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PROPOSED FEDERAL FUNDING REDUCTIONS AND RESCISSIONS

This memorandum provides an analysis of the potential impact of proposed funding reductions included in 2025 House of Representatives Bill No. 1, the One Big Beautiful Bill Act, as well as the estimated impact of recent federal funding rescissions on the state of North Dakota.

ONE BIG BEAUTIFUL BILL ACT - SUMMARY

The One Big Beautiful Bill Act is the budget reconciliation bill currently under consideration in Congress. The bill passed the House of Representatives on May 22, 2025. The bill includes various proposals that would reduce federal allocations to states, including changes to entitlement programs and cost-sharing requirements for states. Major provisions of the bill include:

Medicaid Changes

The bill includes significant changes to Medicaid that would reduce federal spending on the program. The Congressional Budget Office estimates that the Medicaid provisions currently in the bill would reduce federal spending by $793 billion over the 10-year period from 2025 through 2034. An analysis of the Congressional Budget Office estimates by the Kaiser Family Foundation indicated North Dakota's share of this reduction would be approximately $1.42 billion, or 12 percent of projected federal Medicaid spending in the state, compared to baseline projections. The provisions currently in the bill are estimated to reduce Medicaid enrollment in North Dakota by 18 percent by 2034, compared to baseline levels. Approximately 45 percent of the funding reduction would be attributable to a mandatory work requirement of 80 hours per month for able-bodied adults aged 19-64 without dependents, beginning December 31, 2026, for Medicaid expansion enrollees.

Additional policy changes reducing federal expenditures and program enrollment include:

- Increased copayments for various services, including cost-sharing of up to $35 per service (up to 5 percent of family income) for adults enrolled in Medicaid Expansion with incomes between 100 percent and 138 percent of the federal poverty level, beginning December 31, 2027;
- Semiannual eligibility determinations, replacing annual determinations, beginning December 31, 2026; and
- A prohibition on Medicaid coverage for undocumented immigrants, beginning October 1, 2026.

Supplemental Nutrition Assistance Program Changes

Under current law, supplemental nutrition assistance program (SNAP) benefits are paid entirely by the federal government, with states only contributing to administrative costs. House of Representatives Bill No. 1 would introduce state cost-sharing for benefits starting in federal fiscal year 2028, with states' shares based on their SNAP payment error rates. The schedule below outlines North Dakota's estimated biennial share of benefit costs by error rate, based on federal fiscal year 2024 benefit costs within the state:

	Biennial State Share of Benefit Costs			
	House Provision		Senate Proposal	
Error Rate	Cost-Share Percentage	Estimated Amount (in Millions)	Cost-Share Percentage	Estimated Amount (in Millions)
0.00-5.99%	5%	$11.1	0%	$0
6.00-7.99%	15%	33.4	5%	11.1
8.00-9.99%	20%	44.6	10%	22.3
10.00% or greater	25%	55.7	15%	33.4

The United States Department of Agriculture publishes annual schedules which outline payment error rates by state. The 2023 national average error rate was 11.68 percent and North Dakota's error rate was 9.51 percent. North Dakota's 10-year average error rate was 5.41 percent. North Dakota's error rates for the last 10 years are as follows:

Year	Overpayment Rate	Underpayment Rate	Payment Error Rate
2023	7.83%	1.68%	9.51%
2022	8.06%	1.45%	9.51%
2021[1]	N/A	N/A	N/A
2020[1]	N/A	N/A	N/A
2019	3.96%	0.96%	4.92%
2018	3.34%	1.18%	4.52%
2017	3.67%	1.26%	4.93%
2016[1]	N/A	N/A	N/A
2015	2.02%	0.71%	2.73%
2014	1.57%	0.16%	1.73%
Average	4.35%	1.06%	5.41%

[1]Data was unavailable in 2016, 2020, and 2021. The United States Department of Agriculture did not report SNAP error rates for fiscal years 2016 due to concerns about data quality in many states. From May 2020 through June 2021, error rate reporting was suspended due to the COVID-19 pandemic.

In addition, the share of administrative expenses covered by states would increase from 50 percent to 75 percent, beginning in federal fiscal year 2028. Based on 2024 administrative expenses, North Dakota's share of administrative costs for the program would increase by $18 million per biennium.

Other provisions reducing federal expenditure and enrollment in the program include work requirements for parents of children over age 6 and adults aged 55 to 65, lowering the tolerance for payment errors from $57 to $0, and prohibiting undocumented immigrants from receiving SNAP benefits.

FEDERAL FUNDING RECISSIONS AND EXPIRATIONS

Department of Health and Human Services Rescissions

In March 2025, 12 grant awards under programs within the Centers for Disease Control and Prevention (CDC), and the Substance Abuse and Mental Health Services Administration (SAMHSA) to the North Dakota Department of Health and Human Services were reported as terminated by Federal Funds Information for States:

Grants	Amount Obligated	Amount Expended	Unliquidated Obligations (Amount Terminated)
CDC Grant Funding			
2019 Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases (3 grant awards)	$97,389,704	$40,005,564	$57,384,140
Immunization and Vaccines for Children (3 grant awards)	32,088,956	23,556,340	8,532,616
National Initiative to Address COVID-19 Health Disparities Among Populations at High-Risk and Underserved, Including Racial and Ethnic Minority Populations and Rural Communities (1 grant award)	31,278,243	27,671,914	3,606,329
Total CDC Grant Funding	$160,756,903	$91,233,818	$69,523,085
SAMHSA Grant Funding			
Mental Health Block Grant - American Rescue Plan Act (ARPA) (2 grant awards)	$2,603,813	$580,037	$2,023,776
Mental Health Block Grant - COVID-19 Relief (1 grant award)	1,435,102	1,325,019	110,083
Substance Use Block Grant - ARPA (2 grant awards)	5,413,864	1,223,487	4,190,377
Total SAMHSA Grant Funding	$9,452,779	$3,128,543	$6,324,236
Total Grant Funding	$170,209,682	$94,362,361	$75,847,321

Federal Emergency Management Agency Building Resilient Infrastructure and Communities Funding Rescission

In April 2025, $19.6 million in Federal Emergency Management Agency Building Resilient Infrastructure and Communities grant funding was terminated, including:

- $18.2 million awarded to political subdivisions, including $9.7 million for wastewater projects in Lincoln ($7.8 million) and Fessenden ($1.9 million) and $7.1 million for a water intake project in Washburn;
- $1.2 million awarded to the Department of Emergency Services; and
- $148,790 awarded to the Insurance Department.

The 2025 Legislative Assembly, in House Bill No. 1577 (2025) provided an appropriation to the Department of Environmental Quality for a Bank of North Dakota line of credit of up to $9.7 million during the 2025-27 biennium for wastewater projects in Lincoln ($7.8 million) and Fessenden ($1.9 million).

Miscellaneous Rescissions

Through June 2025, $8.3 million in federal funding for various state agencies has been reported as terminated, including:

Grant Recipient - Grant (Awarding Agency)	Amount Obligated	Amount Expended	Unliquidated Obligations (Amount Terminated)
University of North Dakota - School safety grant (United States Department of Education Office of Safe and Supportive Schools)	$4,128,050	$2,082,139	$2,045,911
Department of Environmental Quality - Radon awareness, testing, and mitigation to reduce radon's impacts in low-income homes (United States Environmental Protection Agency)	1,000,000	8,169	991,831
Department of Agriculture - Local Food Purchase Agreements (United States Department of Agriculture)	580,388	0	580,388
State of North Dakota - State Digital Equity Planning and Capacity Grant (United States Department of Commerce)	4,549,772	0	4,549,772
University of North Dakota - Undergraduate training initiative for research enhancement (National Institute of Health)	621,496	516,320	105,176
University of North Dakota - Breast cancer research (National Institute of Health)	96,668	69,748	26,920
Total	$10,976,374	$2,676,376	$8,299,998

Governor's Emergency Education Relief Fund Federal Funding Expiration

The second round of Governor's Emergency Education Relief (GEER) funding was authorized under H.R. 319 of the 117th Congress, the Coronavirus Response and Relief Supplemental Appropriations Act, as part of a COVID-19 economic stimulus package. The Office of Management and Budget was appropriated $2.7 million for GEER allocations to public schools in House Bill No. 1394 (2021), and an additional $3.7 million in Senate Bill No. 2393 (2023). The original expenditure deadline for the funding was January 28, 2024, with states being allowed extensions to expend the funds through March 28, 2025. On March 28, 2025, the state was notified that remaining GEER funds were no longer available for contract payments.

At the June 16, 2025, meeting of the Emergency Commission, the Office of Management and Budget requested $189,750 from the state contingencies appropriation to cover GEER contract obligations that were not expended by March 28, 2025. The Emergency Commission approved the request. This request was considered and approved by the Budget Section on June 25, 2025.