JLBC Staff Analysis of the Federal Budget Reconciliation Bill (H.R. 1) on Arizona State Budget

H.R. 1, otherwise known as the One Big Beautiful Bill, was signed into law on July 4, 2025. There are many provisions in this bill which may directly impact the Arizona state budget. On July 10 and July 17, 2025, we published our initial analyses of H.R. 1 regarding tax conformity and the Supplemental Nutrition Assistance Program (SNAP). As our office continues analysis of the bill in its entirety, we will provide updates to this document addressing additional provisions. In particular, we plan to revisit our conformity analysis in early September.

This August 12th update includes our analysis of Medicaid-related provisions. As displayed in Table 1, the combined conformity, SNAP and Medicaid provisions may have a state General Fund cost of $381 million in FY 2026, $268 million in FY 2027 and $433 million in FY 2028. There is also a substantial non-General Fund impact associated with a phase-down of the state's provider assessment rate and reductions in state directed payments.

Any H.R. 1 cost estimates are highly speculative for at least 3 reasons:

1) H.R. 1 is complicated legislation and our current interpretations of the bill's provisions are subject to change as the federal government provides additional implementation guidance.
2) The state will have options in implementing some provisions which will ultimately need to be codified in statute. In addition, states may request a federal waiver to delay the implementation of Medicaid work-related requirements for up to 2 years.
3) We have a methodology for calculating the impact of Medicaid and SNAP benefit provisions. We will need, however, Executive input on the administrative costs of implementing these benefit provisions prior to finalizing our cost estimates.

<u>Medicaid Enrollment Reductions</u>

The Arizona Health Care Cost Containment System (AHCCCS) administers the Medicaid program to provide health care to low-income Arizonans. The federal government and the state share the cost of the program. The state share of benefit costs ranges between 64% and 90%. With some exceptions, administrative costs are shared on a 50%/50% basis. In almost all circumstances, H.R. 1 did not change the match rate proportions.

H.R. 1's primary impact on state General Fund spending results from provisions that potentially reduce the number of Medicaid participants. In developing our analysis, we relied on a prorated share of the Congressional Budget Office (CBO) estimates for the federal legislation. CBO is the JLBC Staff counterpart for the U.S. Congress.

Based on CBO estimates, the H.R. 1 Medicaid enrollment reduction provisions are expected to reduce Total Fund Medicaid spending in Arizona by $(434) million starting in FY 2027 (excluding provider assessment and state directed payment changes described below). The General Fund share of the savings is projected to be ($15) million. *Please see Appendices C and E for more details*. The two most significant provisions are scheduled to begin on January 1, 2027:

- Redetermine eligibility of the "expansion" population semiannually rather than once a year. We project this requirement would generate Total Fund FY 2027 savings of $(123) million, including $(4) million from the General Fund.
- Require the Medicaid expansion population to work or participate in "community engagement" activities for 80 hours a month. This provision is estimated to reduce total benefit spending by $(299) million in FY 2027, including $(9) million from the General Fund. The federal Department of Health and Human Services (HHS) may allow a state to delay implementation to no later than January 1, 2029 if the state is demonstrating a good faith effort to comply.

The low General Fund share of the savings is explained by 2 factors: 1) These two policies only apply to the expansion population. The federal government pays for 90% of the cost of this group. 2) Of the 10% state share, most of the acute medical expenses are paid by the Hospital Assessment and the General Fund only pays for behavioral health costs.

The expansion population includes certain adults and excludes children under 19. Childless adults qualify if their annual income is below 133% of the Federal Poverty Level (FPL), which equates to $21,000 for a 1-person household. Parents qualify under the expansion program if their income is between 106% of FPL and 133% of FPL. At 133% of FPL, the eligibility limit is $43,000 for a family of 4. The current expansion population is 451,000 as of August 2025.

We think the CBO scoring of the work-related provisions has several limitations:

- There is not a substantial track record of states implementing a work requirement. Arkansas ran its program for 9 months before being stopped by a court order and Georgia began enrolling participants in June 2023.
- The magnitude of the impact will depend on the response of recipients, which is much more difficult to predict in advance compared to a more quantitative provision such as a change in a match rate.
- CBO appears to assume that numerous unspecified states will receive waivers to delay their work requirement until 2029. CBO's full scoring of the savings does not occur until FY 2030 thereby making their estimates in earlier years less useful. If Arizona applies and receives a waiver, we may not experience any enrollment reductions until the latter half of FY 2029 or early FY 2030.

By FY 2030, these two provisions are estimated to reduce enrollment by (171,000) members. Most of this decline (144,000) would be associated with the work requirements.

Implementing the redetermination and work-related eligibility requirements will result in new AHCCCS administrative costs. We will need information from AHCCCS before evaluating this potential administrative impact.

<u>Medicaid Provider Payment Reductions</u>

In addition to eligibility restrictions, H.R. 1 includes other provisions that would reduce Medicaid provider reimbursement relative to current law. The two most significant provisions are limitations on provider assessments and state directed payments.

Provider Assessments

The federal government allows states to fund some share of Medicaid spending via assessments on health care providers. Prior to H.R. 1, federal law capped the assessment at no more than 6.0% of net patient service revenues. The assessments serve to draw down additional federal Medicaid dollars.

H.R. 1 prohibits states from establishing any new provider assessments or increasing existing assessments if the current rate is below 6%. Additionally, the bill reduces the upper maximum assessment rate by (0.5)% each year between FY 2028 and FY 2032 for states such as Arizona that have participated in the Medicaid expansion under the federal Affordable Care Act.

Under state law, AHCCCS is required to establish an assessment on hospitals. In FY 2026, the current assessment rate is effectively 6.0% of combined hospital inpatient and outpatient service revenues. Under H.R. 1, Arizona's rate would fall to 5.5% in FY 2028 and eventually reach 3.5% in FY 2032.

AHCCCS deposits the assessment collections into the 2 following funds:

- Funds necessary to cover the state match costs of Medicaid expansion adults are deposited into the Hospital Assessment Fund (HAF). Although state law does not explicitly give either fund priority, a state trigger statute repeals the HAF and eliminates coverage for certain expansion adults if revenues from the assessment are insufficient to fund expansion population costs. As a result, we assume that AHCCCS will continue to ensure that HAF receives sufficient revenues.

- The remaining monies are deposited into the Health Care Investment Fund (HCIF) to increase payments to hospitals, physicians, and dentists above current Medicaid reimbursement rates. Hospitals generally receive 80% or more of these payments.

In FY 2026, Arizona's 6.0% assessment is expected to generate $1.5 billion for state matching funds. Of that amount, we project that AHCCCS will use $529 million to pay for the Medicaid expansion requirements. By FY 2032, that Medicaid expansion amount is expected to rise to only $577 million as growth slows due to the redetermination and work requirements.

Of the $1.5 billion in FY 2026 assessment collections, the remaining $989 million is available as state match in the HCIF to draw down $2.6 billion in federal Medicaid funds. The $2.6 billion represents the net financial gain to Arizona hospitals. If the 6% cap had been retained, the net financial gain was expected to increase to $3.7 billion in FY 2032.

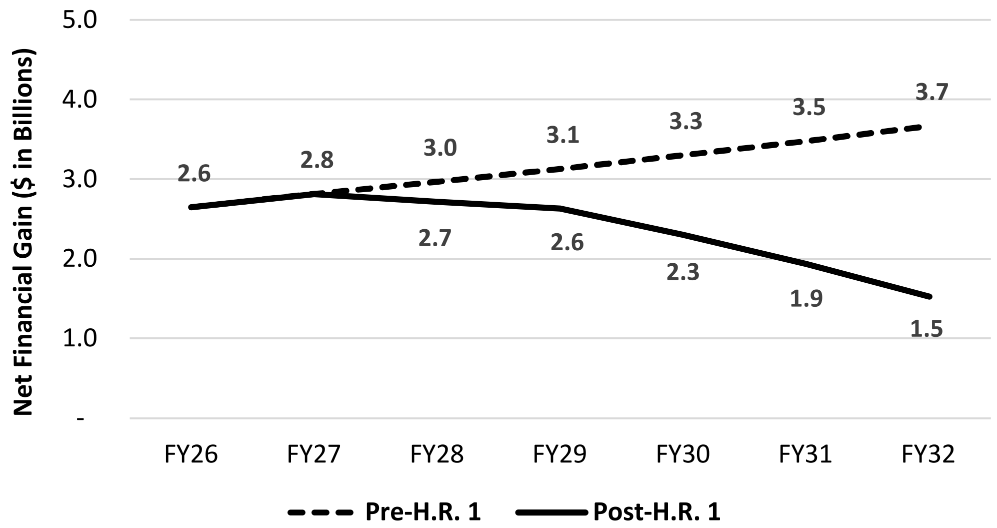
With the gradual reduction in the assessment rate, the state will draw down less in federal funds. This loss can be viewed from one of two perspectives as displayed in *Figure 1* and *Appendix D*:

- Relative to FY 2026, the hospitals' net financial gain from additional payments is expected to decline from $2.6 billion in FY 2026 to $1.5 billion in FY 2032, or a loss of $(1.1) billion.
- Relative to the projected pre-H.R. 1 FY 2032 estimates, the net gain would decline from $3.7 billion to $1.5 billion, or a loss of $(2.1) billion.

To help address the impacts of the lower assessment rates, H.R. 1 includes $10 billion annually between FY 2026 and FY 2030 for grants to states to make payments to rural health care providers. Of the $50 billion, $25 billion is distributed evenly among states between FY 2026 and FY 2030, while the remaining $25 billion will be distributed among states based on a methodology developed by federal regulators. We estimate that Arizona will receive at least $500 million of this funding ($100 million annually), with additional funding dependent on the final distribution methodology. This funding may be able to offset at least a portion of the losses to rural hospitals from the new limitations on provider assessments.

Figure 1

Estimated Impact of H.R. 1 on Additional Hospital Payments from Health Care Investment Fund



Caveats to this analysis include:

1) Arizona's provider assessment is levied against a combination of hospital inpatient and outpatient revenues. Our analysis is based on that revenue level increasing by 5% annually.
2) While the state's base insurance premium tax is 1.7%, any Medicaid revenues are taxed at 2.0%. By FY 2032, the state's IPT revenues would decline by $(30) million due to the reduction in total hospital Medicaid revenues.
3) The reduction in the provider assessment rate occurs between FY 2028 and FY 2032. This type of long-run implementation schedule can lead to revisions in the original legislation for any number of reasons.

State Directed Payment Reductions
In addition to limitations on provider assessments, H.R. 1 also reduces the maximum level of "state directed payments." State directed payments (SDP) consist of mandatory supplemental reimbursement to Medicaid providers over and above base reimbursement rates established by contracted Medicaid health plans. Under current law, the maximum <u>total payment rate</u> for Medicaid providers (including base reimbursement and state directed payments combined) is capped at the "average commercial rate," which is the average payment each provider would typically receive from a private health plan.

For Medicaid expansion states, H.R. 1 reduces the maximum total payment rate to the "Medicare payment rate," which is usually lower than the average commercial rate. SDP programs already in effect would have to begin phasing down their payments annually beginning January 1, 2028 until the total payment rate reaches the Medicare rate.

Arizona's largest directed payment program is the Health Care Investment Fund. The phase-down in state directed payments may require additional reductions to the Health Care Investment Fund over and above our estimates described above. Whether such reductions would materialize would depend on how AHCCCS' total payment rates compare to the Medicare payment rate after accounting for reductions in the provider assessment cap. We will need additional data from AHCCCS to determine the potential magnitude of such reductions.

In addition, based on federal reports on state directed payments for Arizona in effect for FY 2025, we believe there are at least 6 other state directed payment programs that would be subject to the Medicare payment rate cap from H.R. 1. These programs totaled $1.1 billion Total Funds for FY 2025, including $793 million of federal funds, with the state match primarily being provided by local governments or the University of Arizona. As with the HCIF, we would need AHCCCS to provide additional data to determine what reductions would be required to comply with the Medicare payment rate cap.

<u>SNAP Provisions</u>
SNAP is a federal low-income food assistance program administered by the Arizona Department of Economic Security (DES). Prior to H.R. 1, the federal government paid 100% of the cost of SNAP benefits. The federal government and the state each paid 50% of the administrative costs of the program.

At least 2 provisions of H.R. 1 could have a substantial impact on state costs:

- Starting in FY 2027, the state share of administrative costs will increase from 50% to 75%. We project this provision will cost Arizona $33 million in FY 2027 and $44 million in FY 2028.
- Starting in FY 2028, a state will begin to pay a percentage of SNAP benefit costs if their error rate in administering the program is 6% or above. The FY 2028 payment will be based on the lower of the FY 2025 or FY 2026 error rate, each of which will be available about 12 months after the end of the fiscal year. The state's FY 2024 error rate was 8.8%. If Arizona's error rate stays at that level through FY 2026, the state would be responsible for 10% of the SNAP benefit cost. The cost would be $139 million in FY 2028 and would annualize to $185 million in FY 2029.

H.R. 1 also expands SNAP work requirements, which may increase DES's administrative costs. We will need information from DES before evaluating this potential administrative impact.

The new SNAP administrative and benefit cost share provisions combined are projected to cost Arizona $33 million in FY 2027 and $183 million in FY 2028. Further detail on these provisions is included in *Appendix B*.

Federal Tax Provisions

The state of Arizona mostly conforms to federal tax law in two different broad aspects:

1) Arizona tax returns generally use federal definitions of taxpayer income as the starting point from which to calculate the amount of state individual income and corporate income tax liability. The relevant measures are adjusted gross income (AGI) for individual income tax and corporate taxable income (CTI) for corporate income taxes.
2) Arizona's individual income tax itemized deductions are mostly based on federal itemized deductions. In addition, the state's recent statutory policy has been to use the same dollar amounts for standard deductions as the federal government.

To the extent that federal law changes would affect the calculation of AGI, CTI and deductions, Arizona tax revenue would potentially be affected by H.R. 1.

Our analysis of the federal tax provisions focuses on new policy changes contained in H.R. 1. The bill also extended a significant number of federal tax law provisions which were previously scheduled to expire – those "extension provisions" are not projected to have a fiscal impact, as conforming to those items would continue existing policy at the state level.

Most of the federal tax law changes are effective for Tax Year 2025 income tax returns that would begin to be filed in the spring of 2026. Since Arizona does not automatically conform to federal tax law changes, the state would need to amend statute to reference H.R. 1 for the federal changes to apply to spring 2026 state income tax filing.

We estimate the FY state General Fund cost of conformity to be $381 million. *Appendix A* provides more detail on individual provisions.

Since we published our prior analysis, we discussed with the Arizona Department of Revenue (ADOR) which provisions reflect standard conformity versus policy conformity. An example of the latter is our current concurrence with the federal standard deductions. We will address this issue in more detail in a future update of this document.

TABLE OF CONTENTS

Federal Impacts of H.R. 1 Provisions on Arizona General Fund Budget

Table 1

		A	B	C
		FY 2026	FY 2027	FY 2028
	Tax Conformity			
	Revenue Adjustments - Tax Conformity			
1	Establish Additional $6,000 Deduction for Seniors through 2028	(53.7)	(53.6)	(54.3)
2	Increase SALT Deduction from $10k to $40k through 2030	(79.7)	(67.3)	(70.7)
3	Reduce Income Tax on Tips through 2028	(23.6)	(17.9)	(18.8)
4	Reduce Income Tax on Overtime through 2028	(76.5)	(59.8)	(53.6)
5	Establish Trump Accounts and Contribution Pilot Program - Minimal Estimated Impact	-	-	-
6	Establish Permanent Full Expensing for Certain Business Property	(31.8)	(20.8)	(15.2)
7	Restore Full Expensing of Domestic Research and Development Expenditures	(50.5)	(30.8)	(20.7)
8	Restore Higher Deducution on Business Interest	(9.8)	(9.3)	(8.5)
9	Increase Small Business Expensing Allowance from $1.25M to $2.5M	(10.0)	(8.4)	(7.0)
10	Create Special 100% Depreciation Allowance for Certain Non-Residential Production Property	(45.5)	(51.7)	(51.1)
11	Require 0.5% Floor on Deduction of Itemized Charitable Deduction	-	16.9	17.3
12	Makes Opportunity Zone Program Permanent along with Other Changes to the Program	-	42.8	(8.1)
13	All Other Provisions	(0.3)	8.9	10.3
14	**Subtotal - Revenue Adjustments - Tax Conformity**	**(381.4)**	**(250.9)**	**(280.4)**
	SNAP			
15	**Spending Adjustments - SNAP**			
16	Increase State Share of SNAP Administrative Costs from 50% to 75%	-	32.7	44.2
17	Require State Cost Sharing of Benefits if Error Rate Is 6% or Higher	-		138.7
18	Expand Work Requirements - Administrative Costs	-	-	-
19	**Subtotal - Spending Adjustments - SNAP**	**-**	**32.7**	**182.9**

Federal Impacts of H.R. 1 Provisions on Arizona General Fund Budget

Table 1

		A	B	C
		FY 2026	**FY 2027**	**FY 2028**
	Medicaid			
20	**Enrollment Reductions**			
21	Establish Medicaid Work/Community Engagement Requirement (80hrs/Month)	-	(9.0)	(19.3)
22	Require Semiannual Rather than Annual Redeterminations for Expansion Population Above 100% FPL	-	(3.7)	(7.4)
23	Eliminate Medicaid Eligibility for Refugees, Asylum Grantees, & Others	-	(2.4)	(3.2)
24	Reduce Expansion FMAP for Emergency Medicaid from 90% to 64%	-	Non-GF	Non-GF
25	Reduce Retroactive Coverage Prior to Eligibility from 3 Months to either 1 or 2 Months	-	(0.3)	(0.5)
26	**Provider Payment Reductions**			
27	Reduce the Provider Tax Rate from 6% to 3.5% between FY28 and FY32 - See Appendix D	Non-GF	Non-GF	Non-GF
28	Limitations on State Directed Payments	-	-	-
29	**Administrative Costs/Other**			
30	Require Semiannual Rather than Annual Redeterminations for Expansion Population Above 100% FPL	Yes TBD	Yes TBD	Yes TBD
31	Establish Medicaid Work/Community Engagement Requirement (80hrs/Month) -	Yes TBD	Yes TBD	Yes TBD
32	Require State Cost Sharing if Error Rate above 3% (beginning FY30)	-	-	-
33	**Subtotal - Spending Adjustments - Medicaid**	**-**	**(15.4)**	**(30.4)**
34	**Total - Federal Impacts of H.R. 1 on Arizona General Fund Budget** [1/]	**381.4**	**268.2**	**432.9**

1/ Excludes impact of reduced collections from the state's 2% Insurance Premium Tax.

Preliminary Detailed General Fund Revenue Estimates of State Income Tax Conformity in H.R. 1 [1/ 2/]

Appendix A

Tax Conformity Provisions

				$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
1)	Additional $6,000 Deduction for Seniors (which phases out for income above $75,000/$150,000)	Creates an additional standard deduction for taxpayers over 65 from 2025 through 2028. The deduction is equal to $6,000 per individual and phases out at a 6% rate for single taxpayers making above $75,000 and married taxpayers making above $150,000. This provision is frequently described as eliminating federal income taxes on Social Security benefits. HR 1 does not literally eliminate federal taxation of these benefits, but instead provides this additional deduction to offset the federal tax impact for most Social Security households. Arizona already exempts all Social Security benefits from state income taxes, but the state could still choose to conform to this higher deduction for taxpayers over 65. The senior deduction is available whether a taxpayer takes the standard deduction or itemizes their deductions. [IIT impact]	TY 2025 to TY 2028	($53.7)	($53.6)	($54.3)
2)	Limitation on Individual Deductions for Certain State and Local Taxes ("SALT Deduction")	Increases the cap for the SALT deduction from $10,000 to $40,000 for taxpayers making less than $500,000 in TY 2025. The deduction cap phases down at a 30% rate, from $40,000 to $10,000, for taxpayers making over $500,000. Increases this cap by 1% each year from TY 2026 through TY 2029. Beginning in TY 2030, the SALT deduction will be capped at $10,000. [IIT impact]	TY 2025 to TY 2029	($79.7)	($67.3)	($70.7)
3)	Reduce Taxation on Tips	Adds a deduction for qualified tips from 2025 through 2028. Includes a $25,000 limit on the amount of the deduction, and the deduction is generally limited to occupations that the Treasury Secretary certifies "customarily and regularly" received tips before 2025. The deduction phases out at a 10% rate for single taxpayers making more than $150,000 and married couples making more than $300,000. The tips deduction is available whether a taxpayer takes the standard deduction or itemizes their deductions. [IIT impact]	TY 2025 to TY 2028	($23.6)	($17.9)	($18.8)
4)	Reduce Taxation on Overtime	Adds a deduction for qualified overtime compensation from 2025 through 2028. There is a $12,500 limit on the amount of the deduction ($25,000 for married couples). The deduction applies to the extra compensation a taxpayer earns in overtime, not their entire compensation during overtime. (For example, an employee who earns $20/hour base pay and $30/hour as overtime pay, would be eligible for the deduction on the incremental $10/hour earned during overtime.) The deduction phases out at a 10% rate for single taxpayers making more than $150,000 and married couples making more than $300,000. The overtime deduction is available whether a taxpayer takes the standard deduction or itemizes their deductions. [IIT impact]	TY 2025 to TY 2028	($76.5)	($59.8)	($53.6)

Preliminary Detailed General Fund Revenue Estimates of State Income Tax Conformity in H.R. 1 [1/ 2/]

	Provision	Changes to Federal Law	Effective	$ Millions FY 2026	$ Millions FY 2027	$ Millions FY 2028
5)	Trump Accounts and Contribution Pilot Program	Creates a new tax-advantaged savings account called a Trump Account. Accounts are available only for children under the age of 18 for whom a social security number has been issued. For US citizens born between January 1, 2025, and December 31, 2028, the federal government will contribute $1,000 per child to every eligible account. Parents, family members and employers may contribute up to $5,000 annually to a Trump Account, indexed for inflation. There is no tax liability on capital gains until funds are withdrawn from the account. Amounts from these accounts may not be distributed to beneficiaries until after they have reached age 18. Most of the federal cost is related to the $1,000 contribution by the federal government to the Trump Account. Since the federal government's contribution to the new accounts will not affect federal adjusted gross income, this provision is expected to have a minimal state-level impact. [IIT impact]	TY 2025 and after	-	-	-
6)	Full Expensing for Certain Business Property (100% Bonus Depreciation) Sec. 168(K)	Establishes 100% bonus depreciation permanently for business investments in machinery, equipment, and other short-lived assets from Jan. 19, 2025, onward. (Under current law (TCJA), bonus depreciation is equal to 40% in 2025, 20% in 2026, and 0%, beginning in 2027.) [IIT impact; no CIT impact due to Arizona not conforming to this provision for corporations]	Property acquired after 1/19/2025	($31.8)	($20.8)	($15.2)
7)	Full Expensing of Domestic Research and Development Expenditures Sec. 174	Permanently restores full expensing for businesses' domestic research and development (R&D) investments, retroactive from January 1, 2025 onwards. Since 2022, domestic R&D investments have had to be amortized (i.e., deductions spread out) over five years. Allows retroactivity to the beginning of 2022 (not just the beginning of 2025) for small businesses that meet an average annual gross receipts threshold of $31 million or less. [IIT & CIT impact]	TY 2025 and after (but retroactive to TY 2022 for small businesses)	($50.5)	($30.8)	($20.7)
8)	Modification of Limitation on Business Interest	Permanently restores a more generous interest deduction limit that was in place from 2018 through 2021 under TCJA, retroactive from January 1, 2025 onwards. The more generous interest deduction limit is based on earnings before interest, taxes, depreciation, and amortization (EBITDA) rather than earnings before interest and taxes (EBIT). The EBIT standard went into effect in 2022. [IIT & CIT impact]	TY 2025 and after	($9.8)	($9.3)	($8.5)
9)	Increased Dollar Limitations for Expensing of Certain Depreciable Business Assets (Small Business Expensing) Sec. 179	Permanently increases the Sec. 179 expensing allowance targeted at small businesses, from a maximum of $1.25 million to a maximum of $2.5 million in 2025. Raises the threshold at which the expensing allowance begins to phase out for Sec. 179 property, from $3.13 million to $4 million in 2025. Both amounts above are indexed for inflation after 2025. [IIT & CIT impact]	TY 2025 and after	($10.0)	($8.4)	($7.0)

Preliminary Detailed General Fund Revenue Estimates of State Income Tax Conformity in H.R. 1 [1/ 2/] **Appendix A**

				$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
10)	Special Depreciation Allowance for Qualified Production Property Sec. 168(N)	Creates temporary, 100% depreciation for non-residential structures (i.e., real estate) that is placed in service in the U.S. before Jan. 1, 2031, for which construction begins between Jan. 19, 2025, and Jan. 1, 2029, and that is used for "qualified production activity." "Qualified production activity" includes manufacturing, refining, agricultural production, or chemical production. [IIT & CIT impact]	Property placed in service after date of enactment	($45.5)	($51.7)	($51.1)
11)	0.5 Percent Limit on Deduction of Contributions Made by Individuals	Sets a limit on the itemized charitable deduction, so that charitable contributions below 0.5% of adjusted gross income (AGI) are not eligible for the deduction. (For example, a taxpayer with an AGI of $100,000 cannot deduct the first $500 of charitable contributions. [IIT impact]	TY 2026 and after		$16.9	$17.3
12)	Permanent Renewal and Enhancement of Opportunity Zones	The Opportunity Zone (OZ) program provides certain tax benefits, such as a deferral of capital gains that are reinvested into a Qualified Opportunity Fund (QOF) in a low-income area. The QOF invests in businesses or properties in these areas. The bill sunsets currently designated OZs on December 31, 2026 (rather than December 31, 2028, as provided under prior law). As a result, taxes on deferred capital gains will be paid sooner, resulting in an FY 2027 revenue gain. The bill establishes a new, permanent OZ program, with OZ designations every 10 years, beginning January 1, 2027. This provision will generate new deferred capital gains starting in FY 2028, thereby resulting in a revenue loss. The bill also narrows the definition of low-income community from 80% of the statewide median income to 70%. [IIT & CIT Impact]	Taxable years beginning after date of enactment		$42.8	($8.1)
13)	Other Smaller Provisions		Various	($0.3)	$8.9	$10.3
	Total Conformity			**($381.4)**	**($250.9)**	**($280.4)**

Preliminary Detailed General Fund Revenue Estimates of State Income Tax Conformity in H.R. 1 [1/ 2/]

Other Non-Conformity Provisions: [3/]

	Provision	Changes to Federal Law	Effective	$ Millions FY 2026	$ Millions FY 2027	$ Millions FY 2028
14)	Increase of Standard Deduction ($750/$1,125/$1,500)	Adds $750 to the standard deduction for single taxpayers, $1,125 for head of households, and $1,500 for married couples in 2025, so that the standard deduction in 2025 is $15,750 for single filers, $23,625 for head of household filers, and $31,500 for married couples filing jointly. Continues to adjust the standard deduction for inflation after 2025. [IIT impact]	TY 2025 and after	($44.2)	($45.0)	($46.2)
15)	New Auto Loan Interest Deduction	Creates a new deduction for certain auto loan interest from 2025 through 2028. The deduction is limited to $10,000 overall and phases out at a 20% rate for single taxpayers making above $100,000 and married taxpayers making above $200,000. The deduction only applies to vehicles that are completed (i.e., assembled) in the U.S., and are new vehicles (not used). The auto loan deduction is available whether a taxpayer takes the standard deduction or itemizes their deductions. [IIT impact]	TY 2025 to TY 2028	($12.6)	($18.8)	($23.1)
16)	Permanent and Expanded Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize	Creates a deduction for charitable contributions from 2026 onwards for those who do not itemize deductions, equal to $1,000 for single taxpayers and $2,000 for married couples. Arizona statute allows an individual who takes the standard deduction for state income tax purposes to increase their standard deduction by 33% (this percentage is adjusted for inflation annually) of their charitable contributions that otherwise would have been deductible if they had elected to itemize their tax return. Because this state deduction for non-itemizers is similar to the one provided under HR 1, there could be some interactions between the state and federal provisions that affect the scoring of the state conformity cost. For this reason, additional research and analysis may be needed. [IIT impact]	TY 2026 and after		($18.2)	($19.0)
	Total Cost - Non-Conformity Provisions			**($56.8)**	**($82.0)**	**($88.4)**

1/ JLBC Staff estimate based on prorating the nationwide impact as projected by the congressional Joint Committee on Taxation (JCT) staff, which provides the official scoring of federal tax legislation.

2/ The state uses federal adjusted gross income as the starting point for Arizona income taxes. We currently lack definitive information on which provisions will be included in federal adjusted gross income. This chart's display reflects our preliminary analysis of the bill language relative to conformity provisions.

3/ These provisions are not likely to be included in federal adjusted gross income. The state may still consider whether to conform to the items. If the state chooses to conform to the non-conformity provisions, the total cost would increase to $(438) million in FY 2026, $(333) million in FY 2027, and $(369) million in FY 2028.

Preliminary Detailed General Fund Cost Estimates of Supplemental Nutrition Assistance Program (SNAP) Provisions in H.R. 1 **Appendix B**

					$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Estimated Impact on Arizona**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
1)	Administrative Cost Sharing	Increases the state's share of SNAP administrative costs from 50% to 75%. The federal share will decline from 50% to 25%.	We estimate that the 25% increase to the state share generates a cost of $44.2 million on an annual basis, but the cost would be $32.7 million in FY 2027 since the provision does not become effective until October 2026. This estimate is based on a federal Office of Management and Budget (OMB) report that shows Arizona spent $160.9 million in total on SNAP administration in FFY 2023. Our estimate assumes this amount grows at an annual rate of 2% based on Congressional Budget Office (CBO) projections of administrative cost increases within SNAP.	10/1/2026	$0.0	$32.7	$44.2
2)	Benefit Cost Sharing/ Error Rates	Adds a state matching requirement for SNAP benefits that is based on the state's payment error rate. States will be exempt if their error rate is below 6%. As the error rate increases above 6%, states are required to pay an increasing percentage of the SNAP benefit costs *(Please see table below.)* On a one-time basis, states with error rates above 13.3% are exempt from the benefit share provisions for up to 2 years after the regular October 2027 effective date. On an ongoing basis, a state's benefit share will be based on its error rate 3 years prior. In FFY 2028, the state will have the choice of using its FFY 2025 or FFY 2026 error rate. <u>Error Rate</u> — <u>State Match</u> 0%-5.99% — 0% 6%-7.99% — 5% 8%-9.99% — 10% 10% or more* — 15% *In FFY 2028 and FFY 2029, no cost share if >13.3%.	The FY 2028 cost of this provision will depend on the state's error rate in FFY 2025 or FFY 2026. In the last 3 years, the state's error rate has been: • FFY 2022 = 11.4% • FFY 2023 = 11.4% • FFY 2024 = 8.8% We lack a reliable means of estimating the error rate for either FFY 2025 or FFY 2026, the two benchmarks for the FFY 2028 rate. As a result, our estimate is based on Arizona maintaining its current error rate of 8.8%. At that level, we estimate that the state cost will be $185.0 million on an annual basis, but the cost would be $138.7 million in FY 2028 since the provision does not become effective until October 2027. This estimate assumes that SNAP benefits in Arizona will equal $1.85 billion by FFY 2028. Our estimate assumes that in the absence of SNAP benefit and eligibility changes required by H.R. 1, SNAP benefit spending in Arizona would have grown to $2.14 billion by FFY 2028 based on national baseline growth estimates from CBO, or approximately 2% each year. However, we have reduced the $2.14 billion figure by (13.5)% to $1.85 billion to reflect other benefit and eligibility reductions included in H.R. 1. The (13.5)% assumption is based on CBO's scoring of these reductions relative to its baseline estimates.	10/1/2027	$0.0	$0.0	$138.7

					$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Estimated Impact on Arizona**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
3)	Modifications to SNAP Work Requirements	Under current law, non-disabled SNAP enrollees aged 16-59 are subject to a general work requirement that requires registration for work, accepting a job if offered, and, if already employed, not quitting a job or reducing work hours. In addition, able-bodied adults without dependents (ABAWDs) aged 18-54 are subject to an additional work requirement of a minimum of 20 hours per week of employment or participation in a state-administered work program. Individuals subject to the additional work requirement may only receive SNAP benefits for 3 months in a 36-month period unless they comply with the additional work requirement. H.R. 1 modifies the additional work requirement as follows: •Increases the minimum age required for an exemption from 55 to 65. •Includes adults with dependents if the dependents are aged 14 or older. •Adds exemption for American Indians •Removes exemption for homeless individuals, veterans, and former foster youth aged 24 or younger	We estimate that this provision may generate additional administrative costs within the Department of Economic Security (DES). We would need more information from the agency to determine what impact, if any, these changes would have on DES costs given this provision modifies an existing administrative function. We also estimate that this provision will reduce SNAP caseloads, which may serve to reduce the agency's administrative workload. H.R. 1 also limits the state from applying for waivers for the additional work requirement in select regions. Under current law, states are authorized to receive waivers of the applicability of the additional work requirement and associated 3-month time limit if the state determines, subject to USDA approval, that an area of the state "does not have a sufficient number of jobs to provide employment". Arizona's waiver approved by USDA through September 2025 waives the additional work requirement for A) residents of all counties except for Maricopa County and B) 16 tribal reservation areas. As a result, the additional work requirement is effectively only currently applicable in non-tribal areas of Maricopa County. H.R. 1 would only authorize waivers in jurisdictions with an unemployment rate of over 10%. For its current waiver, DES reported unemployment rates below 10% for all counties and for 12 of the 16 tribal areas. As a result, DES will likely need to reduce and/or modify its future waiver requests, which would subject more SNAP recipients to the additional work requirement and thereby increase SNAP administrative workload.	Date of Enactment (7/4/2025)	-	-	-
	Total Cost - SNAP Provisions				**$0.0**	**$32.7**	**$182.9**

Preliminary Detailed General Fund Cost Estimates of Medicaid Provisions in H.R. 1 [1/]

Appendix C

Enrollment Reductions

					$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Estimated Impact on Arizona**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
1)	New Medicaid Work/Community Engagement Requirement - Savings	Requires states to impose work requirements on the Medicaid expansion population in order to qualify for Medicaid. Exempts parents of children aged 13 and under and those who are medically frail. An individual must either be working or participating in a qualifying work-related activity such as community service for at least 80 hours in a month.	Although these work requirements will go into effect in January 2027, H.R. 1 gives federal regulators the authority to exempt states from the work requirements for up to 2 years if the state is unable to comply by this date and demonstrates a good faith effort to come into compliance. The impact on Arizona over the next several years will ultimately depend on the capacity of AHCCCS to begin administering the new work requirements and whether the federal government grants the state an extension in the event that AHCCCS applies for one. CBO scoring appears to assume that a portion of states will be granted extensions as the estimated federal savings are phased in over the next several years. We estimate that this provision will result in a Total Fund reduction of $(298.8) million in FY 2027 and $(641.1) million in FY 2028 by prorating CBO scoring in these years. However, this prorating methodology is likely imprecise for estimating the impact to any one state. CBO's estimated federal savings stabilizes by FFY 2030, likely reflecting that H.R. 1 does not allow for extensions beyond January 2029. By prorating these numbers, we estimate that this provision will result in a Total Fund annual reduction of $(1.60) billion in FY 2030, including $(48.1) million from the General Fund, $(112.3) million from the HAF, and $(1.44) billion from Federal Funds. We estimate that this level of savings would be associated with a decline in caseloads of approximately (144,000) individuals. However, please note that this estimate is highly speculative for several reasons and that it only reflects our estimate for when the state reaches full implementation, which may not be until FY 2030.	1/1/2027	-	($9.0)	($19.3)

Preliminary Detailed General Fund Cost Estimates of Medicaid Provisions in H.R. 1 [1/]

					$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Estimated Impact on Arizona**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
2)	Semiannual Redeterminations for Expansion Population - Savings	Increases the frequency states are required to renew the eligibility of Medicaid expansion adults from at least every 12 months to at least every 6 months. The Medicaid expansion population consists of childless adults with incomes up to 133% of the Federal Poverty Level (FPL) and parents and caretaker relatives with incomes between 106% and 133% of FPL. As of August 1, 2025, there were 451,000 adults enrolled in Arizona's Medicaid expansion program.	Based on Arizona's prorated share of the Congressional Budget Office (CBO) estimate of the expansion population, this provision will result in a Total Fund annual reduction of $(245.1) million, including $(7.4) million from the General Fund, $(17.2) million from the Hospital Assessment Fund (HAF) and $(220.5) million from Federal Funds. We estimate that this level of savings would be associated with a decline in enrollment of the equivalent of approximately (27,000) individuals. We estimate the savings will be halved in FY 2027 since the provision does not become effective until January 2027.	1/1/2027	-	($3.7)	($7.4)
3)	Eliminate Medicaid Eligibility for Refugees, Asylum Grantees, and Others	Limits the eligibility of lawfully present immigrants for Medicaid and CHIP to lawful permanent residents, certain Cuban and Haitian immigrants, and citizens of the Freely Associated States (COFA migrants) lawfully residing in the U.S. Eliminates eligibility for refugees, asylees, and individuals granted humanitarian parole for at least 1 year.	Based on a prorated share of CBO scoring of this provision, this provision will result in a $(15.7) million Total Fund annual reduction, including $(3.2) million from the General Fund, $(730,000) from the HAF and $(11.8) million from Federal Funds. This reflects an estimated 25% state match contribution as a blended average across the various AHCCCS population categories. We estimate the savings will be 75% of the annual amount in FY 2027 since the provision does not become effective until October 2026.	10/1/2026	-	($2.4)	($3.2)
4)	Reduction in Federal Match for Emergency Medicaid	Under prior law, individuals that did not qualify for full Medicaid and CHIP solely on the basis of immigration status could still qualify for coverage of emergency services (including labor and delivery) through the Federal Emergency Services (FES) program. The federal government had reimbursed Medicaid expansion adults receiving FES at a 90% federal match. This H.R. 1 provision reduces the 90% match to the state's regular match rate.	Only expansion adults with incomes up to 133% FPL currently receive a 90% match and will therefore be impacted by this provision. Additionally, because the physical health care costs of expansion adults, including FES, are covered by an assessment on hospitals, this provision does not have a General Fund impact. FES spending for the population currently receiving a 90% match is $63.2 million Total Funds an on annual basis. We estimate that a reduction in the match rate to 64% generates $16.3 million of additional state costs that are covered by the HAF and a corresponding $(16.3) million in federal savings.	10/1/2026	-	Non-GF	Non-GF

Preliminary Detailed General Fund Cost Estimates of Medicaid Provisions in H.R. 1 [1/]

					$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Estimated Impact on Arizona**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
5)	Reduce Retroactive Coverage	Under prior law, individuals could receive coverage of health care services furnished in any of the 3 calendar months prior to the month of their application. H.R. 1 reduces retroactive coverage to 1 month for expansion adults and 2 months for members of the traditional Medicaid population. The impact on Arizona is limited to only pregnant women and children as the state currently operates under a federal waiver that already limits retroactive coverage to the first day of the month of application for all populations except pregnant women and children.	Based on currently available AHCCCS data, we estimate that this provision would result in a Total Funds reduction of $(1.5) million, including $(540,000) from the General Fund and $(1.0) million from Federal Funds. These estimates assume that retroactive expenditures are, on average, evenly distributed across the 3-month period. We estimate the savings will be halved in FY 2027 since the provision does not become effective until January 2027.	1/1/2027	-	($0.3)	($0.5)

Subtotal - Enrollment Reductions	**-**	**($15.4)**	**($30.4)**

Preliminary Detailed General Fund Cost Estimates of Medicaid Provisions in H.R. 1 [1/]

Provider Payment Reductions

	Provision	Changes to Federal Law	Estimated Impact on Arizona	Effective	$ Millions FY 2026	$ Millions FY 2027	$ Millions FY 2028
6)	Limitations on Provider Taxes	See Summary Narrative and Appendix D		10/1/2027	Non-GF	Non-GF	Non-GF
7)	Limitations on State Directed Payments	Limits the total state directed payment (SDP) rate for inpatient hospital and nursing facility services to 100% of the Medicare rate for states that have expanded Medicaid and 110% for states that have not expanded. This provision initially grandfathers SDPs approved prior to H.R. 1's enactment, but gradually reduces these grandfathered SDPs' reimbursement levels each year beginning January 2028 until they reach the specified Medicare limit. SDPs are payments that a Medicaid state agency directs managed care organizations (MCOs) to make to specific health care providers. SDPs must meet certain criteria, such as advancing provider quality objectives, and receive federal approval.	<u>Hospital Directed Payments</u> Hospital directed payments, also referred to as "HEALTHII" payments *(See Appendix D),* are the largest example of SDPs within AHCCCS. Because the revenues from the hospital assessment are the source of the HEALTHII payment state match, this provision does not have an impact on General Fund expenditures. However, if HEALTHII payments were to be reduced when grandfathered SDPs begin to experience reductions in FY 2028, this could have an impact on General Fund revenue from IPT payments. <u>Valleywise</u> AHCCCS recently began providing SDPs to the Valleywise system of public hospitals via a new program called the Safety Net Services Initiative (SNSI). Similar to HEALTHII payments, Valleywise provides the state match for SNSI, and therefore this provision does not have an impact on General Fund expenditures but may impact IPT revenue beginning in FY 2028. There are a number of directed payment programs within AHCCCS beyond those listed above. We need further input from the federal government and AHCCCS regarding which programs, if any, will eventually be limited by this provision of H.R. 1.	Date of Enactment (7/4/2025)	-	-	-

Subtotal - Provider Payment Reductions	-	-	-

Preliminary Detailed General Fund Cost Estimates of Medicaid Provisions in H.R. 1 [1/]

Administrative Costs/Other

					$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Estimated Impact on Arizona**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
8)	Semiannual Redeterminations for Expansion Population - Administrative Costs	(see above)	This provision will generate additional administrative costs within AHCCCS. For instance, the agency will be required to perform additional checks on member incomes that are typically charged on a per-verification basis. However, we will need more information from the agency to quantify the impact.	1/1/2027	Yes TBD	Yes TBD	Yes TBD
9)	New Medicaid Work/Community Engagement Requirement - Administrative Costs	(see above)	We estimate that this provision will generate additional administrative costs within AHCCCS. However, we will need more information from the agency to quantify the impact. Two states have previously implemented work requirements through a federal waiver. Georgia's program began enrollment in June 2023, and Arkansas had a 10-month program from June 2018 to March 2019 that was ended by court order. We are not aware of a formal evaluation of the administrative cost of the Georgia program, but their cumulative total fund administrative expenses have been reported to be near $75 million. To the extent that their work program requires IT changes, the federal government share of those costs would be 90%. Most other administrative expenses are split evenly between the federal government and the state. A 2019 U.S. Government Accountability Office report estimated that Arkansas spent $26 million on the administration of their short-term program. The federal share of that cost is estimated to be 83%. H.R. 1 includes one-time funding of $200 million nationwide to assist states in implementing the work requirements. We project that Arizona would receive approximately $4 million of this funding.	1/1/2027	Yes TBD	Yes TBD	Yes TBD

Preliminary Detailed General Fund Cost Estimates of Medicaid Provisions in H.R. 1 [1/]

					$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Estimated Impact on Arizona**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
10)	State Cost Sharing for Error Rate Above 3%	Requires federal regulators to reduce federal matching funds associated with erroneous payments made by states above the allowable error rate of 3% for individuals that were either ineligible for Medicaid or when insufficient information is available to confirm eligibility.	Federal regulators currently audit states on 3-year cycles for improper payments. The results of Arizona's most recent audit were published in November 2024, which showed that the state's error rate related to eligibility determinations was 1.5%. The next audit will likely be published in November 2027. We lack a reliable means of projecting future error rates. If Arizona maintained its current error rate of 1.5%, this would be within the allowable range and there would not be a fiscal impact. However, in the previous audit published in November 2021, Arizona's eligibility error rate was 16.3%, in which case this could potentially represent a General Fund fiscal impact. The impact will depend on the volume of improper payments in future years.	10/1/2029	-	-	-

	FY 2026	FY 2027	FY 2028
Subtotal - Administrative Costs	**Yes TBD**	**Yes TBD**	**Yes TBD**
Total - Spending	**-**	**($15.4)**	**($30.4)**

General Fund Revenue Loss

					$ Millions	$ Millions	$ Millions
	Provision	**Changes to Federal Law**	**Estimated Impact on Arizona**	**Effective**	**FY 2026**	**FY 2027**	**FY 2028**
11)	Reduction in State's 2% Insurance Premium Tax (IPT) Collections	Under state law, health insurers pay a 2% tax on their premium revenue, including their Total Medicaid revenue, to the General Fund. While H.R. 1 does not affect this 2% tax directly, several of its provisions will likely impact IPT revenue levels.	Based on Total Fund premium reductions, the state's General Fund IPT collections would begin to decline in FY 2027. The revenue loss will also depend on any reductions related to state directed payments and Affordable Care Act Health Care Exchanges, which are not incorporated into these estimates.	--	-	($8.6)	($18.1)

	FY 2026	FY 2027	FY 2028
Total - State Revenue Impacts - Medicaid	**-**	**($8.6)**	**($18.1)**

1/ Please see *Appendix E* for information on non-General Fund impacts of H.R. 1 Medicaid provisions.

Estimated Impact of Medicaid Provider Tax Limitations in H.R. 1

Table 2

Pre-H.R. 1 Hospital Assessment Analysis ($ in Millions)

		FY26	FY27 [3/]	FY28	FY29	FY30	FY31	FY32
A	Total Hospital Inpatient/Outpatient Revenues [1/]	25,292	26,557	27,884	29,279	30,743	32,280	33,894
B	Pre-H.R. 1 Assessment Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
C	State Match to Draw Down Federal Funds (A x B)							
D	Medicaid Expansion (HAF) [1/]	529	549	577	605	636	667	701
E	Additional Hospital Payments (HCIF) [2/]	989	1,044	1,096	1,151	1,209	1,269	1,333
F	**Total State Match (D+E)**	**1,518**	**1,593**	**1,673**	**1,757**	**1,845**	**1,937**	**2,034**
G	Pre-H.R. 1 Net Gain (Total Fund Less State Match)							
H	Medicaid Expansion	827	875	918	964	1,013	1,063	1,116
I	Additional Hospital Payments	2,648	2,813	2,967	3,129	3,300	3,479	3,667
J	**Pre-H.R. 1 Total Net Gain (H+I)**	**3,475**	**3,688**	**3,886**	**4,094**	**4,312**	**4,542**	**4,783**

1/ Assumes a baseline annual growth rate of 5%.
2/ Includes $71 million that are used for additional payments to physicians and dentists.
3/ Includes a $100 million General Fund backfill of the HAF in accordance with the 3-year spending plan associated with the FY 2025 enacted budget.

Table 3

Post-H.R. 1 Hospital Assessment Analysis ($ in Millions)

		FY26	FY27 [4/]	FY28	FY29	FY30	FY31	FY32
K	Total Hospital Inpatient/Outpatient Revenues [1/]	25,292	26,557	27,884	29,279	30,743	32,280	33,894
L	Post-H.R. 1 Assessment Rate	6.0%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%
M	State Match to Draw Down Federal Funds (K x L)							
N	Medicaid Expansion (HAF) [1/2/]	529	530	522	481	512	543	577
O	Additional Hospital Payments (HCIF) [3/]	989	1,044	1,011	983	872	748	609
P	**Total State Match (N+O)**	**1,518**	**1,574**	**1,534**	**1,464**	**1,383**	**1,291**	**1,186**
Q	Post-H.R. 1 Net Gain (from Federal Matching $)							
R	Medicaid Expansion	827	802	790	724	754	786	819
S	Additional Hospital Payments	2,648	2,813	2,715	2,630	2,302	1,935	1,525
T	**Post-H.R. 1 Total Net Gain (R+S)**	**3,475**	**3,615**	**3,505**	**3,354**	**3,056**	**2,721**	**2,344**

1/ Assumes a 5% baseline annual growth rate.
2/ Incorporates estimated losses in coverage from other provisions of H.R. 1.
3/ Includes $71 million that are used for additional payments to physicians and dentists.
4/ Includes a $100 million General Fund backfill of the HAF in accordance with the 3-year spending plan associated with the FY 2025 enacted budget.

Impacts of H.R. 1 Medicaid Provisions on Arizona Total Funds Budget [1/]

Appendix E

		A	B	C	D	E	F	G	H
		FY 2027 General Fund	**FY 2027 Hospital Assessment**	**FY 2027 Federal Funds**	**FY 2027 Total Funds**	**FY 2028 General Fund**	**FY 2028 Hospital Assessment**	**FY 2028 Federal Funds**	**FY 2028 Total Funds**
	Enrollment Reductions								
1	Semiannual Redeterminations for Expansion Population	(3.7)	(8.6)	(110.3)	(122.6)	(7.4)	(17.2)	(220.5)	(245.1)
2	Eliminate Medicaid Eligibility for Refugees, Asylum Grantees,	(2.4)	(0.5)	(8.9)	(11.8)	(3.2)	(0.7)	(11.8)	(15.7)
3	Reduction in Federal Match for Emergency Medicaid	-	12.2	(12.2)	-	-	16.3	(16.3)	-
4	Reduce Retroactive Coverage	(0.3)	-	(0.5)	(0.8)	(0.5)	-	(1.0)	(1.5)
5	New Medicaid Work/Community Engagement Requirement	(9.0)	(21.0)	(268.8)	(298.8)	(19.3)	(45.0)	(576.9)	(641.1)
6	**Provider Rate Reductions**								
7	Limitations on Provider Assessments - See Appendix D [2/]	-	-	-	-	-	-	-	-
8	Limitations on State Directed Payments (to be determined) [2/]	-	-	-	-	-	-	-	-
9	**Administrative Costs**								
10	Semiannual Redeterminations for Expansion Population	Yes, TBD	-	Yes, TBD	Yes, TBD	Yes, TBD	-	Yes, TBD	Yes, TBD
11	New Medicaid Work/Community Engagement Requirement	Yes, TBD	-	Yes, TBD	Yes, TBD	Yes, TBD	-	Yes, TBD	Yes, TBD
12	State Cost Sharing for Error Rate Above 3% (starts in FY30)	-	-	-	-	-	-	-	-
13	**Subtotal - Spending Adjustments - Medicaid**	**(15.4)**	**(17.9)**	**(400.7)**	**(433.9)**	**(30.4)**	**(46.6)**	**(826.5)**	**(903.5)**
14	**General Fund Revenue Loss**								
15	Lower Insurance Premium Tax Collection	(8.6)	-	-	(8.6)	(17.3)	-	-	(18.0)

1/ All figures are in millions $.

2/ No General Fund impact.