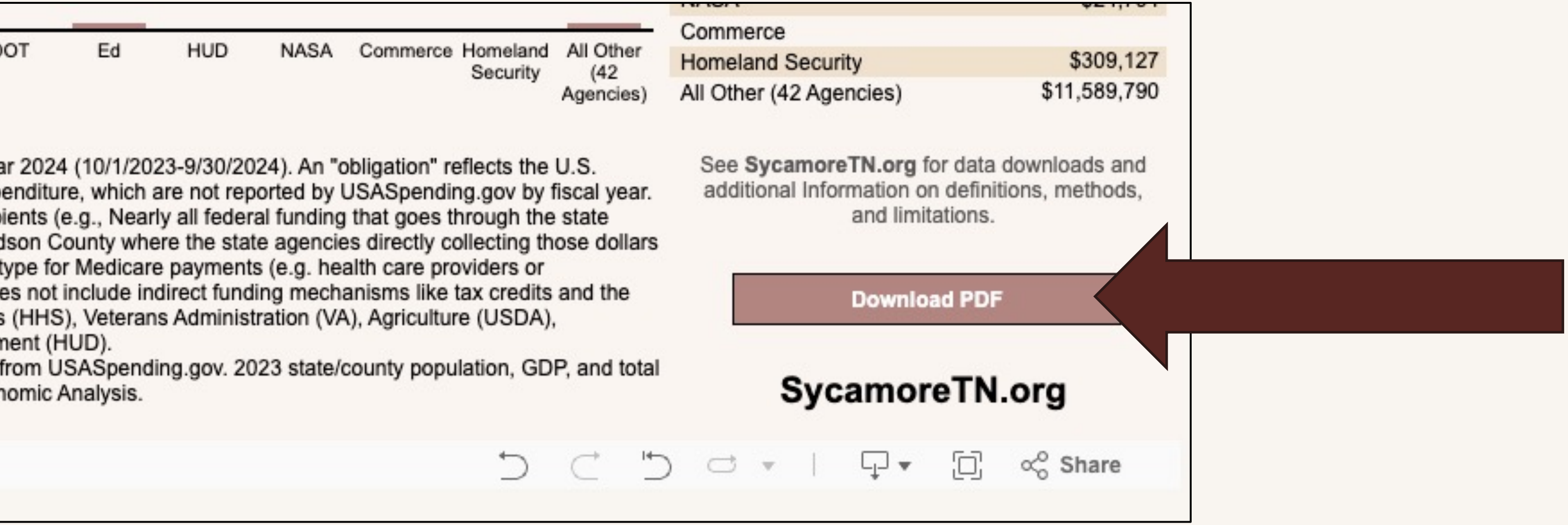
Notes: Represents federal funding obligations for federal fiscal year 2024 (10/1/2023-9/30/2024). An "obligation" reflects the U.S. government's binding agreement but is not an actual outlay or expenditure, which are not reported by USASpending.gov by fiscal year. The data reflect the locations of direct recipients and not sub-recipients (e.g., Nearly all federal funding that goes through the state budget—like dollars for TennCare or SNAP—are reflected in Davidson County where the state agencies directly collecting those dollars are located.). USASpending does not indicate a specific recipient type for Medicare payments (e.g. health care providers or individuals). Includes disaster- and COVID-related obligations. Does not include indirect funding mechanisms like tax credits and the wages of federal employees. Acronyms: Health & Human Services (HHS), Veterans Administration (VA), Agriculture (USDA), Transportation (DOT), Education (Ed), Housing & Urban Development (HUD).
Source: The Sycamore Institute's analysis of federal funding data from USASpending.gov. 2023 state/county population, GDP, and total personal income data were obtained from the U.S. Bureau of Economic Analysis.

See SycamoreTN.org for data downloads and additional information on definitions, methods, and limitations.

Download PDF

SycamoreTN.org

Download One-Pagers



Download More Detailed Data

Download the Data →

BRADLEY COUNTY

Source: The Sycamore Institute's analysis of FY 2024 data from USASpending.gov

Federal Agency, Subagency, Recipient Type	Direct Payment w/ Unrestricted Use (retirement, pension, veterans benefits, etc.)	Project Grant	Contracts
Social Security Administration	**571,361,480**		
Social Security Administration	**571,361,480**		
Individual	571,361,480		
Department of Veterans Affairs	**56,978,766**		
Under Secretary for Benefits/Veterans Benefits Administration	**56,978,766**		
Individual	56,978,766		
Under Secretary for Health/Veterans Health Administration			
Individual			
Department of Health and Human Services		**19,897,680**	
Administration for Children and Families		**19,897,680**	
Nonprofit w/ 501c3		19,897,680	
Health Resources and Services Administration			
Individual			
Department of Education		**2,787,131**	
Department of Education		**2,787,131**	
Private Higher Ed		544,720	
Public Higher Ed		406,160	
County Gov't		1,836,251	
For Profit (other than small business)			
Department of the Treasury			**12,183,163**
Internal Revenue Service			**12,183,163**
Small Business			12,183,163
Department of Defense			**11,504,334**
Defense Logistics Agency			**11,449,531**
Small Business			11,449,531

Federal Funding Context

- Federal funds flow directly to public entities, individuals, nonprofits, and private entities — who may redistribute/subaward the dollars.
- This means federal dollars aren't always easily identifiable.
- Sycamore's Federal Funding Dashboard gives insights into the direct flow of federal dollars in FY 2024.

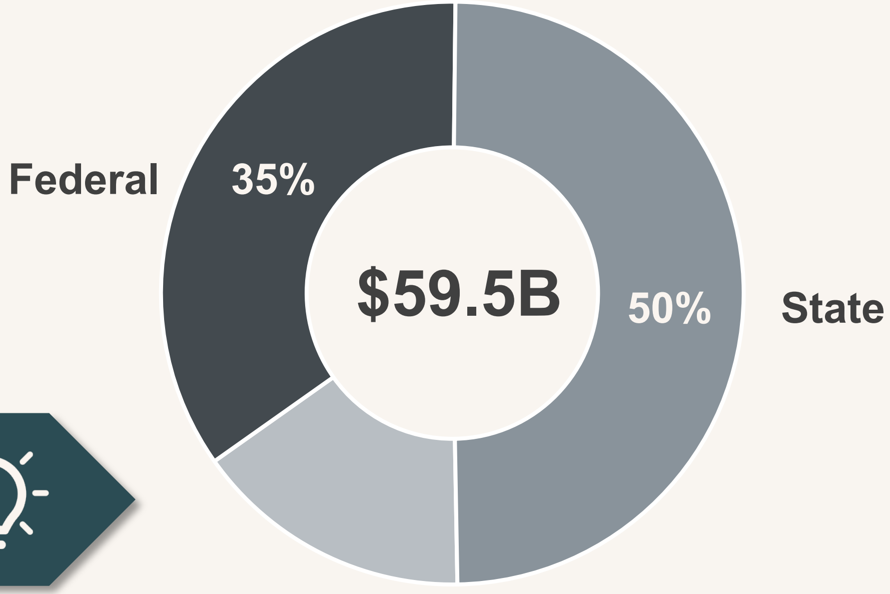
State Budget Context

Tennessee’s Budget Must Be Balanced

Tennessee cannot spend more than it takes in or has on hand in any fiscal year.

Tennessee State Budget

FY 2026 Recommendation

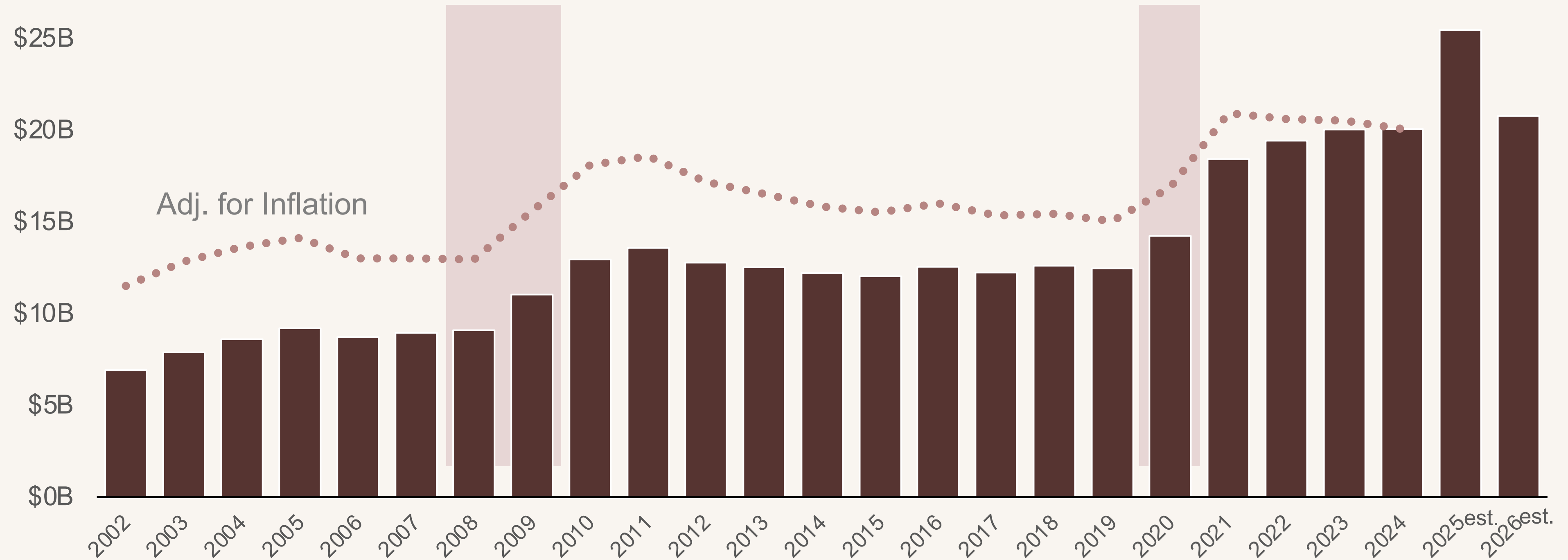


Federal funds play an important role in the state budget.

Source: FY 2026 Tennessee State Budget

COVID-Related Federal Funding Increases Were Already Coming to An End

Total Federal Funding in Tennessee's State Budget (FYs 2006-2026)



Note: Adjusted numbers are in 2024 dollars using the GDP Price Index. FYs 2006-2024 represent actual expenditures. FYs 2025-2026 are budget estimates.

Source: The Sycamore Institute's analysis of the FYs 2008-2026 Tennessee State Budgets

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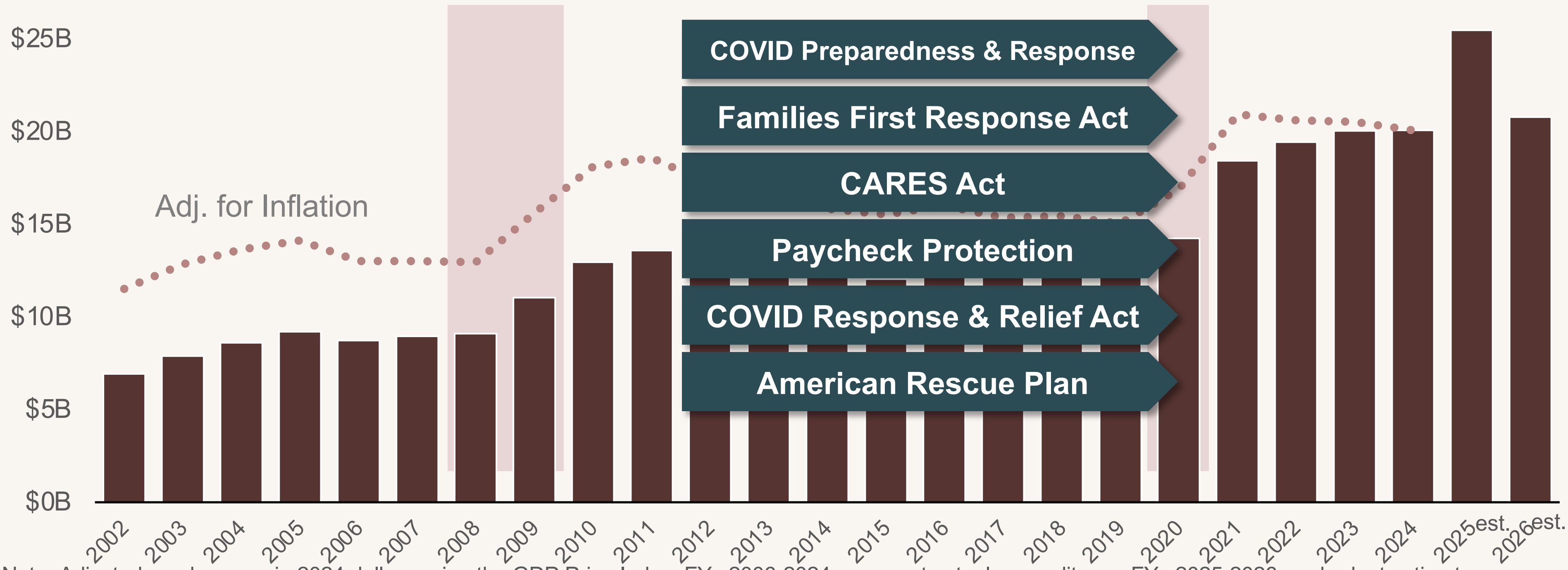

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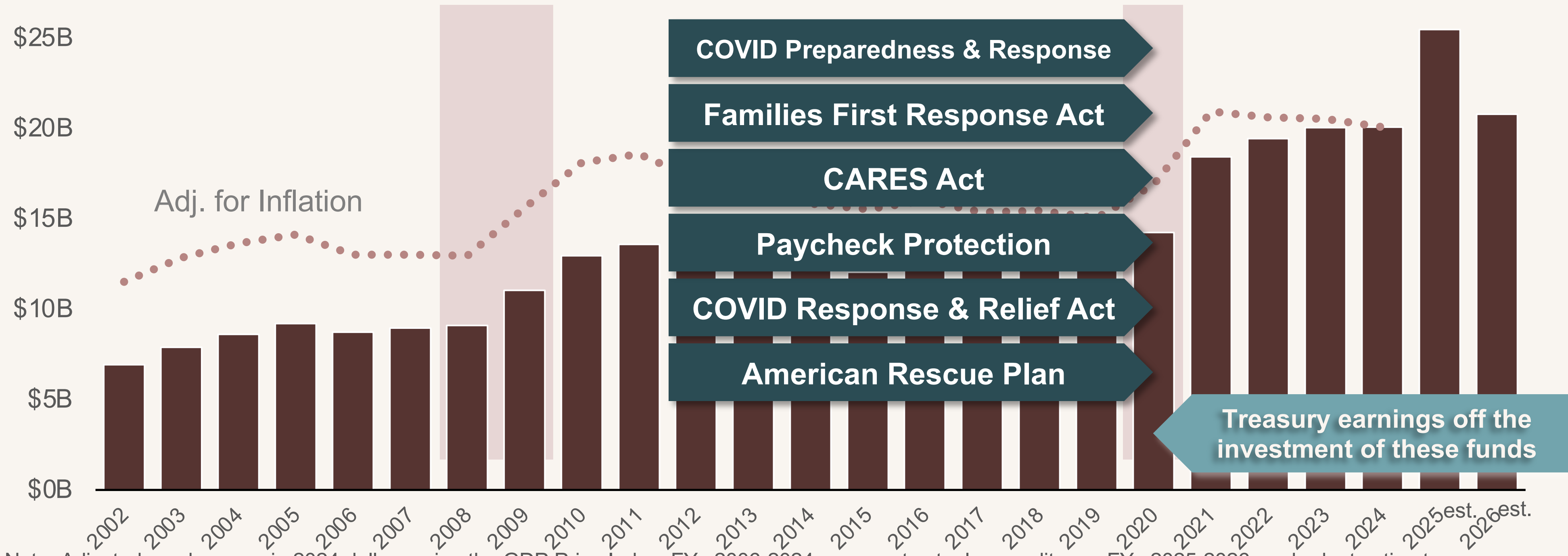

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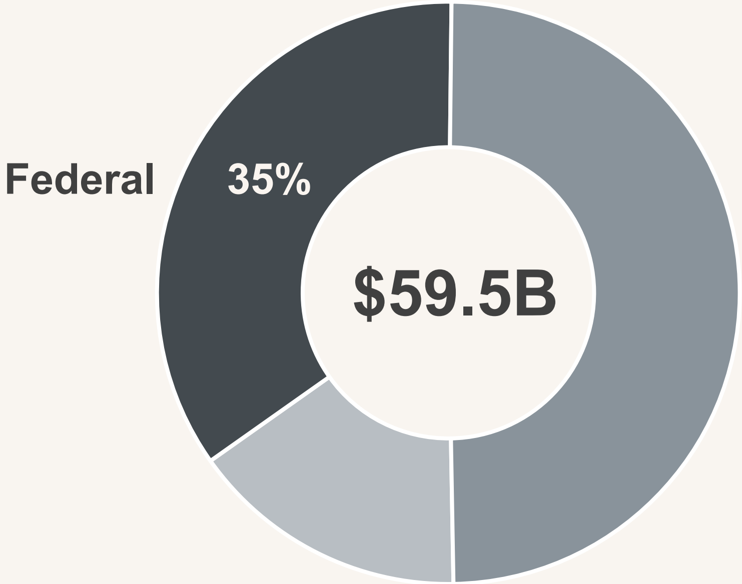
Tennessee State Budget

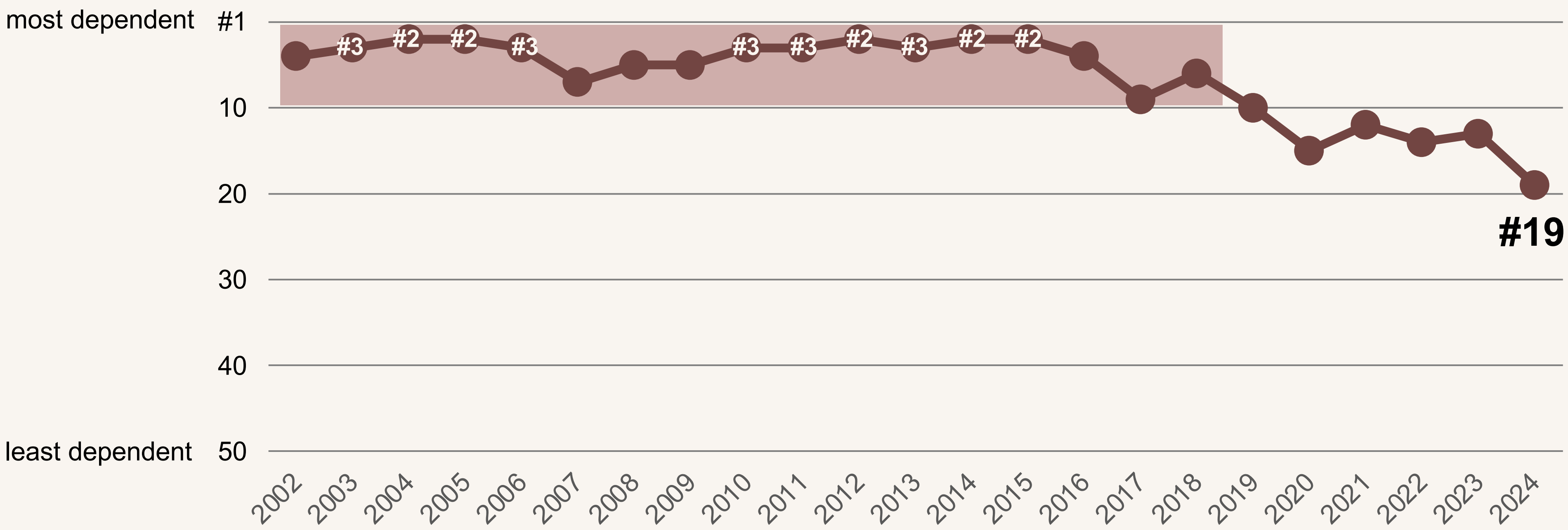
FY 2026 Recommendation



Source: FY 2026 Tennessee State Budget

Compared to Other States, Tennessee Is Not As Dependent on Federal Funding As It Once Was

TN Ranking - Federal Funds as a % of Total Spending



Includes both capital + non-capital expenditures
Source: The Sycamore Institute's analysis of the National Association of State Budget Officers State Expenditure Report Data

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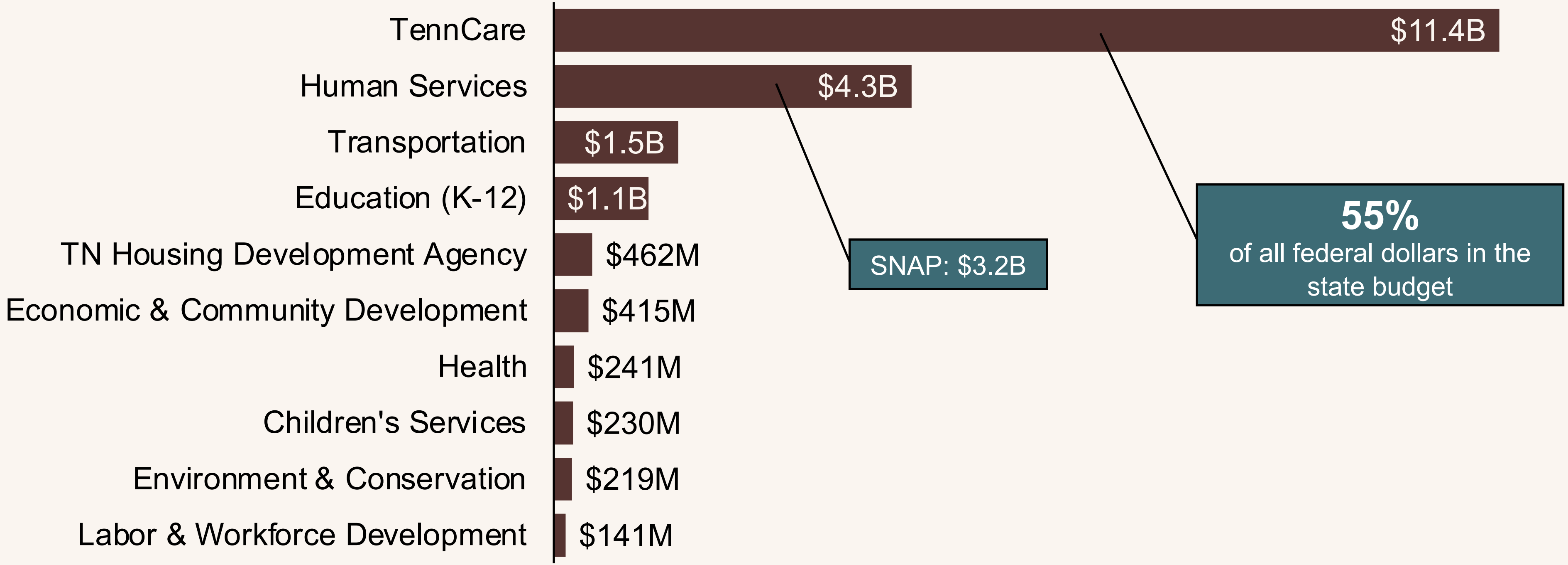
Tennessee State Agencies with the Most Federal Funding

FY 2026 Recommendation



Note: FY 2026 is a budget estimate. Source: FY 2026 Tennessee State Budget

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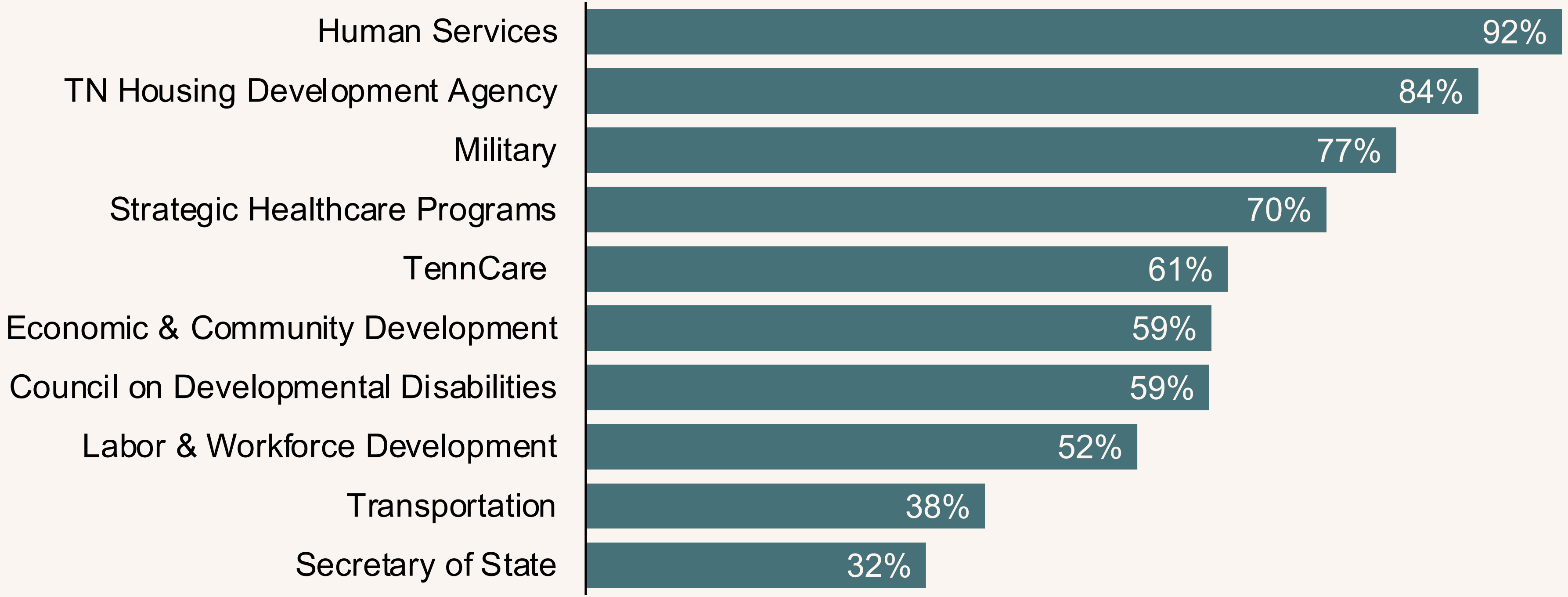
Tennessee State Agencies Most Dependent on Federal Funding

FY 2026 Recommendation



Note: FY 2026 is a budget estimate. Source: FY 2026 Tennessee State Budget

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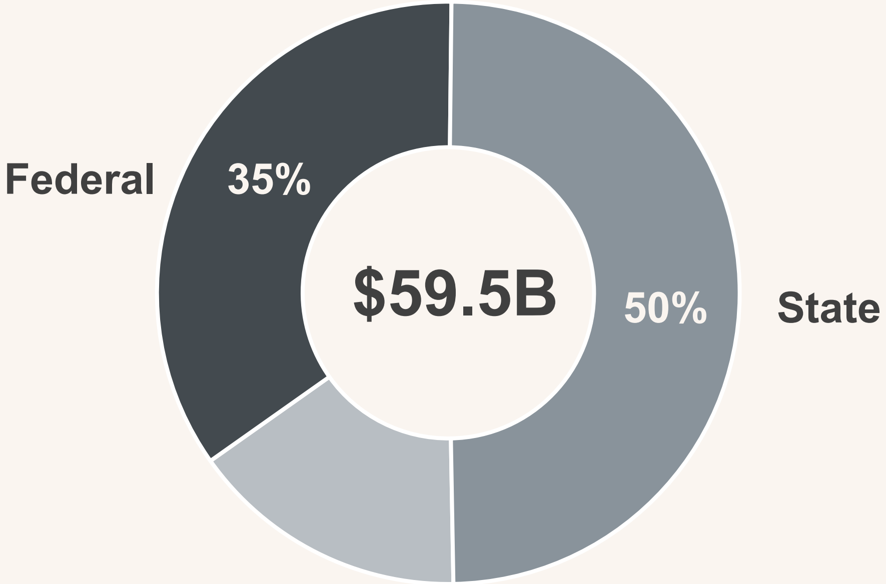
Tennessee State Budget

FY 2026 Recommendation



Source: FY 2026 Tennessee State Budget

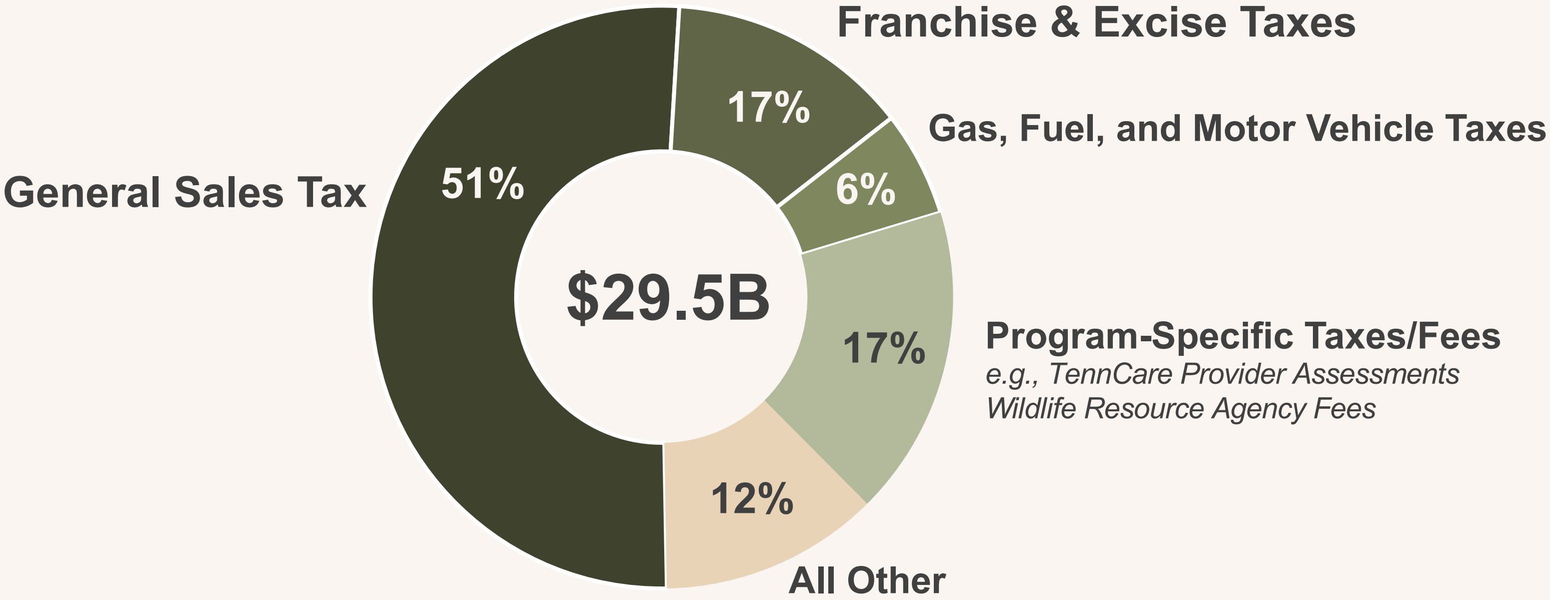
FY 2026 Appropriations Bill

SECTION 53. Federal Program Reductions. The General Assembly recognizes that reductions in federal grants-in-aid of federal programs by the United States government will require extraordinary actions by the Commissioner of Finance and Administration to manage the state budget within available resources and without detrimental effect on state finances. It is the legislative intent that the reduced programs not be maintained at their former level by substituting state funds for the reduced federal aid.

Source: Public Chapter No. 530 (2025)

Tennessee State Budget

FY 2026 Recommendation from State Revenues



Source: FY 2026 Tennessee State Budget

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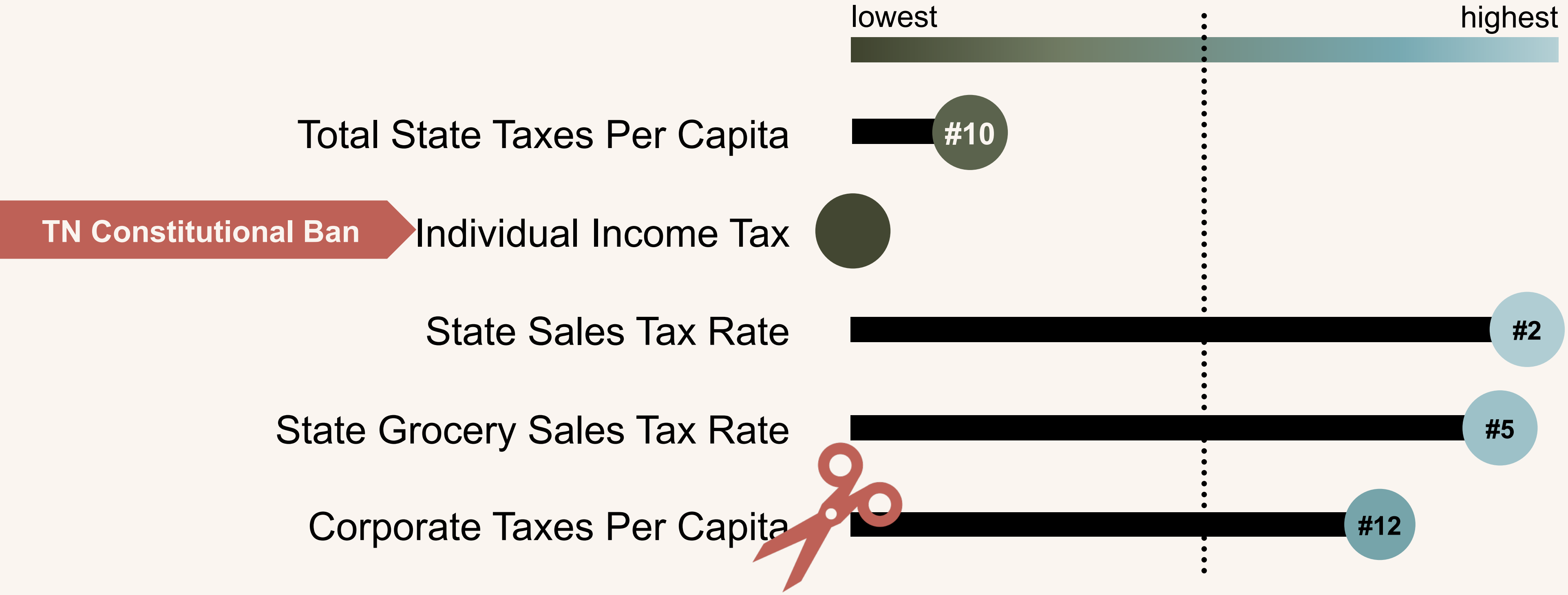
Tennessee's Tax Structure Leaves Few Options For New Large Sources of Revenue

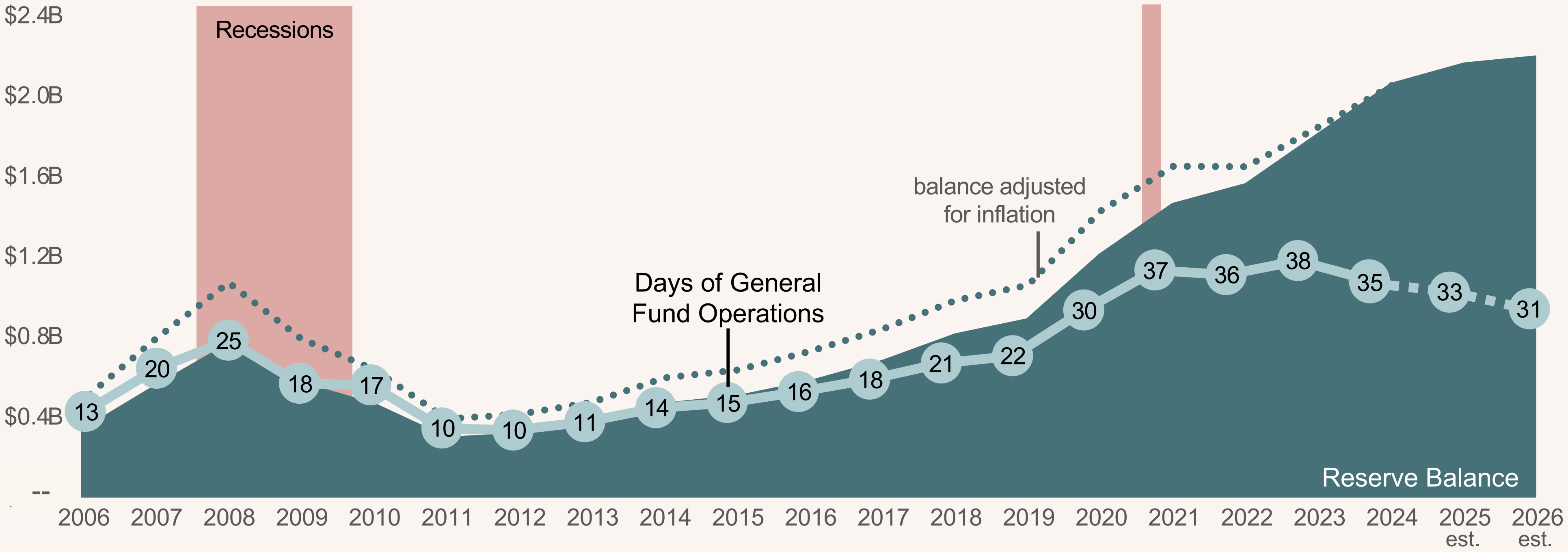
TN vs. Other States in 2024



Source: State tax rankings. Sources: The Tax Foundation's Facts & Figures: How Does Your State Compare? 2024.

Tennessee's Reserve for Revenue Fluctuations Will Reach $2.2 Billion in FY 2026

Reserve for Revenue Fluctuations Balance (FYs 2006-2026)



Note: FYs 2025-2026 "Days of General Fund Operations" are based on expenditure estimates. Prior years are based on actuals. Adjusted numbers are in 2024 dollars using the GDP Price Index. Source: The Sycamore Institute's analysis of the FYs 2008-2026 Tennessee State Budgets

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Tennessee's Rainy Day Fund Can't Be Used for Just Any Storm

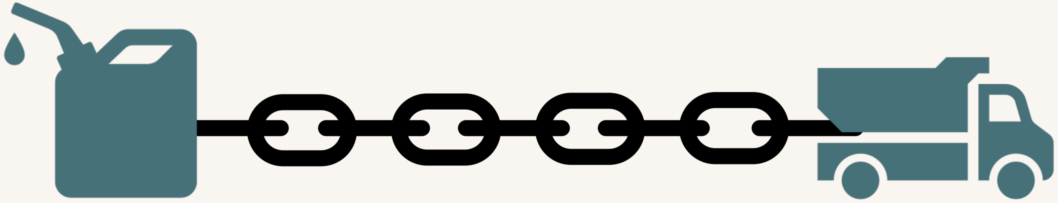
TN Code § 9-4-211

(b) Amounts available in the revenue fluctuation reserve may be used by the commissioner of finance and administration **to offset shortfalls in state tax revenues** which may occur and for which funds are not otherwise available. It is hereby declared to be the legislative intent that to the extent practicable, all revenue shortfalls will be **offset by reductions in expenditures before using amounts in the revenue fluctuation reserve**.

RECURRING NON-RECURRING

Tennessee's Other Fiscal Challenges

The Highway Fund already faces a structural deficit.



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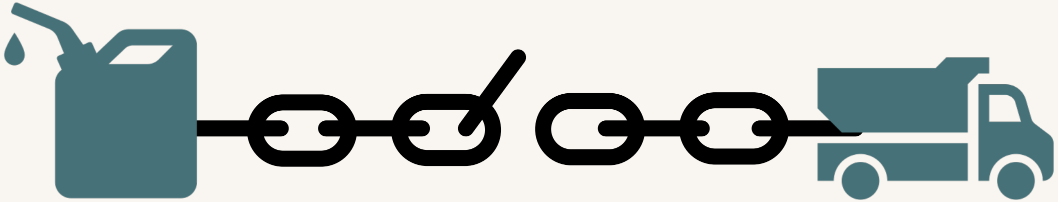
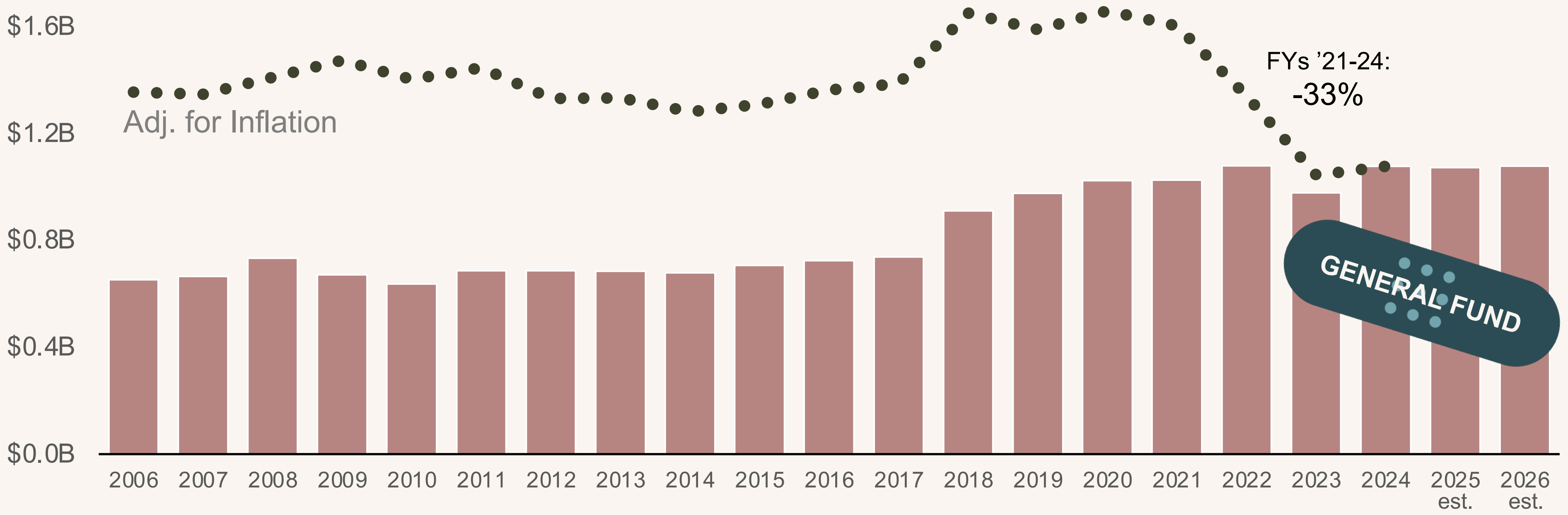


The Value of Tennessee's Highway Fund Revenues Have Plummeted In Recent Years As Road Construction Costs Have Ballooned

State Highway Fund Revenues (FYs 2006-2026)



Note: Adjusted numbers are in 2024 dollars using the National Highway Construction Cost Index. FYs 2006-2024 represent actual expenditures. FYs 2025-2026 are budget estimates. Source: The Sycamore Institute's analysis of the FYs 2008-2026 Tennessee State Budgets

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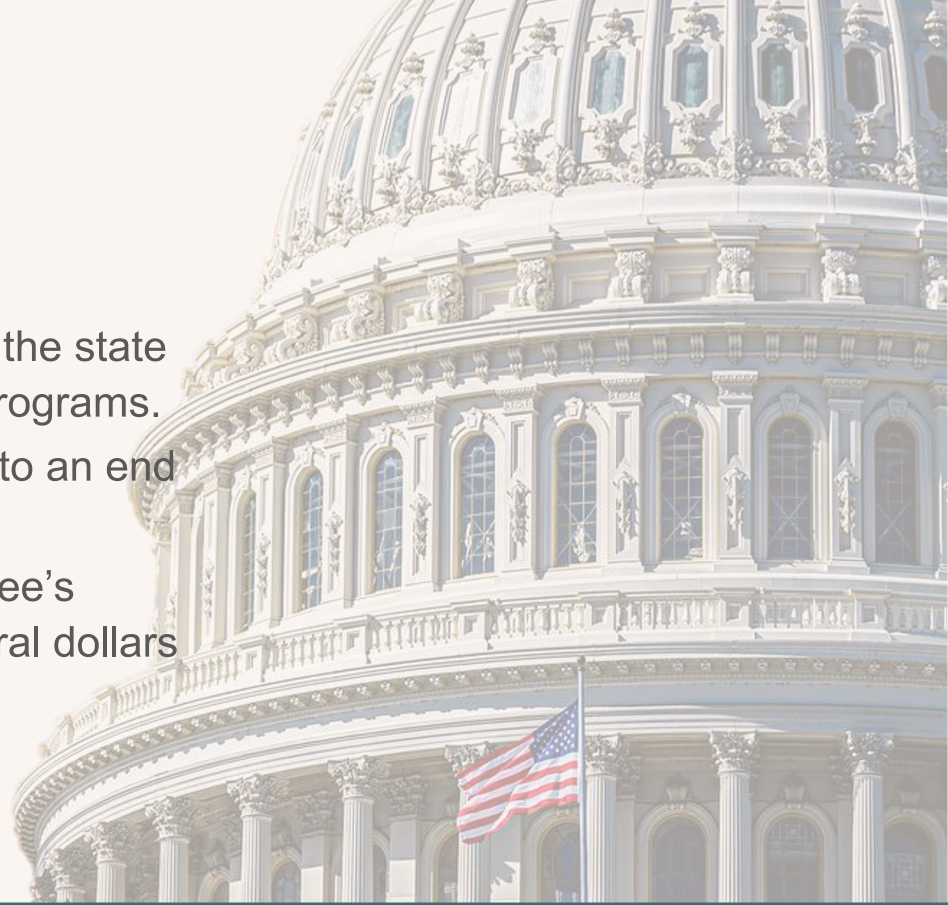


State Budget Context

- Federal funds are a large source of funding in the state budget — particularly for certain agencies & programs.
- Some recent sources of funding were coming to an end even without federal actions.
- Existing features & challenges within Tennessee's budget could make it hard to replace lost federal dollars with state revenues.

Federal Actions To Date

What Has Happened?

- **2025 Reconciliation Bill**
  - AKA One Bill Beautiful Bill Act
- **Administrative Actions**
  - Executive Orders
  - Other Administrative Actions
- **The Budget/Congressional Appropriations**

2025 Reconciliation - OBBB

- **Extended Expiring Tax Cuts**
- **Made Changes to Safety Net Programs**
  - Medicaid (i.e., TennCare in Tennessee)
  - SNAP (Supplemental Nutrition Assistance Program)
  - ACA Marketplace Subsidies

Executive Actions

- **Executive Orders**
  - DEI spending, policies
  - DOGE
  - Grant review/terms
- **Other Actions**
  - Canceled grants (e.g., cancellation of COVID-related public health grants)
  - Change in funding policies (e.g., overhead cost limits)
  - Federal staffing reductions

EO: “Improving Oversight of Federal Grantmaking”

August 7, 2025

Sec. 5. Revisions to the Uniform Guidance. (a) The Director shall revise the Uniform Guidance and other relevant guidance to streamline application requirements and to further clarify and require all discretionary grants to permit termination for convenience, including when the award no longer advances agency priorities or the national interest, but subject to appropriate exceptions,…

Source: White House

Energy Department Announces Termination of 223 Projects, Saving Over $7.5 Billion

The U.S. Department of Energy today announced the termination of 321 financial awards supporting 223 projects, resulting in a savings of approximately $7.56 billion dollars for American taxpayers.

WASHINGTON—The U.S. Department of Energy (DOE) today announced the termination of 321 financial awards supporting 223 projects, resulting in a savings of approximately $7.56 billion dollars for American taxpayers. Following a thorough, individualized financial review, DOE determined that these projects did not adequately advance the nation's energy needs, were not economically viable, and would not provide a positive return on investment of taxpayer dollars.

Source: U.S. Dept. of Energy (Oct 2025)

Executive Actions

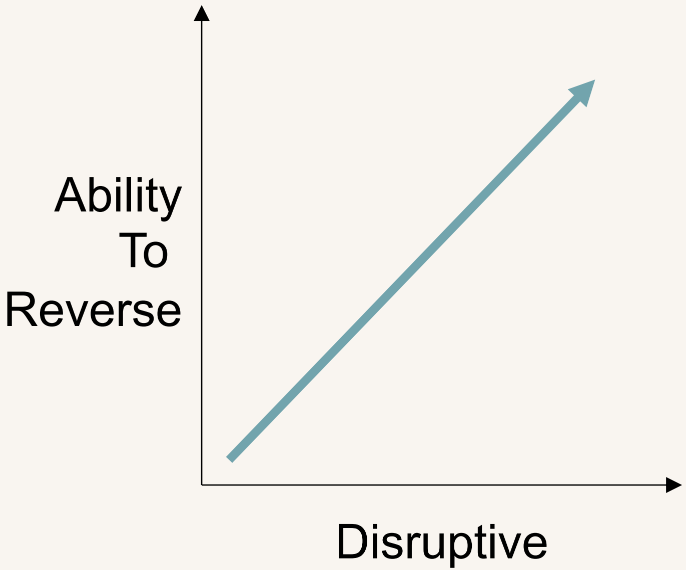
as of Aug 25, 2025

JUST SECURITY

Total number of cases currently tracked: 381.

Case Status Summary
Case Closed in Favor of Plaintiff: 0
Blocked: 24
Temporarily Blocked: 77
Blocked Pending Appeal: 18
Temporarily Blocked in Part; Temporary Block Denied in Part: 11
Temporary Block Denied: 39
Not Blocked Pending Appeal: 36
Awaiting Court Ruling: 145
Case Closed: 22
Misc: Transferred: 2
Case Closed/Dismissed in Favor of Government: 7

Source: Just Security



The Budget/Congressional Appropriations

- The President proposed large cuts/eliminations for FFY 2026.
- So far, Congress hasn't acquiesced.
- Even so, the President is testing the boundaries of executive power and long-standing appropriations law.

The New York Times

Defying Congress, Trump Moves to Cut $4.9 Billion in Foreign Aid

The White House notified Congress that it plans to use a legally untested maneuver to circumvent lawmakers and claw back more money for foreign aid programs.

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PRESIDENT DONALD J. TRUMP The WHITE HOUSE

BRIEFINGS & STATEMENTS

Historic Pocket Rescission Package Eliminates Woke, Weaponized, and Wasteful Spending

The White House | August 29, 2025

THIS HISTORIC POCKET RESCISSION PACKAGE ELIMINATES WOKE, WEAPONIZED, AND WASTEFUL SPENDING

The Trump Administration is committed to getting America's
government spending that is woke, weaponized
years, the President is using

Source: NYT, the White House

Impoundment Control Act

- Operationalizes Congress' constitutional "power of the purse."
- Prohibits the President from delaying/withholding Congressionally-appropriated funds.
- Allows the President to request rescissions, which only require simple majority approval (e.g. NPR/CPB funding, USAID).
- Pocket Rescissions: Lawful Tool or Unconstitutional?
  - Executive Branch: "lawful tool available to the executive branch to reduce unnecessary spending"
  - GAO: ”a pocket rescission is illegal [...] Congress holds the power of the purse."

Source: GAO, GAO, NYT

Shutdown

- Affects only spending governed by the annual appropriations bills that haven't yet been approved (i.e., discretionary spending)
- The salaries of employees who administer some mandatory programs are funded via annual appropriations (e.g., Social Security), however these employees have traditionally been "excepted."
- Exceptions for "safety of human life or the protection of property"
- Responses to federal employee paycheck delays
- Many federal grants are awarded throughout the FY (e.g., FFY 2025 education grants awarded in the summer for the 2025-2026 SY)
- Potentially most impacted are affected activities…
    - …with ongoing payments/reimbursements (e.g., SNAP)
    - …heavily dependent on federal employees (e.g., national parks, inspection activities)
- The length of the shutdown matters.
- Backpay and retroactive payments TBD

Source: OMB (Oct 2025), CRS (Sept 2025)

U N C E R T A I N T Y

Federal Actions to Date

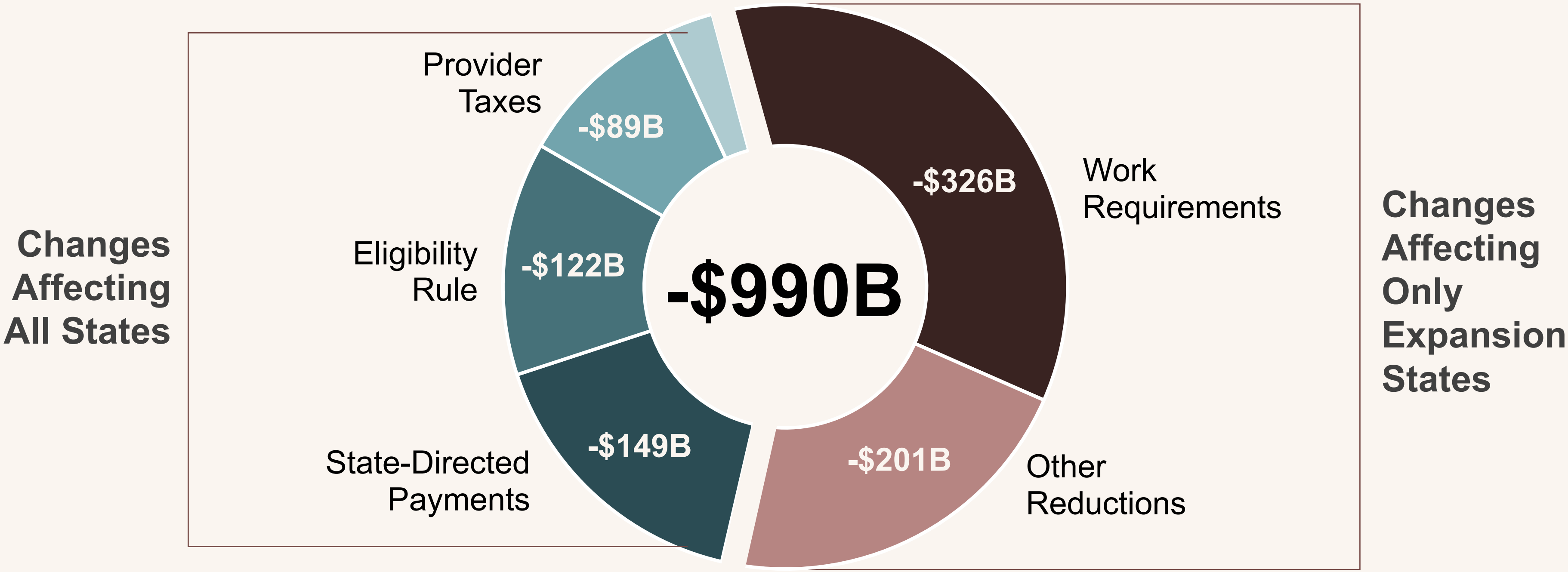
- The One Big Beautiful Bill Act includes the most concrete and permanent changes to date.
- There have been a flurry of Administrative actions — which can be reversed by future administrations and are more vulnerable to legal challenge.
- So far, Congress has not taken up the deep cuts proposed in President Trump's FY 2026 Budget, but the administration is testing the boundaries of appropriations law.
- Shutdowns become more disruptive the longer they are.
- All of these things introduce uncertainty for those reliant on federal dollars.

Changes and Their Projected Impact

2025 Reconciliation - OBBB

- **Made Changes to Safety Net Programs**
  - Medicaid (i.e., TennCare in Tennessee)
  - SNAP (Supplemental Nutrition Assistance Program)
  - ACA Marketplace Subsidies

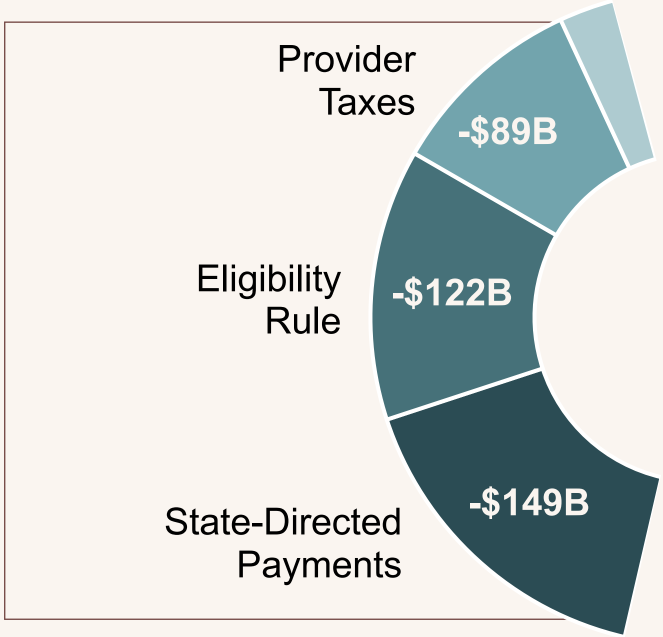
OBBB Changes to Medicaid (TennCare)



Source: KFF (July 23, 2025)

OBBB Changes to Medicaid (TennCare)

Changes Affecting All States



- **State-Directed Payments** are used to increase reimbursement to accomplish specific goals — ensure network adequacy, reward for quality, etc.
- The **Eligibility Rule** would have streamlined Medicaid enrollment/renewal—particularly for those 65+ who receive assistance to cover Medicare premiums.
- **Provider Taxes** are a way states raise money to fund their share of Medicaid costs.
- Eliminates eligibility for some lawfully present **immigrants** (e.g., refugees, asylum-seekers).

Source: KFF (July 23, 2025)

OBBB Changes to Medicaid (TennCare)

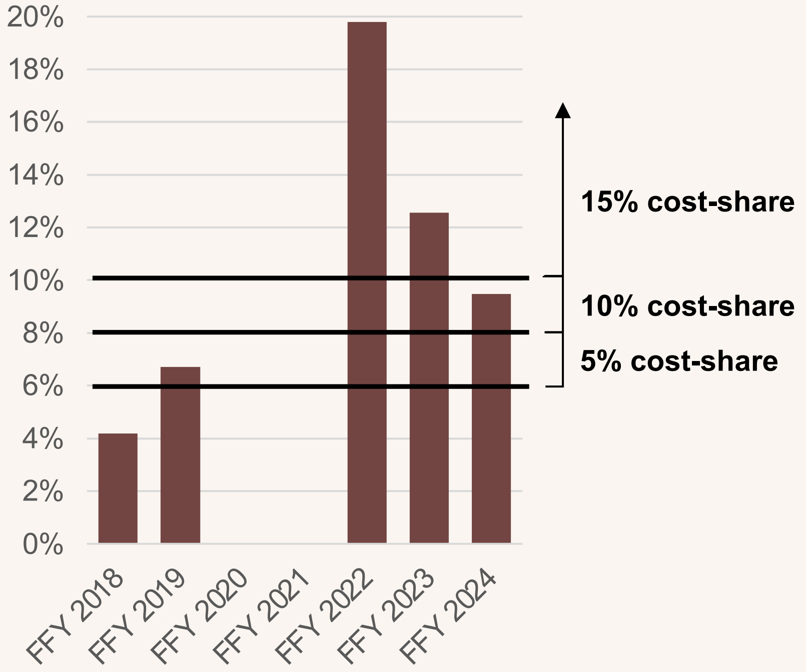
- **Rural Health Transformation Program**
  - $50B — $10B/year for 5 years
  - Half divided equally among all states (~$100M/state/year)
  - Half distributed competitively to at least 25% of approved states based on rural population, the proportion of rural health facilities in the State, uncompensated care, commitment to adopt certain policies, and other factors
  - Potential uses: provider payments, workforce, technology, behavioral health, prevention, chronic disease management
  - Applications due Nov, decisions by Dec 31

Source: KFF (Aug 2025), BPC (July 2025), CMS (Sept 2025)

OBBB Changes to SNAP

- **Shifts more costs to states**
  - Increases state admin cost share from 50% to 75% in FFY27
  - Requires up to 15% program cost share in FFY28 for states with payment error rates >6%
- **Expands recipient work requirements**
  - Today: able-bodied adults 18-**54** w/out dependent children **<18**
  - Now: able-bodies adults 18-**64** w/out dependent children **<14**
- **Requires updates to the Thrifty Food Plan to be cost-neutral**
  - Although benefits will be adjusted for inflation, does not allow for adjustments based on dietary guidelines, the food environment, consumption patterns, etc.
  - Could lead to gaps between SNAP benefits and the costs of food

TN's SNAP Payment Error Rates



Source: HHS-ACF data as of Aug 2025

OBBB Changes to the ACA Marketplace

- Requires new premium subsidy verification procedures
- Places certain limits on premium subsidies during special enrollment periods
- Eliminates the cap on repayment of excess premium subsidies
- Eliminates eligibility for certain lawfully-present immigrants (e.g., refugees, asylum seekers)

ACA Marketplace

- **No action on expiring enhanced premium subsidies — returns to pre-pandemic levels**
  - Created by 2021 American Rescue Plan for 2021-2022
  - Extended by 2022 Inflation Reduction Act for 2023-2025
  - The ACA caps premiums for a "Benchmark Silver" plan at a certain percentage of income for people with incomes between 100-400% of FPL.
  - ARPA reduced these caps and created a new cap for those >400% of FPL.

Income (% of poverty)	**Affordable Care Act**(before legislative change)	**COVID-19 Relief (current law 2021-2022)**
Under 100%	Not eligible for subsidies*	Not eligible for subsidies**
100% – 138%	2.07%	0.0%
138% – 150%	3.10% – 4.14%	0.0%
150% – 200%	4.14% – 6.52%	0.0% – 2.0%
200% – 250%	6.52% – 8.33%	2.0% – 4.0%
250% – 300%	8.33% – 9.83%	4.0% – 6.0%
300% – 400%	9.83%	6.0% – 8.5%
Over 400%	Not eligible for subsidies	8.5%

Source: KFF (Mar 2021)

Source: KFF (Sept 2025)

Table 1

ACA Marketplace Enrollees Will Pay More for Benchmark Coverage if Enhanced Tax Credits Expire

Required Contribution Percentages With and Without Enhanced Tax Credits for an Individual

Individual Family of Four

Household income	Premium Payment, % of income (annual amount): Enhanced Tax Credits	Premium Payment, % of income (annual amount): 2026 Tax Credits	Annual Dollar Increase
$18,000 (115% FPL)	0% ($0)	2.1% ($378)	$378
$22,000 (141% FPL)	0% ($0)	3.6% ($794)	$794
$28,000 (179% FPL)	1.2% ($325)	5.6% ($1,562)	$1,238
$35,000 (224% FPL)	3% ($1,033)	7.5% ($2,615)	$1,582
$45,000 (288% FPL)	5.5% ($2,475)	9.6% ($4,311)	$1,836
$55,000 (351% FPL)	7.3% ($4,010)	10% ($5,478)	$1,469
$65,000 (415% FPL)	8.5% ($5,525)	No tax credit	Varies

Note: FPL stands for Federal Poverty Level. Required contribution percentages refer to the maximum share of income ACA Marketplace enrollees are required to pay for a benchmark plan. The "2026 Tax Credits" scenario represents the required contribution percentages that will be in place for 2026 if enhanced tax credits are not renewed. Premium increases will vary for enrollees with incomes over 400% of poverty based on family size, age, and location.

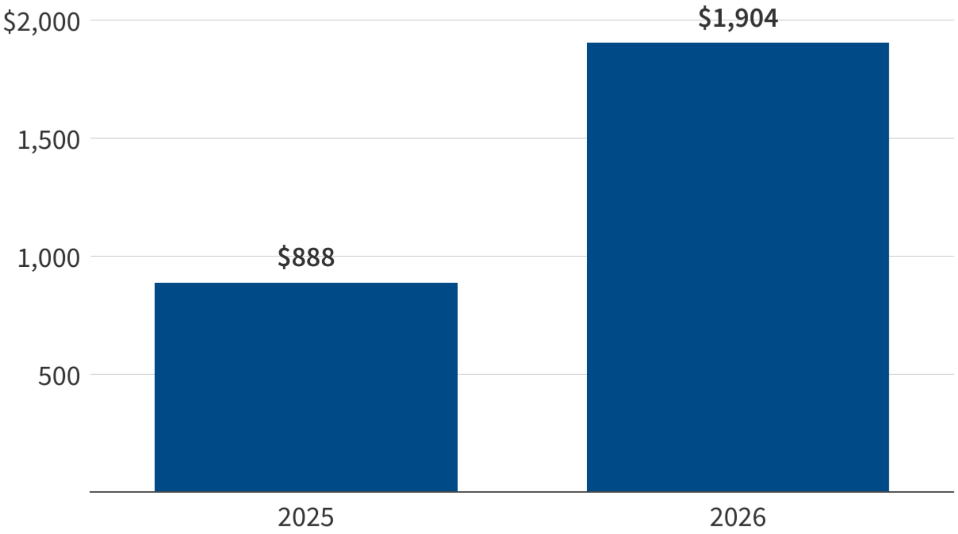
Source: KFF analysis of 26 CFR § 601.105 Rev Proc 2023-29 and Rev Proc 2025-25

KFF

Figure 1

Premium Payments in 2026 Will More than Double if ACA Enhanced Premium Tax Credits Expire

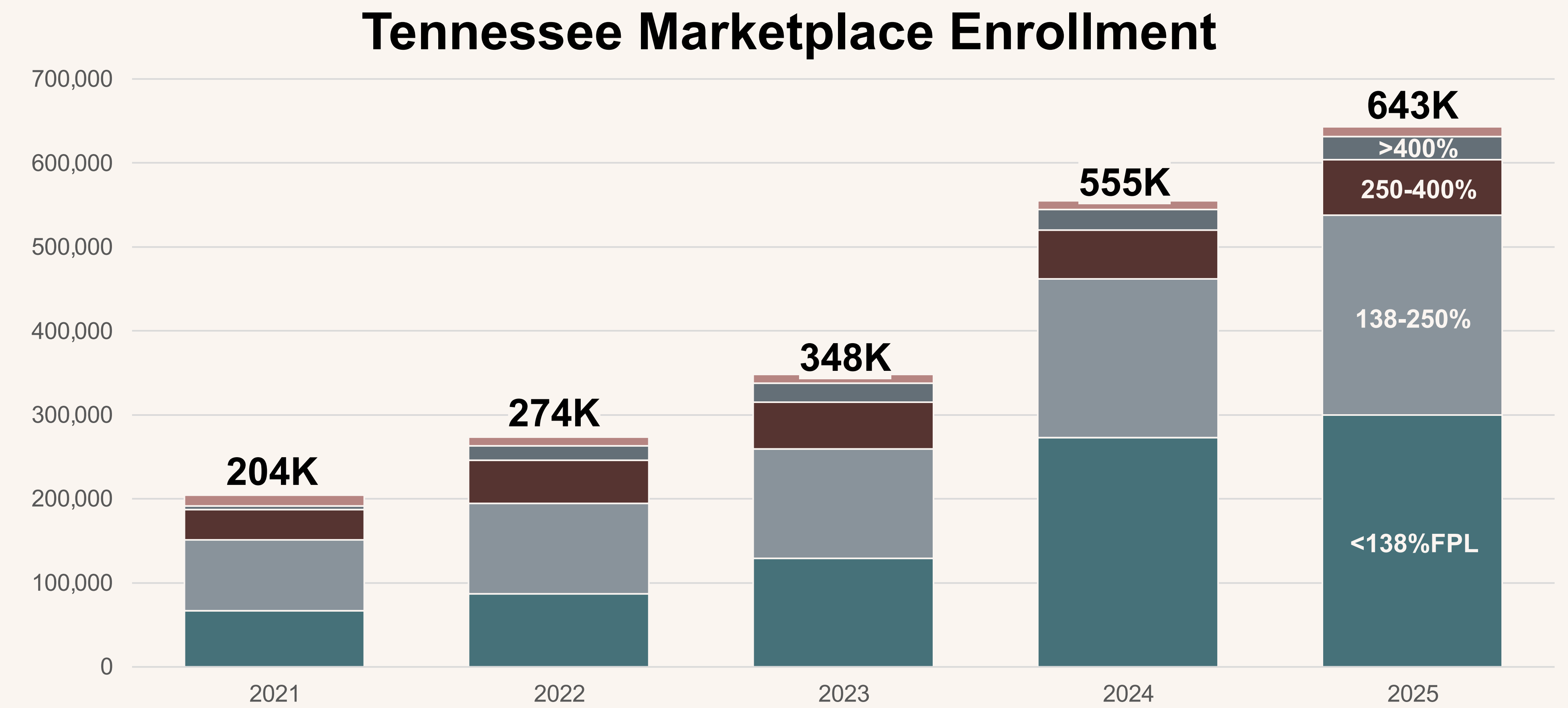
Annual Out-of-Pocket Premium Payments for Affordable Care Act Marketplace Enrollees, 2025 and 2026



Note: The average premium payment is among people currently receiving a tax credit in 2025. The 2026 average premium payment assumes gross premiums increase of 18% for those who lose tax credit eligibility.

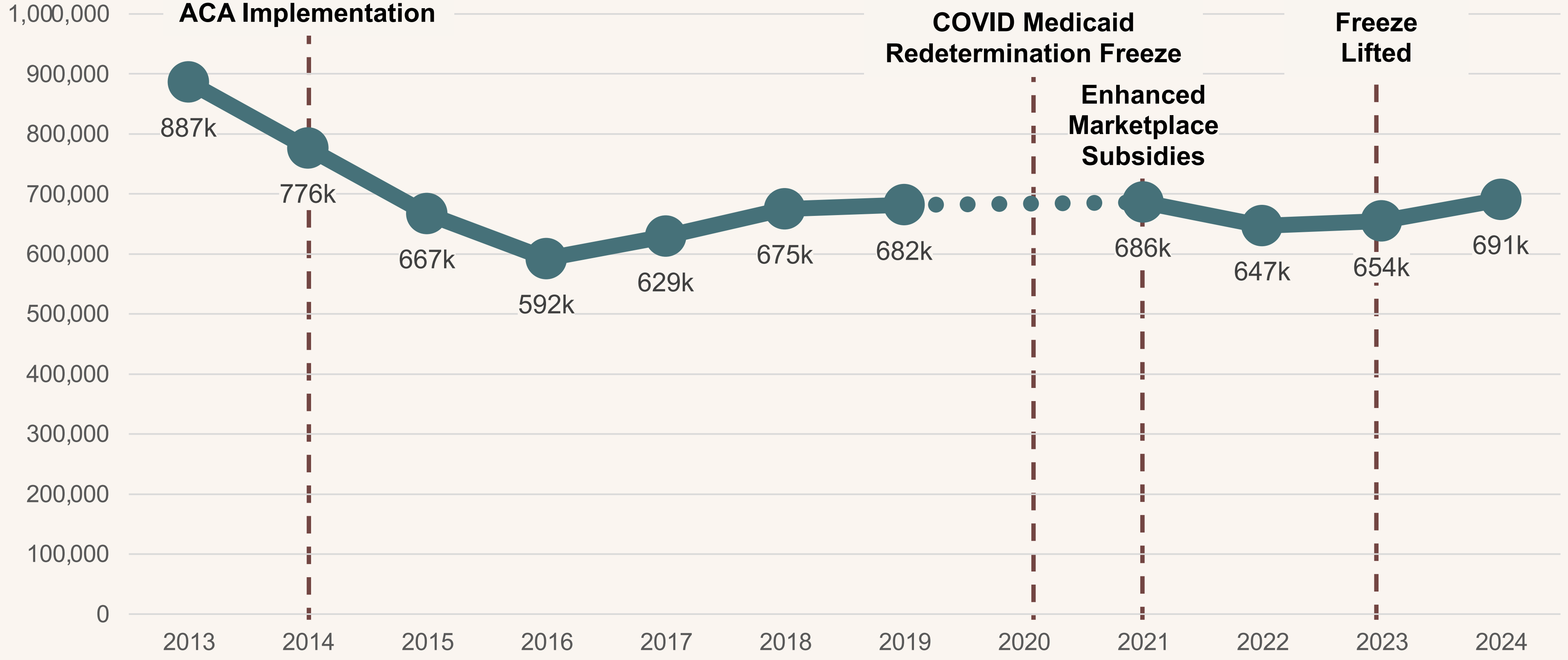
Source: KFF analysis of 2024 and 2025 Open Enrollment Period State-Level Public Use File and 2024 Open Enrollment Report

KFF



Marketplace enrollment during each open enrollment period (2022-2025), average monthly enrollment (2021)
Source: Sycamore's analysis of CMS State-Level Public Use Files

Uninsured Tennesseans



Note: 2020 data are unavailable due to pandemic-related disruptions
Source: American Community Survey 1-Year Estimates

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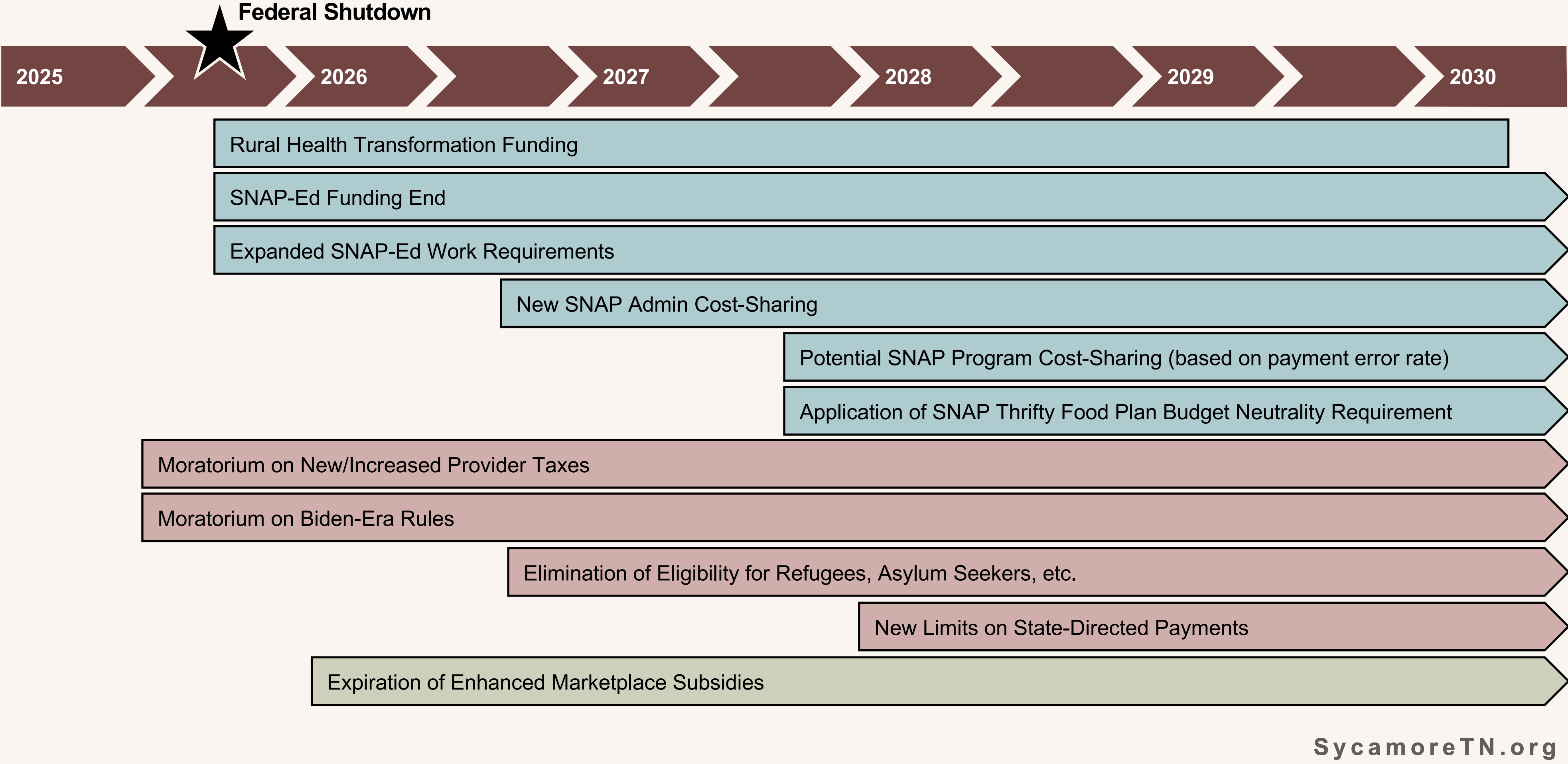
Federal Shutdown
2025
2026
2027
2028
2029
2030
Rural Health Transformation Funding
SNAP-Ed Funding End
Expanded SNAP-Ed Work Requirements
New SNAP Admin Cost-Sharing
Potential SNAP Program Cost-Sharing (based on payment error rate)
Application of SNAP Thrifty Food Plan Budget Neutrality Requirement
Moratorium on New/Increased Provider Taxes
Moratorium on Biden-Era Rules
Elimination of Eligibility for Refugees, Asylum Seekers, etc.
New Limits on State-Directed Payments
Expiration of Enhanced Marketplace Subsidies
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Projected Impact on Tennessee

TennCare

- **-$6.7B/10 years in federal funds** (or -7%) over 10 yrs *(less than all but 6 other states)*
- **-24k enrollees** (or -2%)
- Limits the ability to raise state revenues for new TennCare activities/costs
- Provider responses TBD
- Changes the considerations for Medicaid expansion
- At least **~$100M/year for 5 years** for Rural Health Transformation

SNAP

- **-$192M/year in federal funds** for admin cost beginning FFY2027
- **-$172M/year in federal funds** for program costs due to pay't error rate beginning in FFY 2028
- **374k recipients** would lose some or all benefits—including an avg. reduction of $93/month for 84k households *(~22% of the avg FY25 household amount)*
- Diminished spending power over time?
- *Implications for free lunch in schools? School-funding formula?*

ACA Insurance

- **+40k uninsured** due to OBBB changes
- **-270k receiving subsidized coverage** → **+203k uninsured** from expiration of enhanced tax credits
  - + higher premiums from risk pool changes

← loss of eligibility for lawfully-present refugees and asylum-seekers →

-Sources: KFF (July 2025), KFF (Aug 2025), Food Research and Action Center (July 2025), Urban Institute (July 2025), HHS SNAP Data, Census 2023 ACS Data

Projected Impact on Tennessee

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SNAP

- **-$192M/year in federal funds** for admin cost beginning FFY2027
- **-$172M/year in federal funds** for

ACA Insurance

- **-40k in reductions to marketplace enrollment** due to OBBB changes

Recent Years' State Budget Increases

- **FY 2026 - $1.0B in R increases**
  - $281M for TennCare
  - $207M for K-12
  - $191M for state personnel costs
- **FY 2025 - $958M in R increases**
  - $261M for K-12 TISA
  - $144M for Edu Freedom Scholarships
  - $214M for TennCare
  - $157M for state personnel costs
- **FY 2024 - $1.6B in R increases**
  - $462M for K-12
  - $431M for state personnel costs
  - $285M for TennCare

- At least **~$100M/year for 5 years** for Rural Health Transformation

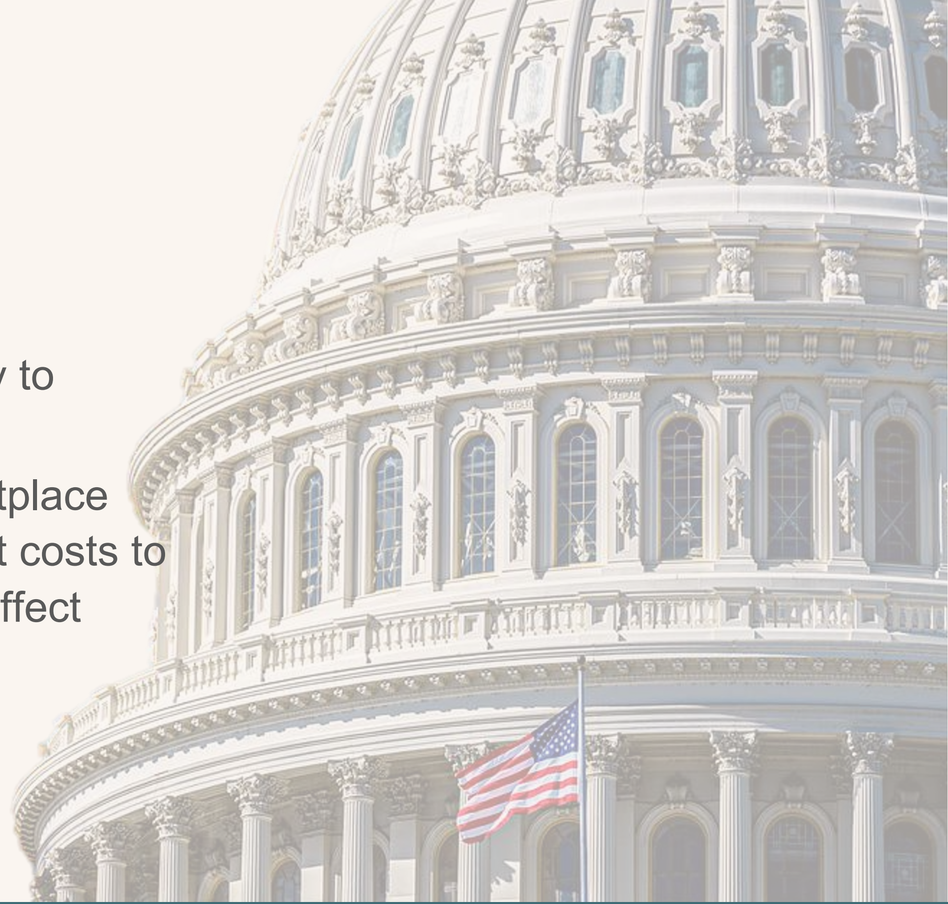
- Diminishing value of benefits
- *Implications for free lunch in schools? School-funding formula?*

← loss of eligibility for lawfully-present refugees and asylum-seekers →

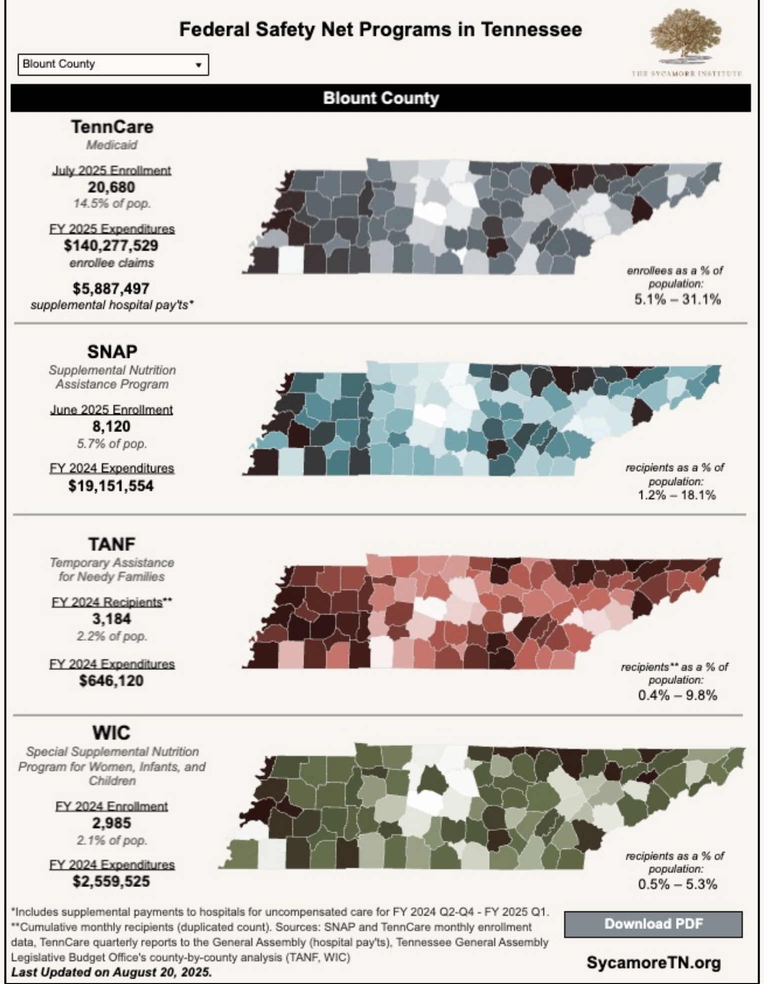
-Sources: KFF (July 2025), KFF (Aug 2025), Food Research and Action Center (July 2025), Urban Institute (July 2025), HHS SNAP Data, Census 2023 ACS Data

Changes and Their Projected Impact

- The majority of Medicaid reductions apply only to expansion states.
- Changes to Medicaid, SNAP, and ACA Marketplace requirements could—to varying degrees—shift costs to states/individuals, reduce enrollment, and/or affect access to each program’s services/benefits.



Federal Safety Net Programs



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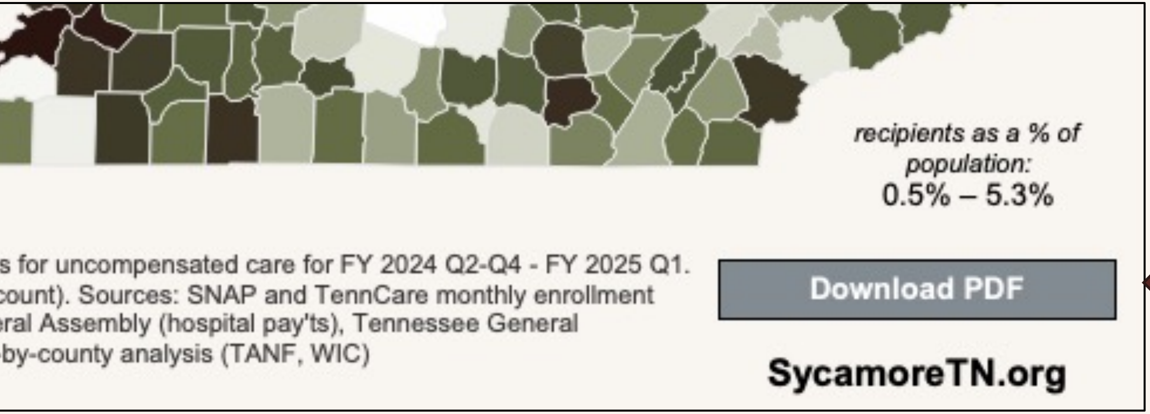

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