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What City Leaders Need to Know About the Senate's Budget Reconciliation Bill.

The Senate's version of the "One Big, Beautiful Bill" has arrived, with major implications for local governments. While it mirrors several provisions in the House-passed bill (H.R. 1), it also includes key differences, particularly around Medicaid. The path to passage in the Senate is not straightforward, with negotiations still ongoing on Medicaid, clean energy tax credits and public lands. As the House and Senate move toward negotiations on a final package, local leaders should understand how the Senate's proposal could shape city budgets, services and infrastructure planning.

Key Takeaways

- Significantly, key outreach from local leaders across the country ensured that the tax-exemption on municipal bonds remains preserved in both the House and Senate bills, for now.
- As it pertains to Medicaid, there is a divide between Republicans who have voiced concerns about the Senate Finance Committee's steep proposed cuts and those who are urging even deeper cuts. While a new fund is expected to be inserted to help rural hospitals, it remains unclear if this will be enough to garner the necessary votes.
- While the Direct Pay provision supporting local government clean energy projects remains intact, the tax credits are proposed to be phased out considerably sooner than the current timeline; other changes are likely to make the tax credits usable for local governments.
- The Senate parliamentarian has ruled against the inclusion of many of the proposed changes to the SNAP and Medicaid programs, as well as provisions related to grant programs and public lands.
- The final text that will be voted on by the Senate is still a work in progress, and the chamber is running up against its self-imposed deadline of having the bill clear the floor by July 4.

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National League of Cities

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