Allegheny County
Department of Human Services

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To: DHS Leadership and Network Partners

From: DHS Planning Team

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Subject: Human Services Funding Updates

Introduction

This memo offers updates on budget processes impacting human services funding. This includes recently passed H.R.1 - One Big Beautiful Bill Act (OBBBA) which made cuts to federal mandatory spending on programs like Medicaid and SNAP and is expected to reduce people's access to those programs while shifting costs to states and counties. In addition to changes enacted through OBBBA that have implications for Allegheny County and DHS, ongoing state and federal appropriations processes are also significant for County and human services funding. These are not yet complete for FY26, and outstanding decisions leave much unknown about funding available to human services.

Status of budget processes impacting DHS

Federal budget

The federal budget is an important point of origin for funds that directly or indirectly get distributed to Pennsylvania, Allegheny County, and DHS. It is therefore critical to understand how and when the decisions impacting that flow of funding are made – a description of the federal budget process is included in the Appendix.

The President submitted his budget proposal in February, which generally recommended cutting billions of dollars to programs that DHS receives funding from. While the President's proposal is merely a recommendation to Congress and has no legal force, it does show the Trump administration's priorities. Specifically, President Trump's FY 2026 Discretionary Budget Request recommended an overall 22.6%[1] cut to non-defense discretionary funding.[2] These non-defense discretionary cuts include the following which could impact DHS' funding:

- 26.2% cut to Health and Human Services (HHS). In FY2025, DHS received more than $17 million from SAMHSA, which is part of HHS.

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[1] White House Discretionary Budget Proposal

[2] This budget was submitted before the reconciliation bill was passed. The President's budget had a proposed 16.6% cut when taking into account changes made in the reconciliation process. What happened in the reconciliation process was not the same as what was used to determine the percentages in the President's budget.

- 43.6% cut to the Department of Housing and Urban Development (HUD). In FY2025, DHS received approximately $31 million from HUD.
- 7.6% cut to the Department of Justice (DOJ). For FYs 2021-2026, DHS received approximately $7.7 million from DOJ.

Real impacts to DHS resultant from the President's Discretionary Budget Request are yet unknown because Congress has not yet passed new discretionary appropriations. Discretionary appropriations impact the following direct DHS funding sources:

- Substance Abuse and Mental Health Services (SAMHSA)
- Administration for Children and Families
- Administration for Community Living
- Homeless Assistance Grants
- Child Care and Development Block Grant
- Head Start
- Temporary Assistance for Needy Families (TANF)
- Community Services Block Grant
- Social Services Block Grant Program
- Corporation for National and Community Service (AmeriCorps)

Additionally, discretionary appropriations impact the following funding sources that, while not of direct impact to DHS' budget, are important to our clients, partners, and/or service providers:

- Low Income Home Energy Assistance Program
- Community Development Block Grant
- Surplus Lead Hazard Reduction and Healthy Homes Funding
- HOME Investment Partnerships Program
- Housing for the Elderly
- Housing for Persons with Disabilities
- Workforce Innovation and Opportunity Act State Grants
- WIOA Youth Job Training
- Centers of Excellence
- Refugee and Entrant Assistance

Congress was unable to pass new annual appropriations for FY 2025 and instead passed several continuing resolutions that renewed government funding at FY 2024 levels. As of July, Congress has yet to make appropriations decisions regarding discretionary spending[3] for FY 2026. At present, five of the twelve committees in the House have approved appropriations bills, but none of them have been voted on by the House. As of July 15, only two of the twelve committees in the Senate have approved appropriations bills.[4] Because appropriations bills are hard to pass through Congress due to the Senate's filibuster[5] rule, and committees in both chambers of Congress are still determining what proposals they will put forward to votes, it is difficult to

[3] Examples of discretionary spending includes: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Low Income Home Energy Assistance Program (LIHEAP); Social Security's administrative costs, Department of Veteran Affairs' operating costs; the Centers for Disease Control and Prevention; and Head Start

[4] Appropriation Bills Status Table

[5] The filibuster allows one or more senators to speak on a bill for as long as he or she wants, effectively preventing a bill from being voted on

predict funding outcomes for the programs DHS relies upon. Congress has until October 1, the new fiscal year, to either pass appropriations bills or a continuing resolution. Further, the federal government will hit its debt ceiling by September 30, 2025. If Congress does not increase the debt ceiling by September 30, 2025, the government will "shutdown" and government operations and funding will cease for all non-crucial services.[6]

While Congress has been unable to enact discretionary appropriations, the Republican-controlled House and Senate used the reconciliation process to avoid the filibuster and enact some of the President's priorities. On July 4, President Trump signed the OBBBA, which sharply cut spending in Medicaid and SNAP, while increasing spending for border enforcement. More details on the impact of OBBBA are outlined below. Importantly, the OBBBA's estimated 3.4 trillion increase to the federal deficit could cause sequestration cuts to Medicare,[7] the Social Services Block Grant (SSBG) and Promoting Safe and Stable Families (PSSF) funds, among others, if Congress does not take measures to exempt these programs.

State Budget

The majority of DHS' funding – even in most cases where the funding is federal in origin – is awarded by the state. For this reason, the impact of federal budget decisions on DHS is often unclear until the state makes its own budget and appropriations decisions. Pennsylvania did not pass a budget by its legally required June 30 deadline, and negotiations are still ongoing. This is the fourth year in a row that a budget has not been passed by the deadline and Allegheny County has weathered these delays without impact to human services providers in the past, so there is hope that will remain true this year. However, the recent passing of the OBBBA and its large shifting of costs onto state budgets could lead to further delays as state lawmakers consider their options to cover upcoming expenses for Medicaid and SNAP.

Impacts from OBBBA

Medicaid[8]

The bill reduces health care access for individuals through provisions like:

- No Later than December 31, 2026 (extendable to December 31, 2028)[9] - Requiring individuals ages 19-64 to work for at least 80 hours per month, and to prove they meet work requirements for at least 1 month before applying. Parents with children under 14 are exempt along with those who are medically frail.
- January 1, 2027 - Subjecting Medicaid expansion population to eligibility redeterminations every 6 months; and some cost sharing via premiums and copays
- October 1, 2028 – States are required to impose cost sharing on Medicaid Expansion enrollees (via premiums and/or copayments) up to $35, with exemptions for some medical services

The bill increases costs and reduces revenue for states through provisions like:

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[6] Services that continue to operate during a shutdown include: Medicare and Social Security benefits, military and federal law enforcement, US Postal Service, Air traffic control, US Passport Agency, and government debt payments

[7] KFF

[8] For more details, see KFF

[9] Work requirement can be extended if the state shows the Secretary that it is demonstrating a good faith effort to comply and submits progress in compliance or other barriers to compliance.

- July 4, 2025 - Making it harder for States and local governments to tax Medicaid providers to pay for their share of expenses
- October 1, 2030 - Requiring HHS to reduce federal financial participation to states for payment errors related to payments made for ineligible individuals and overpayments made for eligible individuals

Expected impacts in PA and Allegheny County include:

- 25,871 residents in Allegheny County could lose coverage according to PA DHS estimates
- Changes to provider taxes could reduce Medicaid funds in PA by $1.7 to $4.5 billion a year[10]
- Four hospitals in Allegheny County are at moderate to high risk of closure due to the cuts in funding according to Pennsylvania Health Access Network
- Increased costs due to uncompensated care provided to uninsured individuals increasing

Importantly, Allegheny County DHS relies on Medicaid for the Behavioral Health Choices Program

- DHS administers Allegheny County's Behavioral HealthChoices program, which is awarded by the state but impacted by federal Medicaid funding.
- Behavioral HealthChoices program funding represents approximately $500 million or 41% of the DHS budget.
- This funding is essential for mental health and substance use treatment services– from outpatient therapy to intensive community-based treatment services, inpatient hospitalization, residential care, prescription coverage, crisis care, and more.
- In FY 2024, Allegheny County's Behavioral HealthChoices program provided approximately 50,000 residents with mental health supports and 12,000 residents with substance use treatment and support services
- While we don't yet know what these changes mean to funding availability in Allegheny County, we are already facing a program deficit of $20M in CY2026, therefore reduced state revenue is of high concern.

SNAP[11]

The bill reduces access to food support through provisions like:[12]

- Requiring beneficiaries who are 18-64 to work 20 hours per week, with limited exceptions
- Removing current work requirement exemptions for veterans, people who are experiencing homelessness, and youth aged out of foster care
- Bars waivers for work requirements except in areas with unemployment above 10%

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[10] Pennsylvania Health Access Network

[11] For more details, see FRAC

[12] We are still determining the effective date for these changes. Our current understanding is that they are effective as of July 4, 2025, as these are definitional changes to existing law. While the changes are already in effect, it will take states time to update and incorporate the changes into their benefits systems, so there will likely be delay before the changes impact people.

- Removing eligibility for lawfully present individuals such as refugees, those granted asylum, and certain survivors of domestic violence, human trafficking, or other humanitarian crises

The bill increases costs and reduces revenue for states through provisions like:

- October 1, 2026 - Reducing federal share of SNAP administrative costs from 50% to 25%, requiring states to pay 75% of administrative costs
- October 1, 2027 - Requiring states to newly contribute to benefit payments based on their payment error rate

Expected impacts in PA and Allegheny County include:

- 16,000 residents in CD 12 and 17 (covering Allegheny County) could lose coverage according to Pennsylvania DHS estimates
- PA's error rate in 2024 was 10.76%[13] which, if maintained, would result in the maximum contribution amount of 15% to benefit costs (in addition to increased share of administrative costs from 50% to 75%)

To respond to the changes in SNAP, PA has three options:

- To pay the full benefits contribution (based on error rates) and 75% of administrative costs;
- To find administrative ways to reduce its caseload if it is unable to contribute its entire cost share (likely through decreasing benefit amounts or the number of people covered); or
- To elect not to operate a SNAP program. In other words, Pennsylvania cannot pay a portion of its cost share—it must pay the entire share or opt out of the SNAP program altogether.

Conclusion

The OBBBA passed via the reconciliation process and made significant changes to Medicaid and SNAP, which will reduce the number of individuals benefitting from those programs and also shift program costs onto states and counties. Federal appropriations decisions will determine funding for discretionary programs that DHS relies upon. Appropriations and debt ceiling legislation development are still ongoing and unlikely to finish soon. DHS will continue to monitor the federal appropriations process. Similarly, the state budget has not been passed for the current fiscal year and delays could impact DHS' cash flow and also prolong uncertainty regarding fund availability.

[13] USDA Error Rates

Appendix

Federal Budget Process[14]

The federal budget process begins on the first Monday of February when the President submits his spending, tax, and borrowing priorities to Congress. This submission is merely advisory and is not legally binding. After receiving the President's recommendations, both the House and Senate work to pass a budget resolution by April 15, which sets the maximum spending and minimum taxing amounts for the upcoming fiscal year and sets targets for congressional committees to propose legislation appropriating funds. It is important to note that budget resolutions are not restricted to one fiscal year. Instead, they can apply to multiple fiscal years, as was done with the budget resolution passed in April 2025 which sets guidance for FY2025-FY2034. As the budget resolution is a concurrent resolution (not an ordinary bill), it does not go to the President to be signed or vetoed. With the maximum spending and minimum taxing amounts determined, committees within both chambers will receive an allocation of funding to distribute across the discretionary programs they have jurisdiction over via proposed bills. Following adoption of the budget resolution, each chamber of Congress considers and takes actions on the appropriations bills developed in the committees to fund discretionary programs (non-mandatory programs). Once both chambers pass their respective appropriations bills, they meet to come to an agreement on any differences. Assuming agreement is reached, each chamber votes on an identical bill, and if passed, the final bill goes to the president for his signature. This process is supposed to be completed by June 30, for enactment at the start of the new fiscal year beginning October 1, but the June 30 deadline is rarely met.

Reconciliation

The reconciliation process is an optional budget method that has recently seen growing use due to procedural advantages it provides in a narrowly split Congress. The reconciliation process is started when Congress includes a "reconciliation directive" in its budget resolution. The directive requires committees to produce legislation by a specific date that meets certain spending or tax targets for mandatory programs,[15] although discretionary spending has been included in rare circumstances. Once the committees have created their legislation, they all get bundled into one bill that goes to the floor for voting. Reconciliation bills are not subject to the filibuster and debate is limited to 20 hours, so traditional methods of preventing bills from proceeding are avoided. The reconciliation process is what was used to pass the OBBBA that was signed into law on July 4, 2025. Due to this, funding impacts from the OBBBA focused on mandatory spending programs such as Medicaid and SNAP, with discretionary spending programs excluded.

Even though the OBBBA was passed, congressional republican leadership and representatives have referenced the potential for two further reconciliation bills in FY2026 and FY2027 that would seek further cuts to mandatory spending.[16]

Sequestration

Sequestration consists of two different rules: the 2010 Statutory Pay-As-You Go (PAYGO) Act and discretionary funding caps. For PAYGO, any legislative changes to taxes or mandatory

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[14] For more information on the federal budget process, see CBPP

[15] Most mandatory spending consists of Medicare, Medicaid and Social Security benefits, but other programs that are considered mandatory include SNAP, retirement programs for civilians and military personnel, and earned income, child, and other tax credits.

[16] AXIOS

spending that increases projected deficits must be "offset" or paid for by other changes to taxes or mandatory spending that reduce deficits by an equivalent amount. For the discretionary funding caps, there are legally enforceable caps on the level of discretionary appropriations that have been adjusted over time. If appropriations exceed the allowable discretionary spending caps, across-the-board cuts in appropriated programs are triggered to offset the overage. PAYGO sequestration has never occurred due to Congress exempting certain costs from qualifying for sequestration. However, if Congress does not take similar measures to exempt costs, the OBBBA's estimated 3.4 trillion increase to the federal deficit could cause $500 million in cuts to Medicare;[17] the Social Services Block Grant (SSBG) and Promoting Safe and Stable Families (PSSF) funds are also at risk.

[17] KFF