

FEDERAL FUNDING CUTS LOOM

For years, Wisconsin has lagged other states in receiving federal payments – a longstanding challenge that ironically could mitigate some effects of recent and proposed federal funding cuts here. However, the federal role in the state remains immense and is critical for seniors, veterans, students, the disabled, and low-income families, both in rural areas and cities like Milwaukee and Racine. For these groups, the cuts could slice deep.

The federal government spends less on average per resident in Wisconsin than it does nationally, with the state ranking 41st among the 50 states in 2022 on a comprehensive measure of U.S. government spending by state.

As leaders in Washington, D.C. pursue federal spending cuts in a large number of areas, these figures suggest that Wisconsin already does relatively poorly in terms of the federal benefits and payments residents receive compared to the taxes they pay. Though as in most states Wisconsin residents do receive more in federal payments per capita than they pay in taxes, Wisconsin ranked 33rd among the states for this ratio in 2022, the most recent year with available data.

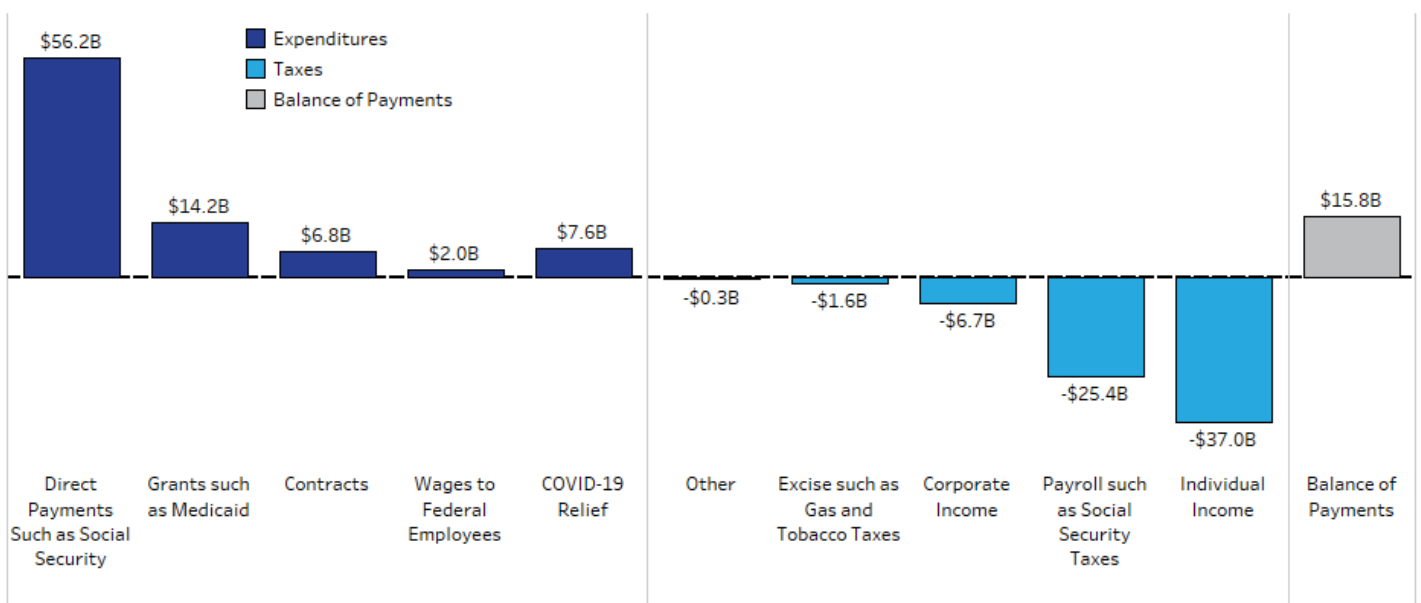
However, the reach of the federal government within Wisconsin remains vast and unmatched, with federal

spending here exceeding that of state and local governments combined. In federal fiscal year 2022, Wisconsin residents, businesses, local and state governments, and nonprofits benefited from an estimated \$86.46 billion in federal outlays, or roughly \$14,700 per person. That amounts to nearly one quarter of total personal income in the state from all sources in calendar year 2022. There are several federal programs, including Social Security and the Medicare and Medicaid health programs, that each serve more than one million participants in Wisconsin.

It is worth noting that though we provide the average federal spending amount per state resident, the actual distribution varies widely. Some retirees in Wisconsin benefit in some years from combined direct federal Social Security and Medicare payments of more

Figure 1: State Receives More From Federal Government Than Residents and Business Pay in Taxes

Federal payments received by Wisconsin, taxes paid, and balance of payments in billions, 2022



Source: Rockefeller Institute of Government

\$100,000 while many other residents benefit from no direct federal payments. Likewise, many state residents such as young children pay no federal taxes while other Wisconsinites pay large sums.

The figures above largely come out of a [comprehensive review of federal taxes and spending](#) that is conducted each year by the Rockefeller Institute of Government in New York, another state that lags most others nationally in its ratio of federal receipts to taxes paid. Here we examine those data and federal and other sources to help understand what Wisconsinites are paying to the federal government, what the federal government is returning to the state, and how that relationship might be changing.

The longstanding importance of these issues have taken on added resonance in recent months. After federal debt soared during the pandemic, President Donald Trump's administration and GOP members of Congress have sought to lower the deficit and fund potential tax decreases through spending cuts. These reductions have ranged from position cuts at veterans hospitals to decreases for major research institutions such as the University of Wisconsin-Madison, and potential cuts to Medicaid health coverage. Many of these actions have been met with litigation, and in many cases, it is not yet possible to say what will be the ultimate impact to these federal outlays.

However, we can lay out for now what the major federal spending programs and actions are for the state of Wisconsin. By doing so, we can at least show the exposure for the state and its residents to potential funding cuts as state and local leaders consider how to adjust. To provide a fuller picture for readers, we also attempt to show the federal taxes and other revenues contributed by Wisconsin residents and businesses. Last, we try to run down some of the major spending cut decisions and proposals without taking a position for or against them.

FEDERAL TAXES AND THEIR RETURN TO WISCONSIN

Before looking at federal spending in Wisconsin, it's worth reviewing how much state residents pay in federal taxes. The Rockefeller Institute study found that Wisconsin residents and businesses paid just over \$71 billion in taxes in the 2022 federal fiscal year, which began on Oct. 1, 2021, and ended on Sept. 30, 2022.

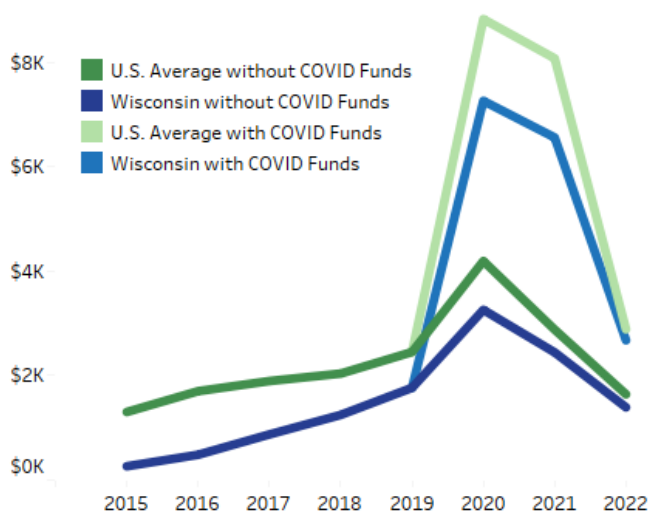
This review of federal funding in Wisconsin aims to provide a basic overview of the key federal programs in the state as well as some perspective on the effect of recent and proposed cuts. The brief was sponsored by the League of Wisconsin Municipalities.

That tally is very similar to data on federal tax payments by state residents and businesses that the Wisconsin Policy Forum has been tracking for decades.

As shown in Figure 1 on the previous page, these totals include \$37 billion in federal individual income taxes, \$25.4 billion in payroll taxes funding social insurance programs such as Social Security, and \$6.7 billion in corporate income taxes. In addition, Wisconsin residents and businesses paid \$1.6 billion in federal excise taxes such as those on gasoline and other fuel and transportation products, tobacco, cigarettes, alcohol, aviation, and other goods.

In 2022, Wisconsin residents, local governments, nonprofits, businesses, and other entities in the state received an estimated \$86.46 billion in federal grants and payments, according to the Rockefeller Institute study. That was more than \$15 billion more than what they contributed in taxes. This so-called balance of payments for Wisconsin worked out to [\\$2,679 per person](#) in the state in 2022, less than the U.S. average of \$2,889 (see Figure 2). We will discuss below the various reasons for the lower return on tax dollars in

Fig. 2: WI Trails Most States in Netting Federal Funds
Per capita balance of payments (federal expenditures minus tax payments), 2015-22



Source: Rockefeller Institute of Government



Wisconsin, including the absence of massive military bases here.

The balance in payments in 2022 fell from the height of the pandemic, when aggressive federal borrowing and spending boosted payments to recipients in most states far above the level of the taxes being collected. At the national level, this imbalance in which the average state received thousands of dollars more per resident in federal payments in 2022 than it remitted in federal taxes speaks to the pressure that has developed in recent years to rein in the federal deficit.

FEDERAL SPENDING IN THE STATE

Understanding federal spending in this state requires holding two conflicting ideas in one’s mind. The first is that Wisconsin receives much less in federal spending per capita than the typical state – roughly \$14,700 per resident in 2022, or 11.6% less than the average of \$16,606 for all states (see Figure 3 below).

The second point, however, is that federal spending still has an enormous effect in both Wisconsin and every other state. Admittedly, this impact may not be immediately and outwardly visible in some communities, especially smaller ones where the federal government has relatively few buildings or staff present. Yet its size and sweep are vast.

As noted above, federal spending in Wisconsin in the 2022 fiscal year amounted to more than \$86 billion.

For context, that is roughly one-third greater than the \$65.06 billion recorded by the U.S. Census Bureau in direct general [state and local government spending](#) in Wisconsin during the 2022 state fiscal year (a similar though not exactly equivalent timeframe to the federal fiscal year).

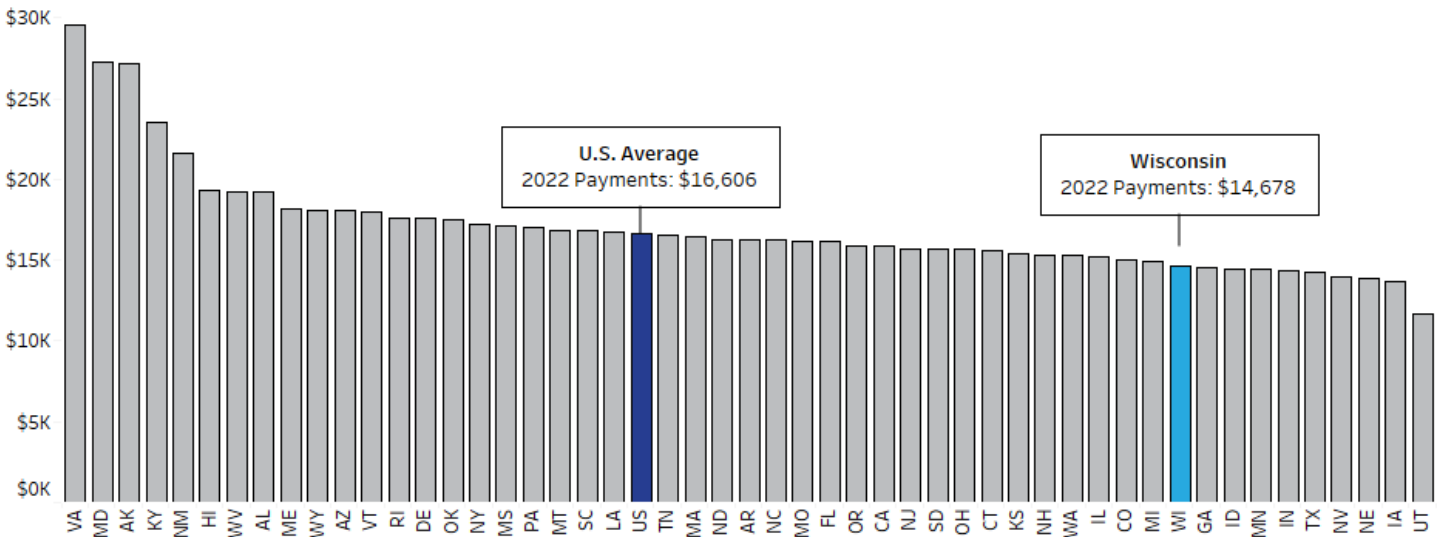
We can also compare federal spending to total personal income in the state from all sources such as wages, salaries, interest, dividends, and the transfer receipts paid to state residents from government assistance programs and other sources. The federal spending was equivalent to about 23.7% of total personal income in Wisconsin for calendar year 2022. In other words, the scope of overall federal spending in this state means that even modest changes in that spending could have substantial effects here.

Next, we look at some of the major categories of federal spending using data from both the Rockefeller Institute and the relevant federal agencies.

Direct Payments

Direct payments represent spending that the federal government undertakes on behalf of specific individuals who are identified as beneficiaries. The two largest of these programs are Social Security and Medicare health benefits for retired and other qualifying individuals. These social insurance programs are financed by federal payroll taxes. In the case of Social Security, the benefits are paid directly to recipients, whereas in the

Figure 3: Wisconsin Among Lowest States for Federal Payments
Per capita federal payments to all recipients by state in fiscal year 2022



Source: Rockefeller Institute of Government



case of Medicare the federal government pays clinics and hospitals for the care provided to the program beneficiaries.

Wisconsin residents benefited from more than \$56 billion in these payments in 2022, according to the Rockefeller Institute. That works out to \$9,545 per Wisconsin resident, which was slightly more than the U.S. average of \$9,493. That greater amount may reflect in part the state’s demographics. As of last summer, 19.1% of Wisconsin residents were aged 65 or older – the typical qualifying age for Medicare – compared to 17.7% nationally, [Census Bureau data show](#).

Other payments for individuals in this category include medical care and pension payments for veterans and military personnel, unemployment insurance benefits, retirement benefits for former federal employees, federal grants and loans to college and university students, food benefits through the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps), tax credits such as the Earned Income Tax Credit that can be paid to qualifying tax filers, the refundable premium tax credits and cost sharing that help to subsidize health insurance through the federal Affordable Care Act marketplaces, and housing assistance.

In 2022, there were also significant COVID-19 relief payments and credits that have since been phased out. It is worth noting that in some of these cases such as Social Security, Medicare, and unemployment insurance, the individuals receiving the benefits had payroll or self-employment taxes contributed by their employers or themselves for years and even decades prior to the recipient drawing any benefits.

The benefits across the state collectively are massive. The main Social Security program alone (known as Old-Age, Survivors, and Disability Insurance) counted 1.33 million beneficiaries in December 2023 including retirees, disabled workers, widows and widowers, spouses, and children, according to the [Social Security Administration’s annual report by state](#).

Together they received \$2.45 billion in benefits that month, or more than \$29 billion on an annualized basis, for an average of roughly \$1,800 per beneficiary per month. That makes Social Security easily the largest federal program in terms of its spending in Wisconsin

Table 1: Social Security, Medicare and Medicaid Dominate
Spending in Wisconsin by select federal program and year in billions

	Amount (B)	Year of Data
Social Security OASDI Payments (Annualized)	\$29.0B	2023
Medicare	\$13.0B	2020
Medicaid (Budgeted)	\$7.6B	2025
Federal Contracts	\$6.8B	2022
Federal Employment Wages	\$2.5B	2023
FoodShare (Also Known as SNAP)	\$1.4B	2024
University and Other Research	\$1.2B	2023
Grants to K-12 Schools	\$1.1B	2021
Transportation Grants to State	\$1.1B	2023

Sources: Social Security Administration, Centers for Medicare & Medicaid Services, Wis. LFB, Rockefeller Institute, Bureau of Labor Statistics, Wis. DHS, National Center for Science & Engineering, Wis. DOT, and the National Center for Education Statistics.

and any changes to it would carry unique weight (see Table 1). For example, a 1% change in spending on the main Social Security program would total nearly \$300 million a year in this state.

Within Medicare, a similar number of 1.23 million Wisconsin residents were enrolled in calendar year 2021 in Part A (which covers inpatient care at hospitals and other providers), Part B (which covers services from doctors and outpatient care among other medical costs), or both. The federal [Centers for Medicare and Medicaid Services](#) (CMS) estimated that in 2020, the Medicare program spent \$13.06 billion on personal health care for enrolled residents of Wisconsin.

Meanwhile, FoodShare – Wisconsin’s name for the former food stamp program – averaged 700,875 recipients in calendar year 2024, according to [data from the state Department of Health Services](#). Enrollees received nearly \$1.4 billion in total payments for the year, or an average of \$163 per enrollee per month. Though the administrative costs for the program are shared between the state and federal governments, the benefits are at present entirely federally funded.

In general, Congress and the Trump administration have avoided proposing cuts to Social Security and Medicare, which in turn limits the depth of their overall spending reductions given that along with national defense, these programs made up 46.2% of all federal spending in 2024, according to the [U.S. Department of Treasury](#). However, administrative cuts such as those to the offices and the [workforce of the Social Security Administration](#) could affect over time the ability of some eligible recipients to enroll and take other necessary steps to access these benefits.



As part of a [much larger bill](#), Republicans in the U.S. House of Representatives have proposed reducing the [share of SNAP food benefits](#) paid by the federal government, which potentially could lead to either higher costs for states or reduced benefits. The changes include making states pay for what were previously federally funded benefits, requiring certain recipients to work to receive benefits, and eliminating programs to promote healthy eating.

The state Department of Health Services, which opposes the House bill, estimates that [Wisconsin could lose](#) \$314 million under the bill. Most of those cuts would involve state taxpayers paying part of the cost of FoodShare benefits for the first time rather than benefits being reduced (though that would also occur). The legislation in part would reduce support to states with greater payment error rates. Wisconsin's error rate in 2023 was less than half of the national average, but state health officials still estimate that the Wisconsin could see reduced payments under that provision.

In addition, the House bill would make some changes to the Affordable Care Act (ACA) health insurance marketplaces that [would reduce eligibility](#) and increase costs. The bill also would not extend enhanced [premium tax credits](#) that currently ensure no premiums for certain ACA plans for participants with incomes of up to 150% of the poverty level. (See this [September 2024 Forum report](#) for more on those credits.) Those enhanced subsidies expire at the end of this year, which could make the ACA plans less affordable for some participants.

Grants such as Medicaid

Another major component of federal spending comes from grants paid to states, local governments, school districts, and other entities. These grants support programs and priorities such as health care and other assistance for low-income recipients (including the Wisconsin Shares child care subsidy), highways and transportation infrastructure, disaster relief, criminal justice programs, and more.

In 2022, Wisconsin received more than \$14 billion in such payments, which worked out to \$2,403 per person, according to Rockefeller. That was well below the \$2,887 per capita national average. One factor behind this is Wisconsin's lower poverty rate, since some major federal grants involve programs such as Medicaid health care that target low-income Americans.

As we noted in our [March state budget brief](#), Medicaid represents the state government's single biggest source of federal funding by far. The program, which is jointly funded by the state and federal government, provides primary and acute care for families as well as long-term care for elderly and disabled participants.

As outlined in the Forum's [September report on the program](#), Wisconsin receives less federal Medicaid funding because the state is one of just 10 nationally that have not taken federal ACA funding to expand income eligibility for Medicaid. Current state projections find that by expanding Medicaid the state could gain an additional \$2.5 billion in federal payments and incentives over the two-year state budget and reduce spending of state tax dollars by \$1.9 billion while also covering an additional 96,000 adults through the program.

However, Wisconsin still has the most generous income eligibility for Medicaid of any non-expansion state and as of April had nearly [1.3 million residents enrolled](#) in all its various Medicaid programs. In the 2025 fiscal year, the state is budgeted to receive nearly \$7.6 billion in federal Medicaid funding, [according to the Legislative Fiscal Bureau](#). In other words, even a mere 1% cut to federal Medicaid funding in Wisconsin would amount to nearly \$76 million.

For that reason, changes to Medicaid are arguably the most significant cuts being considered at present by Republicans in Congress and the new administration. The [reconciliation bill](#) passed by the House of Representatives would make a number of Medicaid changes. Those include eliminating the billions in [potential ACA incentive payments](#) to non-expansion states like Wisconsin, requiring states to charge co-pays for certain services, and putting new rules in place for state eligibility checks.

Last, both Congress and individual states are [considering work requirements](#) for childless Medicaid enrollees who are of working age and are not disabled. The state or national requirements would have the effect of limiting Medicaid enrollments and spending. As we noted in our report on Medicaid last year, a [Congressional Budget Office review](#) from June 2022 found that work requirements within the federal Temporary Aid for Needy Families program "substantially increased the employment rate" of recipients but that such requirements for SNAP food



benefits had less effect and within Medicaid had no discernible effect. The conclusion on Medicaid, however, is based on a few months of evidence from just one state since Arkansas is the only state that has ever been allowed to implement Medicaid work requirements.

Other potential cuts to Medicaid have been at least discussed by lawmakers including limiting enhanced [funding for Medicaid expansion states](#), a move that would not affect Wisconsin. However, other possible cuts could affect the state, including capping Medicaid at a flat dollar amount per enrollee and curtailing a strategy used by Wisconsin and other states [to tax hospitals](#) and then spend the money to draw federal matching funds. The latter change to the use of provider taxes could cost Wisconsin an estimated \$739 million in federal Medicaid funds, [according to the state health department](#). A budget proposal passed by House Republicans also has called for [\\$880 billion in reductions](#) over 10 years from the committee that oversees Medicaid and Medicare.

The U.S. Department of Education also provided nearly \$1.1 billion in grants to Wisconsin schools and recipients in 2021, according to the [National Center for Education Statistics](#). That included \$213.8 million in Title I grants for low-income students and \$297.2 million in special education grants for students with disabilities.

Though Wisconsin lags other states in snagging federal aid, some parts of the state rely on it. As one of the poorest large cities in the United States, Milwaukee and many of its residents directly or indirectly benefit from federal aid through Medicaid, FoodShare, and education programs.

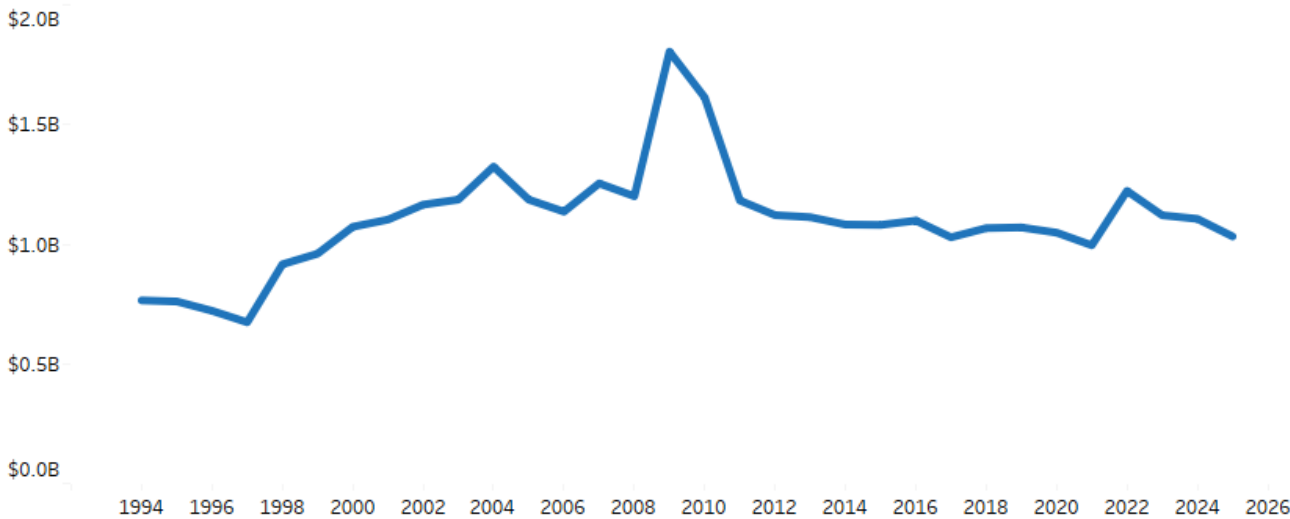
For example, the [National Digest of Education Statistics reports](#) that in 2021, Milwaukee Public Schools (MPS) had the sixth-highest poverty rate among the 120 largest urban districts in the country, and as a result received the fifth-highest amount in per pupil federal funding among those districts in the 2019-20 school year. Though these funds do not fully cover the added costs of educating students with disabilities and other obstacles such as poverty, these revenues are critical to MPS, and any reductions to them would be keenly felt.

The state Department of Transportation (DOT) also receives federal funding for highway operations, driver licensing, and law enforcement on state highways as well as for commercial airports, ports, and railroads. In 2024, those funds totaled about \$1.1 billion, or 26% of the department’s total budget. Some of that funding passes through the state to local governments, and additional funds not included in the total also flow directly from federal agencies to local communities.

The bulk of funds for transportation are allocated [through formulas](#) that incorporate factors such as population and road miles in a state or use a percentage of a state’s [allocation in 2012](#). These

Figure 4: Federal Transportation Funding for Wisconsin Returns to Normal After Modest Spike in 2022

Inflation-adjusted federal funds distributed to the Wisconsin Department of Transportation in millions of 2023 dollars



Source: Wisconsin DOT. Note: Does not include federal grants made directly to local governments. 2024 amount from state single audit, 2025 budgeted.



formulas or allocations, and the total federal funding available for transportation, can only be changed through legislation. Congress typically passes six-year acts that lay out the total funding available and distribution formulas for it, with the [current law](#) expiring in September 2026.

Overall federal spending in the state rose substantially over the past five years, but transportation spending has seen only modest increases. Transportation spending in the state has been generally flat over the past 25 years, with a major uptick in 2009 and 2010 as the American Recovery and Reinvestment Act increased stimulus in response to the Great Recession. More recently, the Infrastructure Investment and Jobs Act also resulted in a more modest uptick that has been eroded by inflation (see Figure 4 on the previous page).

Executive action by the new administration is unlikely to change the overall level of federal investment in the state's transportation network, but targeted cuts or funding freezes can still have impacts in some areas. For example, the state expected to receive [\\$78 million in federal funds](#) between 2022 and 2025 to expand the electric vehicle charging network along major transportation corridors in rural Wisconsin. State Department of Transportation officials indicate the state has been allocated \$61.9 million and contracts have already been signed for 38 projects at a cost of \$16 million. The remaining \$45.9 million involving dozens of projects is currently frozen awaiting federal decisions.

In another example, Madison officials initially [expressed concerns](#) that \$118 million in competitive grant funding for expanded Bus Rapid Transit service in the city could be affected by the change in administration. However, city officials say they have gotten federal guidance suggesting they will receive the [grant funding](#).

Another transportation-related executive order came in January 2025, when U.S. Secretary of Transportation (and former Wisconsin Congressman) Sean Duffy announced a policy that would give some preference in grant awards to states with higher [birth and marriage rates](#). This policy change would likely only impact discretionary funds to states and appears unlikely to have a significant impact on Wisconsin transportation projects as a whole unless it were extended to larger grants distributed through formulas.

Duffy has also announced new conditions on some federal grants related to any state Diversity, Equity, and Inclusion policies as well as state cooperation with state immigration enforcement. Overall, however, the state's share of federal transportation funding is unlikely to change dramatically without action from Congress, but impacts to specific programs are possible.

Wisconsin also received \$1.16 billion in fiscal year 2023 for research and development in the state, according to the National Center for Science and Engineering Statistics. Although most of that went to higher education institutions like the University of Wisconsin-Madison and to a lesser extent UW-Milwaukee and the Medical College of Wisconsin, funds also went to federal agencies and other recipients.

In February, the National Institutes of Health capped federal funding for indirect research costs. This funding supplements direct federal funds for specific research projects by paying for other staff and infrastructure at research institutions, such as utility and maintenance costs for laboratories and salaries for administrators who comply with federal regulations around grants and research.

The federal cap limited indirect cost funding to 15% of direct grants. That was substantially less than the previous rates of institutions like UW-Madison, which [had a 55.5% rate](#) that included 26% for administrative costs and 29.5% for facility costs, [according to a legal filing](#) in a lawsuit brought in a U.S. District Court in Massachusetts by Wisconsin and more than 20 other states seeking to block the change. That filing states that the cap would reduce National Institutes of Health funding to UW-Madison by \$65 million in the current year and a similar amount in future years. In April, a federal judge [permanently blocked](#) the funding cap from being implemented, but this decision could still be overturned on appeal.

Wisconsin Attorney General Josh Kaul has also joined a [multi-state lawsuit](#) in a federal District Court in New York to block a similar directive in May from the National Science Foundation that caps indirect funding rates for grants from that agency. Kaul's office has stated that this directive would cost UW-Madison nearly \$38 million by 2028 and cost UW-Milwaukee \$1.5 million a year.

The [statement from Kaul](#) also references 16 National Science Foundation grants to UW-Madison worth \$14



million that also have been ended, with \$5.9 million remaining untapped. Those grants aim to expand participation in science, technology, engineering, and math among underrepresented groups such as Native Americans and researchers with disabilities.

Federal Contracts

The next largest category of spending was for contracts and procurement by the federal government, which totaled \$6.8 billion in Wisconsin in 2022, according to the Rockefeller Institute. That worked out to \$1,162 per person in the state, which was barely more than half the national average of \$2,224.

The relatively low amount in this state is likely due at least in part to the lack of major military bases in Wisconsin, since the Department of Defense spends much more on contracting than other federal agencies. Other top federal agencies for contracting include the Departments of Health and Human Services, Veterans Affairs, and Agriculture.

Examples of major federal contractors in Wisconsin include [Oshkosh Corp.](#), which [makes military vehicles](#); Ficantieri Marinette Marine, which [makes naval vessels](#); and Wisconsin Physicians Service Insurance Corp., which [administers the TRICARE medical insurance](#) plan for military retirees and dependents.

Wages to Federal Workers

Federal workers number in the tens of thousands in Wisconsin but still make up a relatively small share of the overall workforce. In 2023, the total number of federal employees in Wisconsin ([not including](#) military personnel) averaged 30,405, or about 1% of all workers

in the state that year, according to the [census of employment](#) produced by the U.S. Bureau of Labor Statistics (BLS).

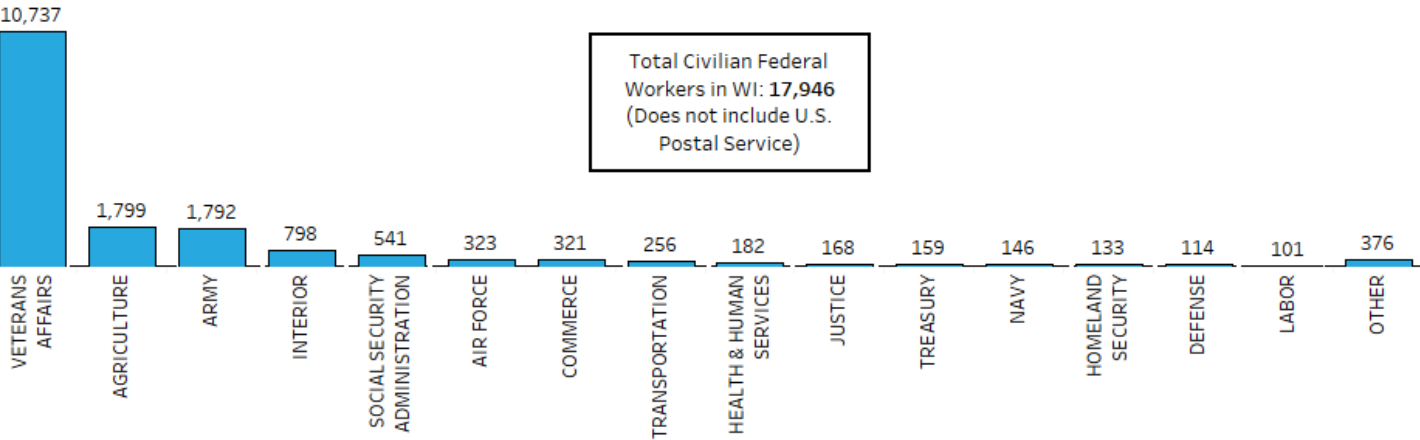
Given their relatively small share of the labor force, cuts to federal workers are unlikely to directly depress the overall economy in Wisconsin. However, they could still have indirect effects on state residents and businesses by making it more difficult to interact with federal agencies and obtain benefits, regulatory approvals, and other necessary steps.

Federal workers earned wages of \$2.46 billion in Wisconsin in 2023, according to the BLS. Their pay averaged \$80,751, well above the statewide average of \$61,073 for all workers. The higher wages for federal employees partly reflect the fact government employees tend to work in jobs requiring more education.

Overall, only a small fraction of federal spending in Wisconsin goes to wages and salaries of employees of the U.S. government – about 2.3%, according to Rockefeller. That study came up with a slightly smaller amount of annual wages (\$2.04 billion) than the Census Bureau data, likely because the Rockefeller study does not include the wages of U.S. Postal Service employees and uses figures from 2022.

To examine employment by federal agency in Wisconsin, we turned to the [most recent figures available](#) from the U.S. Office of Personnel Management. This “FedScope” data from September 2024 cover most civilian workers in the executive branch but exclude U.S. Postal Service employees, uniformed military personnel, and most workers in the

Figure 5: Department of Veterans Affairs Leads All Federal Employers in Wisconsin
Headcount of executive branch civilian workers* in the state by federal agency, September 2024



Source: U.S. Office of Personnel Management (FedScope); *does not include legislative, judicial, or uniformed military personnel or employees of the U.S. Postal Service.



legislative and judicial branches. The data in Figure 5 show 17,946 federal workers assigned to Wisconsin work locations as of last fall. Their average salaries were even higher than those in the BLS data, which may reflect the exclusion of the Postal Service workers.

The biggest federal employer in Wisconsin is the U.S. Department of Veterans Affairs, which [operates health care facilities](#) such as William S. Middleton Memorial Veterans Hospital in Madison, Zablocki Veterans Administration Medical Center in Milwaukee, and the Tomah VA Medical Center. As of September 2024, the agency employed 10,737 workers at hospitals, clinics, and cemeteries across the state as well as its regional office in Milwaukee. These employees include highly paid doctors and administrators and as a group their annual salaries averaged \$102,088, which would yield a yearly payroll in the state of nearly \$1.1 billion.

Besides the Postal Service, the next largest federal employer is the U.S. Department of Agriculture, with 1,799 workers in the state as of last fall. The Agriculture Department includes the U.S. Forest Service, which has a notable presence in Wisconsin due to the national forests in the state as well as its timber and paper industries. The [U.S. Forest Products Laboratory in Madison](#), which carries out scientific research on wood and the development of innovative wood products, lists on its website nearly 250 scientists and support staff.

The U.S. military also employs significant numbers of civilian personnel in Wisconsin, including 1,792 employees of the Army and 323 of the Air Force. Nationally, more than a third of the wages and salaries for federal workers go to military personnel with the remainder going to civilians. In Wisconsin, the share is likely less than that because of a lack of major military bases. Still, the state has some notable bases including Fort McCoy, an Army base between Sparta and Tomah, and the Air National Guard bases in Madison and Milwaukee. There are also U.S. Coast Guard stations along the shores of Lake Michigan and Lake Superior.

The next largest federal civilian employer in Wisconsin is the Department of the Interior, with 798 workers in [divisions such](#) as the National Park Service, U.S. Fish and Wildlife Service, Bureau of Indian Affairs and U.S. Geological Survey. Other large federal employers in the state include the Social Security Administration, with 541 workers, and the Department of Commerce, with 321 employees in [such divisions](#) as the U.S. Census

Bureau, National Weather Service, and National Institute of Standards and Technology.

Though it is excluded from the FedScope data, the U.S. Postal Service appears to be the second-largest civilian federal employer in Wisconsin. Its employees are so numerous that they have their own codes within a BLS [occupational survey](#). The survey published in May 2024 shows that the Postal Service employed at least 10,000 workers in Wisconsin making average annual wages of roughly \$61,000 for a total payroll of more than \$600 million (this figure should account for most of the wages excluded from the Rockefeller survey).

Mail carriers are the largest single occupation within the Postal Service at 6,610 workers in the state – making them one of the most numerous federal jobs. Postal Service clerks accounted for 1,540 workers in the survey, and mail sorters, processors, and processing machine operators numbered 1,570. Postmasters and mail superintendents totaled 330.

The Trump administration fired a number of federal workers and probationary workers earlier this year as part of moves aiming to reduce costs. The cuts affected workers at [veterans hospitals](#), the [Social Security Administration](#), and the [Department of Agriculture](#) and [Forest Products Laboratory](#).

However, it is difficult to gauge the scale of the job cuts in Wisconsin. There has been no specific breakdown for the state of the overall cuts at the national level, and in some cases dismissed workers [have been reinstated](#) at least temporarily by court decisions.

COVID-19 Relief Aid

In response to the coronavirus pandemic, the federal government approved trillions of dollars in relief aid for individuals, businesses, nonprofits, schools, higher education institutions, local governments, and states. As the Forum [has noted](#), that included tens of billions of dollars for Wisconsin recipients and employers.

These funds served a variety of purposes, including economic impact payments to individuals, awards that helped small business and nonprofits to pay their employees, supports for local and state budgets, unemployment assistance, aid for transit agencies, and much more. The [Legislative Audit Bureau has determined](#) that the state of Wisconsin alone received more than \$21 billion in federal assistance during the



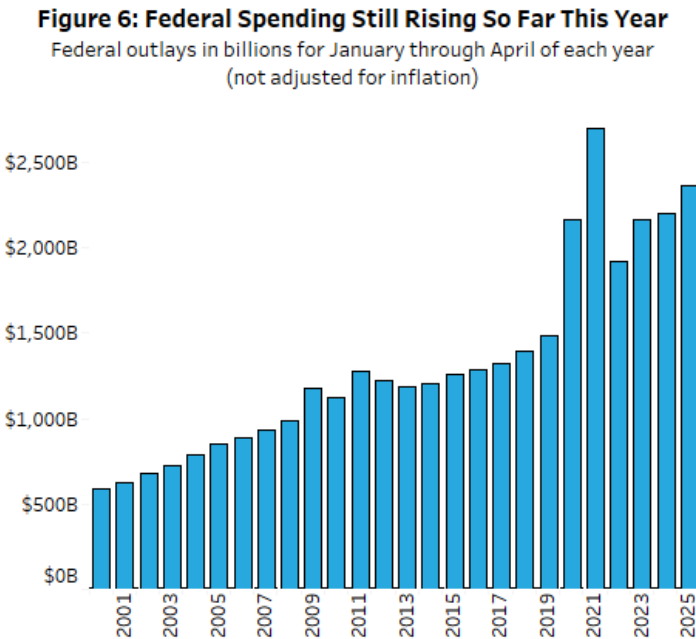
2020 to 2024 state fiscal years and much of that was passed along in turn to individuals and other recipients.

In 2022 alone, Rockefeller estimated that Wisconsin recipients benefited from a total of \$7.6 billion in COVID-19 relief aid. At \$1,285 per Wisconsin resident, that was more than the national average of \$1,156. This aid is no longer a significant part of current revenues or spending in the state – nearly all of the various rounds of federal aid were expended or at least obligated by 2024. However, the substantial borrowing to pay for this stimulus over the last several years has increased the national debt and added to the calls to decrease federal spending.

THE BIG PICTURE ON FEDERAL SPENDING

Though many spending cuts have been made or at least attempted since January, there is little evidence so far that the ongoing increases in overall federal spending have halted. In fact, available [data from the U.S. Department of the Treasury](#) suggests federal spending for the calendar year to date has continued to rise.

The monthly Treasury data shows federal outlays for January through April 2025 totaled nearly \$2.4 trillion, which is greater than the \$2.2 trillion for the same months in 2024 (see Figure 6). Before adjusting for inflation, federal spending since January has been greater over those same months than in any year except 2021.



Source: U.S. Department of the Treasury

The apparent rise in spending may be surprising for some readers who have seen frequent news stories about spending cuts sought by the new administration and its [Department of Government Efficiency](#). However, the reasons for the continued increases in spending are relatively straightforward.

First, much of the federal budget is sensitive to ongoing inflation, including some of its biggest programs. Social Security payments, for example, [receive a cost of living adjustment](#) each year to factor in increases in consumer prices. In addition to rising costs from inflation, the federal government also has to steadily increase spending on entitlement programs like Social Security, Medicaid, and Medicare due to other factors such as the aging of the population. Other pressures for the federal budget include the rising cost of interest on the national debt and defense spending.

In addition, federal spending cuts so far have been largely undertaken through administrative actions by executive branch officials. While significant in many ways, these actions have been subject to a number of legal challenges, as we discuss below. Over time, these administrative moves might have indirect effects on spending on entitlement programs such as Social Security. Yet major changes in the short term would likely require the passage of legislation such as the House bill mentioned earlier in this brief.

From what we can discern, the same trend of increasing spending is likely playing out in Wisconsin. Though no data are available, the pace of overall federal spending in the state has probably not slowed much in 2025. That’s because major programs like Medicare and Medicaid continue to operate and spend normally.

However, that does not mean that the spending cuts so far this year were insignificant or unimportant. They likely have saved at least some taxpayer funds while also affecting numerous federal programs, workers, and residents around the state. It is admittedly difficult to fully quantify these impacts, given the swirl of ongoing litigation over the cuts. Yet we attempt here to at least lay out areas where Wisconsin has seen significant impacts or could see them if legislation such as the House bill moves forward.

Health Care

Our September 2024 report on the possibility of full [Medicaid expansion in Wisconsin](#) noted the potential



benefits of that change but also pointed out that the state's current approach has worked reasonably well. For example, Wisconsin's partial Medicaid expansion has contributed to the state's relatively low uninsured rate, albeit at a greater cost to state taxpayers.

The health care changes in the House bill could have a greater effect on coverage here than in some other states due to this state's unique approach. First, Wisconsin is the [only non-expansion state](#) that would be affected by the bill's Medicaid work requirements. That is because the requirements would apply to working-age Medicaid recipients with no children or qualifying disability. Among the 10 states that have not expanded Medicaid, Wisconsin is the only one that covers any childless adults without qualifying disabilities, as our report last year made clear.

Next, as we noted earlier, the House bill and Congress so far have not advanced provisions to extend the expiring tax credit provisions that ensure that people with incomes up to 150% of the federal poverty level can obtain some health plans through ACA marketplaces without paying any premium. Those provisions are particularly important for Wisconsin, where Medicaid covers individuals making up to 100% of the poverty level. The loss of those credits could make it harder for low-income workers just above the poverty line to purchase coverage through the ACA exchanges.

The health provisions in the House bill and the expiration of the enhanced ACA tax credits could result in 13.7 million more uninsured Americans in 2034, according to Congressional Budget Office projections. The [Kaiser Family Foundation estimates](#) that this could result in between 62,000 and 103,000 more uninsured Wisconsin residents in 2034. The Wisconsin Department of Health Services put forward a similar estimate that [63,000 childless adults in the state](#) could lose coverage because of the Medicaid work requirements in the House bill.

One other significant area to watch within health care is the U.S. Department of Veterans Affairs. The veterans hospitals and clinics are the biggest federal employers in the state and they serve a critical role in providing care to their patients. Health care institutions in the state have already faced staffing and labor challenges in some areas in recent years. The ability of veterans hospitals and clinics to serve their patients could be

affected by federal layoffs or other measures that compound difficulties in attracting or retaining workers.

Housing and Other Public Assistance

Housing is another crucial area to watch, in part because state residents already face [substantial challenges](#) in affording an apartment or home. Notably, the White House has put forward a [2026 budget proposal](#) that would cut base spending authority on discretionary programs outside of defense by 22.6%, which could impact housing and other programs.

City of Milwaukee officials [have estimated](#) that these cuts could result in a \$20 million hit to the city's budget in two areas: Community Development Block Grants, which support economic development and affordable housing efforts, and HOME grants, which support housing for low-income residents.

The White House also has [cited a \\$2.1 million grant](#) made to the city of Milwaukee by the previous administration in 2024 as an example of a program it is seeking to eliminate because it aims to address racial disparities in home ownership. The [2024 grant announcement](#) by the U.S. Department of Housing and Urban Development says that the award will be used in part to update city land use policies to encourage housing growth and options. City officials have also said they are moving forward with using the grant to support the construction of 11 housing units for low and moderate-income buyers.

Milwaukee County officials have likewise expressed concern about cuts to the Community Development Block Grant program, the Low Income Home Energy Assistance Program, which helps residents pay for energy bills, and the Community Services Block Grants, which seek to address poverty in various ways.

Higher Education Under the Microscope

Colleges and universities are under scrutiny from the new federal administration on a number of fronts, including over indirect research funding as already noted as well as other issues such as the presence of international students and diversity, equity, and inclusion practices. As discussed below, these issues have already led to multiple lawsuits involving Wisconsin officials.

Higher education therefore remains an important area to watch, both because of its importance to the broader economy as well as the extensive federal support for



these institutions through student grants and loans, research funding, and more. The sizable policy differences between many higher education leaders and the new administration suggest further disagreements and disputes are likely.

Many Funds and Programs in Legal Limbo

Uncertainty surrounds a number of federal programs that are tied up in ongoing litigation in federal courts around the nation. The state Department of Justice reports that Wisconsin has joined 19 lawsuits challenging actions and directives of the new federal administration. Most of these cases involve at least in part questions of federal funding for state and local programs or for federal workers.

One of these cases involves a challenge to cuts made by the Trump administration to AmeriCorps, the federal agency that provides stipends for volunteers to serve in programs around the country. The cuts have affected AmeriCorps volunteers in Wisconsin serving in [nonprofits, schools, and clinics](#). The state Department of Justice and more than 20 other states [sued the federal agency](#) in April in an effort to block the cuts.

Though lower courts have already made some initial rulings on these cases, they will take months and in some cases years to wind through federal courts and complete the appeals process. In the meantime, a number of recipients of federal funds around the state will remain unsure about the fate of their awards.

While the Forum takes no side in this ongoing litigation, we do note the substantial public interest in reaching timely and durable resolutions in these cases. Without clear guidance, state and local governments, school districts, nonprofits, universities, and other groups around the state may find it necessary to halt projects, programs, and research that they might have otherwise carried forward.

However, timely resolutions will likely prove difficult to achieve. The sheer number, complexity, and significance of these cases suggests that they will not be easily or quickly concluded.

CONCLUSION

As the Forum has pointed out for years, Wisconsin has long lagged most other states in receiving federal aid, getting back less than most states for each dollar of federal taxes paid. It is worth considering what effect

the necessary efforts to control federal spending and the federal deficit may have on this ratio and whether they will exacerbate or improve the balance of payments.

So far, the bulk of the federal government's spending in the state continues. Some of the largest programs like Social Security and Medicare have not been targeted, and many other efforts to slash smaller programs have been stymied for now in the courts. Still, this burst of budget cuts has provoked intense debate and raised fundamental questions about the role and size of the federal government.

Congress and in particular the U.S. Senate represents a key voice going forward as legislators consider the administrative actions of President Trump and his appointees as well as legislation to limit spending on Medicaid, FoodShare, and many other programs. The bill as passed by the House would also make a host of other tax cuts and changes – including some with implications for state income taxes – that may require their own discussion in a future brief. Last, the measure would increase deficits by trillions of dollars over the next decade as its tax cuts outweigh the spending decreases in the bill. More than courts or executive actions, it is the legislative branch and bills like this one that can leave the most lasting imprint on the form of the federal government.

The federal changes could also have substantial fiscal impacts on state and local governments, which will have to decide in turn whether or not to backfill the funding cuts or allow them to occur. Even when state and local officials opt not to offset the federal cuts, they may still affect local budgets indirectly. For example, cuts to federal housing programs could lead to increases in homelessness and in turn on local spending on services such as law enforcement and the courts.

Even as the Forum remains neutral on these proposed federal changes, we recognize their deep importance to Wisconsin and the nation as a whole. We will track them as closely and impartially as we are able in the months to come as the public and policymakers seek answers about what they mean for the future of our state.

