Secretary Jeffrey R. Beckham
Office of Policy & Management

CONNECTICUT

Date: August 8, 2025

To: Senator Cathy Osten
Senator John Fonfara
Representative Toni Walker
Representative Maria Horn

From: Jeffrey R. Beckham, Secretary

Subject: Passage of Public Law 119-21

On July 4th, the President signed P.L. 119-21, commonly referred to as H.R. 1 or the One Big Beautiful Bill Act. Although this law contains many provisions that will have a direct impact on State finances, it does not represent the last federal action that is likely to take place before the next regular session of the Connecticut General Assembly convenes on February 4, 2026, and certainly not the last act of the 119th congress.

While P.L. 119-21 does not establish federal appropriation levels and therefore may not trigger the reporting requirements contained in section 45 of P.A. 25-168, I am writing to provide a summary of the major provisions of the Act that may have an impact on the State of Connecticut. As noted above, we anticipate additional federal actions will be adopted in the coming months for which the State will also need to consider what response, if any, is appropriate.

Finally, we note that many provisions in the Act have future effective dates and even those that were effective on passage require additional clarity and guidance from the federal government before we have a full understanding of all of the impacts, both primary and secondary, that are likely to arise as a result of the Act. I anticipate that in the coming weeks my office will be prepared to offer specific budgetary and statutory proposals that focus on those provisions in the Act that impact the State budget in the current biennium, and especially those provisions that impact State Fiscal Year 2026.

Major Provisions of P.L. 119-21 Affecting the State of Connecticut

1. **Changes to Supplemental Nutrition Assistance Program (SNAP)**
    a. Effective 7/4/2025
        i. Limits SNAP eligibility to individuals who reside in the United States and are 1) U.S. citizens or U.S. nationals; 2) immigrants who have been lawfully admitted for permanent residence; 3) immigrants who have been granted the

status of Cuban and Haitian entrant; or 4) individuals who are lawfully residing in the United States in accordance with the Compacts of Free Association between the U.S. and Micronesia, the Marshall Islands, and Palau.

ii. Amends the exceptions for able-bodied adults without dependents (ABAWD) to the SNAP work requirements by increasing the age ABAWDs must continue to work to 64 (up from 54 currently) and changes the definition of "dependent child" from under 18 years of age to under 14. Exempts individuals who are "Indians, Urban Indians, California Indians, and other Indians" who are eligible for Indian Health Services.

iii. Prohibits the use of household internet costs from being used in calculating the excess shelter expense deduction when determining the size of household SNAP allotments.

iv. Limits energy assistance payments being made to determine SNAP allotments to only include households with elderly or disabled members instead of all households.

b. Effective 10/1/2025, sunsets the National Education and Obesity Prevention Grant Program (SNAP-Ed). Connecticut's FFY 2025 grant was $4.6 million.

c. Effective 10/1/2026, the state share of SNAP administrative costs increases from 50% to 75%. This is expected to increase the state share of administrative costs for Connecticut by $32.5 million in SFY 2027 and $42.7 million annually beginning in SFY 2028.

d. Effective 10/1/2027, SNAP state matching funds requirement is implemented. Requires states with an error rate >6% to contribute at least 5% of the cost of SNAP allotments beginning in FY 2028 with contribution rates increasing based on a state's SNAP error rate (5-15%). In FY 2028, states can choose to use their error rate from FY 2025 or FY 2026 to determine their cost share. Beginning in FY 2029, states' cost shares will be calculated using the average payment error rate from the three fiscal years prior. Delays implementation for states with high error rates (error rate multiplied by 1.5 is equal to or above 20%) in FY 2025 to FY 2029 and those with high error rates in FY 2026 to FY 2030. Connecticut's most recent error rate was 10.27% - if unchanged, this would result in an increase in cost to Connecticut of over $130 million annually.

2. Changes to Higher Education Student Loan Programs

a. Effective 7/1/2026, loan limits, amended loan repayment terms, eligibility, and other changes are implemented.

3. Changes to Medicaid

a. Effective 7/4/ 2025:

  i. Prohibits implementation of the minimum nursing home staffing levels required by the final rule until October 1, 2034, delaying associated costs to the State.

  ii. Prohibits Medicaid funds to nonprofit organizations that meet all the specified criteria (classified as an essential community provider, primarily engaged in family planning or reproductive services, providing abortions beyond Hyde Amendment exceptions, received at least $800,000 in Medicaid payments in FY 2023), effective upon enactment for one year. This will affect Planned Parenthood of Southern New England (PPSNE). In SFY 2026, anticipated Medicaid payments to PPSNE were projected to be approximately $14 million.

b. Effective 10/1/2026

  i. Restricts the definition of qualified immigrants for purposes of Medicaid or CHIP eligibility. Refugees, humanitarian parolees, asylum grantees, certain victims of domestic violence, trafficking victims, and other non-citizens would no longer be considered qualified immigrants for purposes of Medicaid and CHIP.

  ii. Allows states to establish 1915(c) home and community-based services waivers for people who do not need an institutional level of care; includes $100 million for states in FFY 2027 for implementation; new waivers may not be approved until July 1, 2028.

c. Effective 1/1/2027

  i. Requires adults ages 19 to 64 applying for coverage or enrolled through the ACA expansion group to complete at least 80 hours per month of work or income of at least $580 per month (federal minimum wage multiplied by 80 hours), education, or community service; exempts pregnant women, foster youth, former foster youth under age 26, members of a tribe, individuals who are considered medically frail or have special medical needs, individuals who are already compliant with TANF or SNAP work requirements, individuals who are a parent or caregiver of a dependent child (13 and under) or an individual with a disability, individuals who are incarcerated or recently released; provides short-term hardship waivers for certain medical treatments, natural disasters, and for counties with high unemployment; the HHS Secretary can exempt a state from compliance (through 12/31/2028) if it demonstrates a good faith effort; appropriates $100 million for state grants allocated based on the proportion of impacted individuals and $100 million for state grants distributed equally.

ii. Requires eligibility determinations to be conducted every six months for expansion population adults. Requires HHS to issue implementation guidance.

iii. Limits retroactive coverage to one month for expansion enrollees and two months for traditional enrollees (for CHIP, allows a new two-month retroactive period).

iv. Requires that the HHS Secretary only approve or renew waivers that the chief actuary of CMS certifies, based on expenditures for the state program in the preceding fiscal year, is not expected to increase federal expenditures compared to the amount that such expenditures would otherwise be without the waiver project.

v. Requires states to establish a process to regularly obtain beneficiary address information.

vi. Requires states to check SSA's Death Master File at least quarterly to ensure deceased individuals do not remain enrolled.

d. Effective 10/1/2027, requires cost sharing for Medicaid expansion adults with incomes greater than 100% of FPL; cost sharing may not exceed $35 per service or 5% of the individual's income; cost sharing does not apply to primary care, prenatal care, pediatric care, or emergency room care (except for non-emergency care provided in an emergency room) or to services provided by federally qualified health centers, behavioral health clinics, and rural health clinics.

4. Medicaid / Provider Tax Changes

a. Freezes, at current rates, states' provider taxes in effect as of the date of enactment and prohibits states from establishing new provider taxes (sets hold harmless threshold at 0% for new taxes to achieve the freeze).

b. Modifies the criteria HHS must consider when determining whether certain health care-related taxes are generally redistributive; effective upon enactment but allows HHS Secretary to apply a transition period up to three years.

c. Effective 10/1/2027, reduces the hold harmless safe harbor threshold from 6% to 5.5% in FFY 2028, 5% in FFY 2029, 4.5% in FFY 2030, 4% in FFY 2031, and 3.5% in FFY 2032 and beyond (applies to local government taxes; does not apply to nursing facilities and intermediate care facilities).

5. **Rural Health Transformation Program**
   a. Establishes a rural health transformation program that will provide $50 billion in grants ($10 billion annually from FFY 2026-2030) to states with an approved application to improve health outcomes for rural residents by expanding sustainable access to health care providers and services. A Notice of Funding Opportunity has not been released yet, but OPM and DSS will evaluate the application requirements and conditions when available.
6. **Healthcare Exchange Changes effective 1/1/2026:**
   a. Lawfully present immigrants with household incomes less than 100% FPL who are ineligible for Medicaid because of immigration status are no longer eligible for premium tax credits.
   b. Eliminates limitation on recapture of advance payment of premium tax credit for individuals with incomes below 400% FPL.
7. **Department of Justice Funding**
   a. Provides $3.33 billion, available through FY 2029, for a variety of purposes, including grants to state and local governments through Bryne Justice Assistance Grants (JAG) and Community Oriented Policing Services (COPS), and compensation for "incarceration of criminal aliens." Funds are restricted for jurisdictions that do not cooperate with federal law enforcement entities enforcing immigration laws.
   b. Provides $3.5 billion, available through FY 2028, for grants to state and local governments for expenses on or after January 20, 2021. Can be used for expenses relating to "aliens who are unlawfully present in the United States or have committed a crime," and for investigations into "gang or other criminal activity."
8. **Inflation Reduction Act Changes**
   a. Rescinds unobligated balances from DOE, EPA, and DOT for various climate initiatives.
   b. Eliminates numerous clean energy provisions in the tax code.
9. **Federal Tax Changes**
   a. Extends Tax Cut and Jobs Act (TCJA) rates permanently; adds inflation adjustment effective 1/1/2026. Extends and increases TCJA deductions permanently.
   b. Permanent elimination of personal exemptions except adds senior deduction through 2028 ($6,000 per senior). Effective 1/1/2025

c. Makes child tax credit permanent, increases it, and adds inflation adjustment. Effective 1/1/2025.

d. Lifts estate and gift tax exemption from $5 million to $15 million (exemption is $14 million for 2025). Effective 1/1/2026.

e. Increases State and local tax deduction to $40,000 in 2025 with 1% annual increase through 2029; $10,000 thereafter; phased down beginning at $500,000 income (w/ annual adjustments).

f. No federal tax on tips - limited to $25,000 and subject to income limitations; through 2028.

g. No federal tax on overtime - limited to $12,500 (single return); phased down at $150,000 of income; through 2028.

h. No federal tax on car loan interest - limited to $10,000; reduced beginning at $100,000 income.

i. Tax credit for donations to organizations that award scholarships so K-12 students can attend private schools, capped at $1,700 per donor. Effective 1/1/2027.

j. No direct impact on Connecticut revenue collections is anticipated as a result of these provisions.

Cc: Senator Martin M. Looney
Representative Matthew Ritter
Senator Bob Duff
Representative Jason Rojas
Senator Stephen Harding
Representative Vincent Candelora