



# Federal Policy Debates in 2025 Carry High Stakes

JANUARY 14, 2025 | BY SHARON PARROTT

A series of high-stakes federal policy debates will take place this year as President-elect Trump and a Republican-controlled Congress seek to implement their policy agenda and address looming deadlines in areas such as the debt limit and the federal tax code. The decisions that policymakers make — possibly starting early in the year and through both legislation and executive action — could leave many millions of people much worse off while extending and increasing tax breaks for wealthy households and profitable businesses.

Proposals in recent House Republican budget plans, the Heritage Foundation's Project 2025, and past Trump Administration budgets call for massive disinvestment in a wide range of federally funded services and supports. Most recently, House Republicans are reportedly considering a list of potential cuts compiled by House Budget Committee Chair Jodey Arrington totaling more than \$5 trillion over the next decade, including deep cuts in health care and food assistance.<sup>[1]</sup>

If even some of these proposals are enacted, more families will struggle to pay their bills and afford groceries, more children will live in poverty, more families will face eviction and homelessness, fewer people will have access to lifesaving health care and coverage and care will cost more, and families will pay more for basic goods due to Trump-imposed tariffs — even as high-income households grow *wealthier* through expensive tax cuts heavily skewed toward them.

The harm wouldn't be limited to people who have very low incomes or are out of work. Some 100 million people have health coverage through Medicaid (72 million), the Affordable Care Act (ACA) marketplaces (23 million), or the Children's Health Insurance Program or CHIP (7 million). Roughly

**House Republicans are reportedly considering a list of potential cuts compiled by House Budget Committee Chair Jodey Arrington totaling more than \$5 trillion over the next decade.**

40 million people receive food assistance from the Supplemental Nutrition Assistance Program (SNAP). Some 28 million students attend one of the nearly 60,000 public schools<sup>[2]</sup> that receive federal Title I funding to augment state and local funding. Some 66 million retirees, survivors, and disabled workers count on Social Security having adequate resources to answer the phone and address their questions.

An alternative, evidence-based path is available, however, that would enable us to make progress toward ensuring that everyone has the resources they need to thrive and to build the lives they want for themselves and their families. Research shows that investing in Medicaid and health coverage improves health outcomes and saves lives for children and adults alike. Research also shows that investing in rental assistance reduces homelessness and eviction and stabilizes children's schooling. And studies find that helping families afford the basics through food assistance and income supports like the Child Tax Credit can have long-term benefits for children in areas ranging from health and school performance to future earnings. The policies are well known, and our wealthy nation can afford to make these kinds of investments; all that's lacking is the political will.

## Coming Decisions Will Have Significant Impacts on People's Lives

Policy agendas that House Republicans and the Heritage Foundation released in the months prior to the election – as well as past Trump Administration budgets – called for trillions of dollars of cuts to a wide range of domestic programs over the next decade, alongside trillions of dollars in new or extended tax cuts tilted toward high-income households and profitable corporations.<sup>[3]</sup>

Then in December, as President-elect Trump called on Congress to raise the debt ceiling, news reports indicated that House Republicans had agreed to a plan coupling an increase in the debt ceiling with large cuts in spending. The incoming chair of the House Energy and Commerce Committee, Rep. Brett Guthrie, called for targeting Medicaid for cuts. And, as noted above, House Republicans are reportedly considering a list of potential cuts totaling more than \$5 trillion.

Taken together, these proposals, which reflect long-standing Republican priorities, take aim at health coverage programs such as Medicaid and ACA marketplace coverage, food assistance programs such as SNAP, income assistance for seniors and people with disabilities through the Supplemental Security Income program, and the many public services supported by non-defense discretionary (NDD) funding. NDD funding supports a host of investments in people, communities, and the economy, from housing and child care to education, transportation, ports, and research. It also supports core functions of government, such as the staff who answer questions and help seniors enroll in Social Security and Medicare.

A broad swath of families count on public services and economic and health security supports that various Republican proposals target for cuts. SNAP serves 1 in 5 of this nation's children, with a larger share of children getting help at some point during their childhoods. Some 3 in 10 people in

the U.S. received health coverage in 2024 through Medicaid, CHIP, or the ACA marketplaces – and far more rely on this support over the course of their lifetimes. Medicaid pays for 2 in 5 births, and 3 in 5 nursing home residents have their care paid for by Medicaid, including many who had middle-class incomes during their working years but cannot afford nursing home care. (See Figure 1.)

FIGURE 1

## Medicaid Helps Keep People Healthy at All Stages of Life

Medicaid covers:



Note: Children are 0-18. Non-elderly adults, including those with a disability, are 19-64. The category of people with a SUD or any mental illness applies to those 18-64. Elderly adults are aged 65+.

Source: CBPP, “Medicaid Threats in the Upcoming Congress”

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

## Increasing Poverty and Hardship [↗](#)

For example, most and possibly all of the 40 million people receiving food assistance through SNAP would see the help they receive reduced or taken away entirely under a variety of Republican proposals. Some proposals would take food assistance away from more people who can’t meet rigid, paperwork-laden work requirements, such as people living in areas with insufficient jobs, older adults up to age 65, and veterans. Other proposals would prohibit the periodic updating of SNAP benefits to reflect current dietary guidelines (including some proposals to roll back the most recent such update in 2021, which lifted more than 2 million people over the poverty line), alter SNAP’s funding structure to shift costs to states, and cut food assistance for some people who modestly increase their earnings but struggle to afford the basics.<sup>[4]</sup>

Other proposals would make it harder and more stigmatizing for children in low-income families to access school meals or would end most summer food assistance programs, increasing hunger when school is out and children aren’t getting school meals.

Millions of people could also face cuts to rental assistance that helps them pay rent each month and avoid eviction and homelessness. The first Trump Administration proposed to raise rents on more than 8 million recipients of federal rental assistance, including more than 3 million children, and to allow housing agencies and private owners to evict tenants or take away their subsidies if they can't prove they meet rigid work requirements. And last year, House Appropriations Committee Republicans voted to inadequately fund housing vouchers in 2025, which would cause hundreds of thousands of people to lose out on help paying the rent.

## **Taking Away People's Health Care and Making Coverage Far More Expensive** ↗

Cuts in health coverage programs on the order of those in the Republican plans – such as the \$2.3 trillion in Medicaid cuts included on the list of potential cuts being considered by House Republicans<sup>[5]</sup> – would inevitably lead millions of people to lose coverage entirely and millions of others to see their benefits reduced. This would leave many without needed care and raise families' health care costs for the care they do manage to receive, increasing many people's medical debt and often passing cost burdens onto strained extended families as well.

Some plans envision shifting large Medicaid costs to states, which would almost invariably lead to cuts and losses in coverage when states don't make up the lost federal funding. Federal dollars account for about two-thirds of Medicaid spending nationwide, and replacing those funds with state dollars would prove practically and politically difficult in most places. (Large cost shifts are included in the potential list of cuts House Republicans are considering.)

When people lose Medicaid or marketplace coverage, they lose access to preventive and primary care, chronic disease management, and care for life-threatening conditions. Examples include a mother who won't be able to get cancer treatment, a young adult working in a low-paying job who won't be able to manage his diabetes, or a caregiver for an older parent who won't have access to medication and care to control her depression.

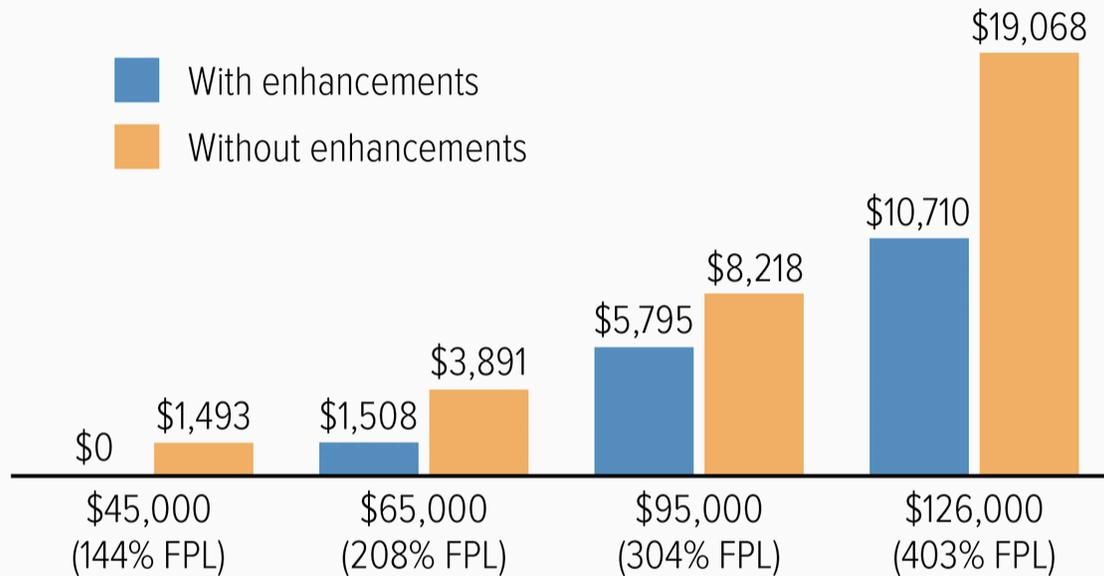
Some Republican proposals would end the ACA Medicaid expansion, which covers some 20 million people, or make it so costly for states that many states would drop the expansion. Other proposals would take coverage away from people who can't meet red-tape-laden work requirements; real-world experience in Arkansas and Georgia indicates these requirements would lead to large coverage losses.<sup>[6]</sup> In addition, large Medicaid cuts would force hospitals and community health centers to care for more uninsured patients, straining their finances and worsening the already alarming lack of health care access in rural communities.

People buying private coverage through the ACA marketplaces would be hurt as well. The Republican plans would let recent improvements to premium tax credits that have made coverage much more affordable for moderate- and middle-income families expire at year's end, causing premiums to spike for nearly all enrollees. (See Figure 2.) An estimated 4 million people would become uninsured.<sup>[7]</sup>

FIGURE 2

## Families Would Face High Premium Increases if Tax Credit Enhancements Expire

Annual premium for benchmark marketplace coverage for a family of four, based on national average premium



Annual income for a family of four, \$ and % of federal poverty level (FPL)

Note: The example family includes two 40-year-old adults, a 10-year-old child, and a 5-year-old child. Premium costs differ for states with different poverty level standards than the national standard (Alaska and Hawai'i) and for states that provide additional financial help beyond federal subsidies. In certain states, some children and/or their parents with incomes above 138% of the federal poverty level are eligible for Medicaid, CHIP, or a Basic Health Plan, making them ineligible for premium tax credits.

Source: CBPP calculations and Congressional Budget Office estimates of applicable percentages without enhancements in 2025.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

## Harming Immigrants and Their Families [↗](#)

The Trump Administration or Congress could try to bring back the first Trump Administration's "public charge" immigration policy, which sought to prevent people from immigrating to the U.S. if they aren't already economically successful. Indeed, this is on the list of potential cuts House Republican are considering.

The Trump Administration rule included an income test that could have blocked up to 99.2 percent of the population of South Asia, 98.5 percent of the population of Sub-Saharan Africa, and 79.0 percent of the population of Latin America and the Caribbean from immigrating to the U.S. The rule ignores the record of achievement and upward mobility that immigrants and their descendants have shown for generations in the U.S.<sup>[8]</sup> The Urban Institute found that under the Trump policy, more than 1 in 4 immigrants with low incomes avoided enrolling in a non-cash public benefit such as health coverage out of fear that doing so would prevent a family member from being able to immigrate to or remain in the U.S.<sup>[9]</sup>

The House Republican Study Committee plan included a far-reaching proposal to *deny all public benefits to anyone who is not a citizen*, including immigrants who have had lawful immigration status for many years. A bicameral group of Republican lawmakers recently backed this approach in a letter to incoming Senate Majority Leader John Thune and House Speaker Mike Johnson.<sup>[10]</sup> And some proposals (including the new House list of potential cuts) have called for denying the refundable portion of the Child Tax Credit to children who are U.S. citizens but whose parents lack a Social Security number.

These and other potential policy changes hostile to immigration, most notably President-elect Trump's promise to launch mass deportations of people without a documented immigration status, are already raising fears among people who are immigrants, including those with a lawful immigration status, who are concerned that their families could be separated or that they will need to leave along with loved ones.

## Cutting Public Services and Investments in Our Economy, Undermining Basic Governance ↻

Republican budget plans don't specify which NDD programs they would cut, but the multi-trillion-dollar disinvestment they propose in this part of the budget would likely require reductions in the building blocks of strong communities and our economy. These include schools, roads, ports, mass transit, scientific and medical research, child care, disease monitoring and response to public health crises, housing, anti-fraud staff in Medicare, college aid, IRS customer service and tax enforcement, and environmental clean-up and enforcement.

House Republicans' 2025 appropriations bills suggest some likely targets for cuts. Among other things, these bills would cut Energy Department funds for energy efficiency and renewable energy by 43 percent and cut Title I funding for K-12 schools by 25 percent.<sup>[11]</sup> The 28 million students who attend schools that receive Title I funding comprise more than half of all public school students.

Broad cuts to NDD spending would also cause serious problems for state and local policymakers and the people they serve; about one-third of NDD spending consists of grants to states and localities, which are an important part of state and local budgets.<sup>[12]</sup>

## Widening Racial Inequities ↻

Taking away food assistance, health coverage, housing, and child care and cutting investments in areas such as education would hurt a broad swath of families, with the greatest harm falling on those with the greatest need, and people of color would be disproportionately affected.

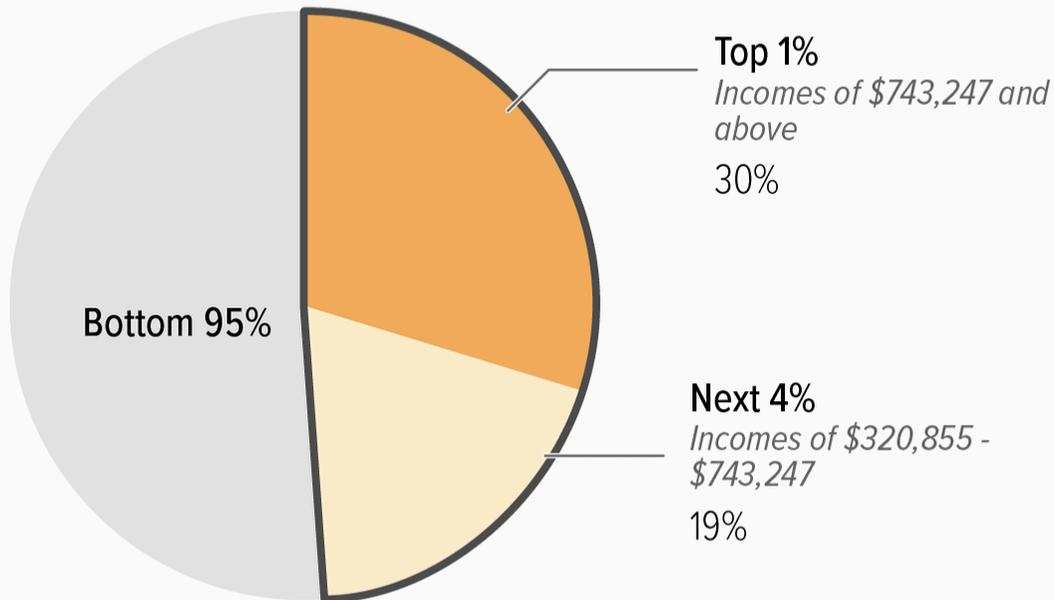
Health care is one example. People of color have historically experienced higher uninsured rates due to systemic racism, discrimination in employment and education, and other factors that diminish income and access to employer-based health insurance, making Medicaid and ACA marketplaces critical sources of coverage. In the past few years, financial assistance through the ACA, especially the premium tax credit improvements first enacted in 2021, has helped drive a marked increase in insurance coverage rates across all racial and ethnic groups, with particularly large gains among Black and Latino people. If those improvements expire this year, as Republican plans propose, almost half of the estimated 4 million people who would lose coverage would be Black or Latino.<sup>[13]</sup>

## Extending, Expanding Tax Breaks Skewed to the Top

While imposing heavy costs on the vast majority of people in the U.S., the Republican policy agendas would extend and even expand costly tax breaks for wealthy households and businesses, increasing inequality and adding to pressure for large spending cuts. Republican plans call for extending the provisions of the 2017 tax law due to expire in 2025 — the tax rate cuts, special deductions, and estate tax cuts on massive inheritances — and for possibly adding new tax cuts targeted to the top. Extending the expiring tax cuts would cost \$4.2 trillion over the decade 2026-2035. Roughly half the benefits would go to people with incomes in the top 5 percent of the income distribution, and 30 percent to households with incomes in the top 1 percent.<sup>[14]</sup> (See Figure 3.) Some Republican tax proposals, such as those to exempt tips or overtime pay from federal taxable income, could also lead to further revenue losses on the state level due to the tight linkages between state and federal income tax codes.

FIGURE 3

## Over 49% of Costs of Extending 2017 Law's Expiring Provisions Flow From Tax Breaks for the Top 5% of Households



Source: Office of Tax Analysis, Department of Treasury. "The Cost and Distribution of Extending Expiring Provisions of the Tax Cuts and Jobs Act of 2017"

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Voters' concerns about the cost of living were a major issue in the November elections, and Republicans campaigned on the promise that they would make it easier for families to make ends meet. But the proposals described above, if enacted, would do just the opposite: raise costs for basics such as health care, food, and housing; take away people's health coverage; and weaken core public services like educating children, maintaining safe roads and bridges, and furthering scientific and medical research.

## How the Debate May Unfold [↗](#)

There are a number of ways that congressional Republicans and the Trump Administration could advance their agenda over the course of 2025, but critical policy debates are likely to start early this year.

## Congressional Action [↗](#)

Leading congressional Republicans are expected to use the fast-track budget reconciliation process, under which legislation cannot be filibustered in the Senate and so requires only a majority vote to pass, to try to enact key parts of their agenda, including extending the 2017 tax cuts, cutting mandatory programs such as SNAP or Medicaid, and increased funding for border enforcement and deportation-related activities. If they do, they will likely initiate the process early in the year. Some Republicans might argue that cuts in SNAP, Medicaid, and other programs are needed to help offset the cost of their tax cuts. The combined effect would be to take food assistance and health care away from people with *low and moderate* incomes to help pay for expensive tax benefits to people with very *high* incomes.

Also, Congress will need to act to address the debt ceiling, probably by this summer, and House Republicans seem likely to use this as further justification for harmful cuts. Reports suggest that, as part of negotiations over the December temporary spending bill, House Republicans discussed a plan to cut \$2.5 trillion in “net mandatory spending” – which includes programs such as SNAP and Medicaid – to accommodate a \$1.5 trillion increase in the debt ceiling.<sup>[15]</sup> House Republicans also pursued cuts in these and other programs as part of debt limit negotiations in 2023.<sup>[16]</sup>

In addition, as Congress completes action on 2025 funding for defense and non-defense discretionary programs and sets overall funding levels for these budget areas for 2026, some members are expected to seek austere levels for non-defense (but not defense) funding. This could force cuts in areas such as housing, education, research, and other public services as well as cuts in the federal administration of Social Security, IRS services, and federal law enforcement.

Finally, sooner or later Congress must pass a new farm bill. The farm bill proposal approved by the House Agriculture Committee last May would cut SNAP benefits by \$30 billion over the next decade by limiting the Agriculture Department’s authority to ensure that SNAP benefit levels remain adequate to support a healthy diet.<sup>[17]</sup> And as noted, even larger SNAP cuts could be on the table this year.

## Executive Action

President-elect Trump is expected to issue a series of executive orders upon taking office on January 20, as he did at the start of his first term in 2017. His first executive order, signed the day he was inaugurated in 2017, sought to undermine implementation of the Affordable Care Act. The Administration then took a series of steps to sabotage the ACA, including shortening open enrollment season, defunding enrollment assistance, and approving waivers (later struck down by the courts) to enable states to take away health coverage from people not meeting a work requirement.<sup>[18]</sup>

The incoming Trump Administration could use executive actions to try to undermine the ACA, harm immigrants and their families through a new iteration of the punitive “public charge” rule as well as broader immigration and deportation efforts, restrict access to food assistance through SNAP, and restrict reproductive or gender-affirming health care, among other changes. Some have suggested

that the new Administration will try to refuse to spend funds lawfully appropriated by Congress in enacted legislation — which courts have repeatedly found unlawful.<sup>[19]</sup>

In addition, Elon Musk and Vivek Ramaswamy, the co-chairs of the Department of Government Efficiency or DOGE (a misnomer, because it is not an official government agency), will likely be a strong external influence on policymaking, both congressional and executive. Although their deadline for making recommendations is not until July 2026, they have already begun aggressively engaging in policy debates and airing ideas, including deep spending cuts and major regulatory changes (some through processes unlikely to pass legal muster). Also, the House and Senate have created special “DOGE caucuses,” and the House established an oversight subcommittee to consider their proposals.

## An Alternative Path Can Improve People’s Economic and Health Security ↻

Policymakers can chart a very different course. In each of the five areas described above where the Republican agenda would take the country backward — poverty, health coverage, immigration, public investments, and racial inequities — policymakers can instead take important steps forward this year:

- **Reduce poverty and hardship and help families pay their bills.** For example, policymakers can better support children and families and dramatically reduce child poverty by expanding the Child Tax Credit, especially for the roughly 17 million children who don’t receive the full credit today because their families’ incomes are too low. This group includes more than 4 in 10 of the nation’s Black children, more than 1 in 3 Latino and American Indian and Alaska Native children, roughly 1 in 6 white children, and 1 in 7 Asian American children.<sup>[20]</sup> The vast majority of these children live in families where parents or guardians are working, and nearly all are either working or are between jobs, elderly, disabled, or caring for very young children.

Policymakers can also expand the Earned Income Tax Credit for workers not raising children in their home, who now receive little or nothing from the credit. They can invest more in helping families with rent and child care — two high-cost expenses many families struggle to afford and where annual appropriations now serve only a small fraction of those eligible. (Rental assistance serves just 1 in 4 eligible households, and child care serves about 13 percent of eligible children aged 5 and under.)<sup>[21]</sup> They also can expand access to SNAP rather than restrict it.

- **Make health coverage more accessible and affordable.** For example, policymakers can permanently extend the premium tax credit enhancements for marketplace coverage, which have made good-quality health coverage more affordable for millions of people but are set to expire late this year. They can also close the Medicaid “coverage gap,” which has left 1.6 million people below the federal poverty line without any path to coverage because their state hasn’t adopted the

ACA Medicaid expansion. And they can expand access to home-based care for seniors and people with disabilities.<sup>[22]</sup>

- **Help immigrants engage more fully with their community.** For example, policymakers can adopt immigration reforms that provide people with a workable opportunity to gain legal status and a pathway to citizenship. They also can end the “five-year bar,” which prevents many people with a lawful immigration status from getting health coverage through Medicaid or food assistance through SNAP.
- **Strengthen public investments.** For example, policymakers can reverse the large decline in the purchasing power of NDD funding outside of veterans’ health care and invest part of the added funding in areas where funding lags well behind need. In addition to rental assistance and child care, these areas include funding for running Social Security programs, so people can get the help they need applying for or adjusting their benefits or getting a timely determination of their eligibility for disability-related benefits.
- **Promote equity.** A number of the positive policies listed here would narrow racial inequities if adopted. For example, nearly two-thirds of the people in the Medicaid coverage gap are people of color. Fifty-four percent of households in need of rental assistance are headed by a person of color. And the populations excluded from SNAP are disproportionately people of color.

These programs and policies have substantial track records and strong evidence of success. Studies find, for example, that SNAP participation reduces food insecurity by as much as 30 percent and is even more effective among those most vulnerable, such as children and people whose food insecurity is especially severe.<sup>[23]</sup> Medicaid improves access to health care, health outcomes, and financial stability among low-income families, and the ACA Medicaid expansion prevents thousands of premature deaths each year among older adults.<sup>[24]</sup> Rental assistance markedly reduces

homelessness, housing instability, and overcrowding.<sup>[25]</sup> Providing cash assistance to families with low incomes, such as through the Temporary Assistance for Needy Families (TANF) program, reduces the likelihood that the family will become involved in the child welfare system due to child neglect or abuse.<sup>[26]</sup>

Investing in families with low incomes also has longer-term payoffs for children. Studies link stronger income assistance for children with low incomes – through policies such as the Child Tax Credit and food assistance through SNAP – with higher school enrollment, higher reading and math test scores, higher high school graduation rates, less use of drugs and alcohol, higher rates of college entry, and higher future earnings.<sup>[27]</sup> (See Figure 4.)

The positive agenda outlined here takes seriously the challenges facing workers and families, including those raising children or with other caregiving responsibilities, those out of work, and those with health issues and disabilities. It recognizes that investing in people, communities, and the economy can make our prosperity more widely shared and our country more successful. Indeed, this agenda would provide the help that many candidates, including President-elect Trump,

promised during the campaign to those who worry much more about putting food on the table, paying the rent, or buying a home than the current state of the stock market.

We can make these kinds of investments and reduce economic risks associated with high and rising levels of debt relative to the economy, if policymakers also prioritize making the federal tax system fairer by letting the 2017 tax cuts for households with high incomes expire on schedule, scaling back corporate tax cuts, and reducing the special tax breaks enjoyed by very wealthy households.<sup>[28]</sup> If we collected revenues as a share of the economy at the same level as in the late 1990s, before the tax cuts enacted during the George W. Bush and Trump administrations, revenues in 2025 would be almost \$800 billion higher – a good start on improving our fiscal outlook and making critical investments.

FIGURE 4

## Child Tax Credit Expansion Projected to Provide Important Gains for Children and Society



Lower neo-natal mortality



Greater health and longevity for children and parents



Higher future earnings of child beneficiaries



Lower costs of protecting children from abuse & neglect



Greater safety from reductions in crime



Increased future tax payments by child beneficiaries



Reduced expenditures on children's and parents' health care costs

Source: Irwin Garfinkel et al., "The Benefits and Costs of a U.S. Child Allowance," NBER Working Paper No. 29854, 2022

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG



**PDF of this report** (13 pp.)

### MORE ON THIS TOPIC

#### RESOURCE LIST

## 2025 Budget Stakes: Millions of People Across U.S. Could Lose Needed Assistance Under Republican Proposals