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# 2025 Federal Landscape Rapid Response Memo

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**Purpose:** This memo assesses the most likely economic impacts on low-income families in the U.S. stemming from new federal policies in the coming four years. It also examines new federal policies' impacts on state and local government and their financial capacity, and the role that unconditional cash transfers and GiveDirectly can play to mitigate harm to low-income people in the U.S. in the coming years.

**Summary:** The recent federal policies under the Trump administration, such as mass deportation, tariffs, and tax cuts, are likely to have significant negative impacts on low-income residents. Deportations could push millions into poverty, increase food and housing prices, and reduce economic activity. Tariffs on imports are expected to increase household costs, especially around food and energy, and exacerbate inflation, while potentially leading to a recession. The renewal of the 2017 tax cuts and potential cuts to federal programs like Medicaid and SNAP would disproportionately affect low-income individuals, reducing essential services and support. State and local governments, who are responsible for administering most safety net programs, would have limited ability to absorb revenue reductions stemming from federal cuts and a contracting economic environment. Given what is being proposed and implemented as of April 2025, the biggest areas of need created by the new federal environment center around food access, health care access, recession-related income losses, households impacted by deportations, and access to higher education.

## Section I: Summary of Relevant New Federal Government Policies

1. **Relevant White House Policies**
   a. **Mass deportation:** One of President Trump's biggest campaign promises was to deport millions of undocumented immigrants. An estimated 11 million undocumented persons live in the US (about 3% of the total population). While Trump was only able to deport 1.5 million in his first term, his administration is signaling its intent to deport as many undocumented persons as possible in the coming years.

      While it is difficult to predict exact numbers, the administration plans to significantly increase deportations. There were 38,000 deportations in Trump's first month, which is well below the 50,000 monthly deportations in 2024 under Biden.[1] One would expect deportations to increase as the new administration's policies become fully institutionalized. Still, even if it were able to more than double its monthly numbers to 80,000, the Trump Administration would only be deporting less than 4 million people over the next four years, far less than their stated goal of 11 million.

      **Note:** As of May 2025, the Trump Administration is taking unprecedented steps to arrest and deport undocumented immigrants and others, including accessing IRS/ITIN data and disregarding due process laws. It is unclear how these actions could impact the pace of

[1] Reuters. https://www.reuters.com/world/us/trump-set-broaden-arrests-deportation-routes-expand-immigration-crackdown-2025-02-21/

deportations and "self-deportations."

i. **Potential impact to low-income residents:**
   1. **Loss of income:** Households with undocumented adults stand to lose their primary and/or secondary sources of income. If Trump deports 10 million people, it would push about 10 million US citizens living in mixed status families into poverty.[2]
   2. **Price increases:** Consumer prices could increase between 1.5% and 9% in the next four years.[3] Migrant labor has kept prices low for many basic necessities. They make up a significant share of the farm and construction workforces.[4] A reduction in this workforce will require businesses to attract new workers with higher wages, leading to product shortages and higher prices for consumers, particularly when it comes to food and housing prices.
   3. **Reduced employment, wages, and economic activity:** Mass deportation could reduce economic growth of between 1.2% and 7.4% by 2028, leading to reductions in employment and wages for US workers (and reduced tax revenue for governments).[5] Previous US deportations have coincided with reduced hiring and stagnant wages, as a declining domestic population results in lower productivity and consumption for the country.[6]

ii. **Rough estimate of most likely deportation impacts through 2028:**
   1. 2-4 million deportations
   2. 2-5 million family members of undocumented residents pushed into poverty
   3. 1% - 3.2% increase in consumer prices
   4. 2 - 4% decrease in GDP

b. **Tariffs:** During his campaign, President Trump promised to impose stiff tariffs on all U.S. imports. Tariff policy has been extremely volatile and subject to change.

   **New tariffs on China, Mexico and Canada were imposed in February 2025**. These tariffs amount to an average cost increase of between $1,600-$2,000 per household each year and have a disproportionately negative impact on lower-income earners.[7] [8] Prices for produce, cars, gas,

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[2] Center for Migration Studies. https://cmsny.org/publications/2024-mass-deportation-program-devastate-american-families-101024/

[3] Peterson Institute for International Economics. https://www.piie.com/sites/default/files/2024-09/wp24-20.pdf

[4] Institute on Taxation and Economic Policy. https://itep.org/trump-mass-deportation-would-vaporize-the-economy/

[5] Peterson Institute for International Economics. https://www.piie.com/blogs/realtime-economics/2024/mass-deportations-would-harm-us-economy

[6] University of New Hampshire, Carsey School of Public Policy. https://carsey.unh.edu/sites/default/files/media/2024-08/economic-impact-mass-deportation-lit-review.pdf

[7] Tax Foundation. https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/

[8] Yale Budget Lab. https://budgetlab.yale.edu/research/fiscal-economic-and-distributional-effects-20-tariffs-china-and-25-tariffs-canada-and-m

and construction are the major items impacted.[9] These tariffs will increase inflation by .5-.8% and also reduce GDP by 0.4%.[10] [11]

**New sweeping tariffs were also imposed in April 2025.** These tariffs placed on more than 90 countries will result in an additional $2,100 annual cost increase for the average household and a $980 cost increase for low-income households. GDP growth will go down another -.5%.[12] Federal Reserve Chairman Jerome Powell warned that "we face a highly uncertain outlook" and that the new tariffs would likely result in higher unemployment and higher inflation, and warned that the inflation impacts could become "persistent."[13] President Trump says the tariffs will lead to the reshoring of jobs and factories in the US over the long-term, but most economists say this is unlikely.[14]

Taken together, February and April's new tariffs will result in an estimated $3,800 in cost increases for the average household, and a $2,100 increase for low-income households.[15] GDP is estimated to go down by -.9% long-term. Food and apparel prices are disproportionately affected, and the average price of a new car will increase by $4,000.[16]

i. **Potential impact to low-income residents:**
   1. $1,900-$2,400 increase in costs for low-income households
   2. Essentials like food, energy, and clothing will be disproportionately impacted
   3. Macro impacts of a recession would see higher un/under-employment, resulting in more people becoming low-income, and reduced financial resources for those who are already low-income

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[9] Economic Policy Institute. https://www.epi.org/publication/tariffs-everything-you-need-to-know-but-were-afraid-to-ask/#:~:text=Tariffs%20are%20essentially%20a%20tax,taxes%20than%20high%2Dincome%20people.

[10] Federal Reserve Bank of Boston. https://www.bostonfed.org/publications/current-policy-perspectives/2025/the-impact-of-tariffs-on-inflation#:~:text=For%20example%2C%20we%20estimate%20that,excluding%20food%20and%20energy).

[11] Tax Foundation. https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/

[12] Yale Budget Lab. https://budgetlab.yale.edu/research/where-we-stand-fiscal-economic-and-distributional-effects-all-us-tariffs-enacted-2025-through-april

[13] The Guardian. https://www.theguardian.com/us-news/live/2025/apr/04/donald-trump-fires-nsa-tim-haugh-tariffs-us-politics-latest-updates-news

[14] CNBC. https://www.cnbc.com/2025/03/10/do-tariffs-protect-us-jobs-and-industry-economists-say-no.html

[15] Yale Budget Lab. https://budgetlab.yale.edu/research/fiscal-economic-and-distributional-effects-20-broad-tariff

[16] Yale Budget Lab https://budgetlab.yale.edu/research/where-we-stand-fiscal-economic-and-distributional-effects-all-us-tariffs-enacted-2025-through-april

c. **Dismantling the Administrative State (DOGE):** This agenda item comes from Project 2025 but is being instituted by DOGE (read more about dismantling the administrative state in Project 2025). The stated goal of DOGE is to modernize government technology and maximize government efficiency and productivity. However, in practice DOGE has been laying off and firing entire civilian agency staff and canceling contracts in an effort to dismantle the current government and rebuild a smaller federal government that provides less services and pushes more costs to the states. Many of DOGE's actions are illegal and rife with conflicts of interest, but it remains to be seen how well the courts will hold the department accountable for its actions.

i. **Potential impacts to low-income residents:**

1. **Short-term:**
   a. Public service disruptions, limited access to public programs due to short-staffed public agencies
   b. Reduced services from non-profits whose contracts are cancelled by DOGE
   c. Regionally-focused economic downturns are possible in cities with a disproportionate number of federal workers, including Washington D.C., Baltimore, Kansas City, San Antonio, Ogden (UT) and Memphis.[17]

2. **Long-term:**
   a. A smaller, less well-funded social service sector
   b. Weaker, ineffective government prevention efforts and responses to crises - from pandemics to disasters and economic downturns.[18]
   c. Slower long-term economic growth due to less investments in research and innovation and other priorities, resulting in reduced standards of living for Americans.[19] For low-income families this would likely result in increased homelessness, food insecurity, poorer health outcomes and reduced quality of public schools.
   d. While unlikely, if DOGE worked with Congress and were able to cut a significant amount of federal contracts to states and non-profits it could significantly reduce the number of available social services. It could also weaken the economy and lead to increased unemployment.[20] The federal government spent about $700 billion in contracts in 2022, making up around 10% of its overall spending.[21]

2. **<u>Congressional Policies</u>**

a. **Tax Cuts and Jobs Act Renewal:** Republicans plan to pass an extension of Trump's 2017 tax cut bill, at a cost of around $5 trillion. In order to pay for this, they plan to make significant cuts to existing federal programs. While detailed plans have not been released, the House and Senate

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[17] Investopedia. https://www.investopedia.com/here-s-where-doge-layoffs-will-hurt-the-most-11695899

[18] Ibid.

[19] Ibid.

[20] Yale Budget Lab. https://budgetlab.yale.edu/news/250303/short-run-economic-impacts-doge-whither-jobs-day#:~:text=The%20biggest%20risk%20to%20the,the%20possibility%20of%20direct%20layoffs.

[21] Government Accountability Office. https://www.gao.gov/blog/snapshot-government-wide-contracting-fy-2022

committees have committed to specific funding reductions to health, nutrition and education spending including 15-20% reductions in Medicaid, SNAP, and federal college loans from 2023 levels. Policy options related to Medicaid and SNAP to achieve these spending reductions include:

- **i.** Potentially changing the programs into block grants, ending their status at entitlements.
- **ii.** Potentially requiring more state matching dollars to access the federal funding for these programs, which is particularly dangerous for SNAP because it is currently only funded by federal dollars.
- **iii.** Potentially introducing work requirements and/or time limits for these two programs.

The tax cuts may boost short-term GDP growth, but countervailing forces, including federal spending cuts and higher interest rates, could neutralize or reverse the growth effects of the tax cuts.[22] [23]

- **iv. Potential impact to low-income residents:**
  1. **Medicaid:** $880 billion reduction over 10 years. Federal Medicaid spending was $606 billion in 2023, so this would lead to an estimated 15% cut annually. Potential policies floated include block granting the program, requiring increased state dollar contributions, adding new work requirements or time limits for the benefit. It is difficult to estimate how many people will be impacted given the lack of a detailed bill, but a 15% cut could impact upwards of 11 million people.
  2. **SNAP:** $230 billion reduction over 10 years. Federal SNAP spending was $113 billion in 2023, so this would lead to an estimated 20% cut annually. Potential policies floated include requiring states to start paying matching funds. It is difficult to estimate how many people will be impacted given the lack of a detailed bill, but a 20% cut could impact upwards of 8.4 million people.
  3. **Student loans and Pell Grants:** $330 billion reduction over 10 years. Federal student loan and Pell Grant spending was $197 billion in 2023, so this would lead to an estimated 17% reduction annually and could impact around 3 million people.

## Section II: Macro Economic Impact of New Federal Policies Summarized

1. **Recession Risk:** There is now a real risk of a recession in the United States, which will significantly impact the finances of both state and local governments and low-income people. GDP growth was negative in Q1 of 2025, coming in at -.3%, and sharply down from Q2 of 2024's 2.4% growth. Consumer confidence[24] is near an all-time low, indicating that Americans may start reducing their spending in anticipation of a downturn. JP Morgan Chase CEO Jamie Dimon and other leading Wall St.

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[22] Tax Policy Center.
https://taxpolicycenter.org/taxvox/extending-tcja-provisions-would-modestly-boost-economy-not-enough-offset-cost

[23] Peter G. Peterson Foundation.
https://www.pgpf.org/article/full-array-of-republican-tax-cuts-could-add-9-trillion-to-the-national-debt/

[24] CNN
https://www.cnn.com/2025/04/11/economy/us-consumer-sentiment-april/index.html#:~:text=Spending%20by%20better%2Doff%20Americans,'%E2%80%9D

figures are now predicting a recession due to Trump's tariffs, with workers and consumers feeling the fall out as early as June or July or as late as the second half of the year.[25] [26]

Mass deportation policies targeting millions of undocumented immigrants could drastically reduce GDP by up to 7.4% in four years, though somewhere in the 2-4% range is more likely. The administration's implementation of extensive tariffs is expected to result in a recession in the second half of 2025. The tax bill is expected to provide a short-term boost to GDP but the long-term impact will be negative, as it could add up to $9 trillion to the national debt and stifle future growth.

2. **Inflation:** Over time mass deportations could exacerbate inflation by reducing the workforce, particularly in sectors like agriculture and construction, which would drive up wages and consumer prices. The tariffs could push inflation up as high as 4% this year, with food, apparel, electronics, and automobile prices being disproportionately impacted.[27]

3. **Federal Revenues:** Mass deportations will reduce the tax base by removing undocumented workers, many of whom pay taxes. This would result in slightly decreasing payroll and consumption taxes, and ultimately lowering federal revenue by a few percentage points. If the sweeping tariffs were made permanent they would generate around $3 trillion in new tax revenue over 10 years, however it is unlikely they will remain in place long-term.[28] The tax bill will reduce federal revenue by $5 trillion over 10 years, and will be offset by $1-$2 trillion in spending cuts.

## Section III: Impacts to State and Local Government, and Capacity of State and Local Government to Respond

1. **Summary of Impacts to State and Local Governments from Sections I & II:**
    a. **Deportations:** This policy may push several million undocumented and mixed-status families into poverty, straining the few safety net programs that they have access to. Safety net programs are administered by state and local governments so many of the funding and eligibility decisions would be made at that level. Deportations would also reduce workforce numbers, slowing economic activity, with California, Florida and Texas seeing the worst impacts to their GDP. Fiscally speaking, it would lead to a reduction of $30 billion in state and local tax revenue which is a small percentage of the $1.7 trillion that state and local governments collect in tax each year.[29]

    b. **Tariffs:** It's possible tariffs could increase revenue from larger sales tax receipts but it's unlikely to meaningfully counteract the contraction in domestic economic growth. Broader macro impacts from reciprocal tariffs could result in regional recessions, particularly in areas with strong

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[25] Axios. https://www.axios.com/2025/04/09/jpmorgan-dimon-recession-defaults-trump-tariffs

[26] CBC. https://www.cbc.ca/news/business/global-recession-tariffs-1.7505272

[27] Marketwatch. https://www.marketwatch.com/story/buckle-up-u-s-economy-runs-higher-risk-of-recession-due-to-tariff-turbulence-87883c30

[28] Tax Policy Center. https://taxpolicycenter.org/taxvox/trumps-tariffs-will-raise-much-less-he-expects
[29] Economic Policy Institute. https://www.epi.org/explorer/state-and-local

automotive manufacturing and agricultural industries.

c. **Tax Bill:** While a detailed tax bill has not been released yet, several proposals would shift significant costs to states and reduce the amount of federal funding states receive for critical programs like Medicaid and SNAP. There are also proposals which would require states to increase the state funding they devote to these programs in order to get federal funding. States do not have enough money to make up for the expected federal funding cuts, so programs would shrink. Some states may reroute general funds from other programs to Medicaid and SNAP. Current or potentially new programs (including innovative direct cash programs) may lose funding.

d. **DOGE:** The sharp reduction in federal workforce will make it difficult for state and local agencies to function well. The federal government is responsible for giving state and local governments guidance and feedback to ensure that the work they're doing is within the bounds of federal law. Right now states feel frozen because of the lack of federal staff.

   In terms of broader macro impacts, they should be limited to metro areas with a disproportionate number of federal workers, including Washington D.C., Baltimore, Kansas City, San Antonio, Ogden (UT) and Memphis.[30]

e. **Potential Recession:** Government revenues decrease when the economy is not growing. Unlike at the federal level, state and local governments must routinely balance their operating budgets, and therefore must offset reductions in revenues by either raising taxes or, more likely, cutting spending on public services. This is particularly problematic as unemployment increases and more people are losing income and qualifying for safety net programs such as Medicaid and SNAP. States have rainy day funds, but most do not have enough to cover the fall out from a moderate recession. Historically the federal government has injected funding into state and local governments during recessions, as seen with the CARES Act, ARPA during COVID, and the American Recovery and Reinvestment Act during the Great Recession.

2. **State capacity to respond to challenges:**
   a. **How state and local governments are preparing for these expected changes:** After speaking with several state, county, and city officials, it is too early to say how they will respond. Generally speaking, officials relayed that the federal environment is volatile and hard to plan around. They did note that they cannot absorb the proposed cuts in the new tax bill, and were already experiencing impacts from the abrupt pausing or canceling of federal grants by DOGE, and the new tactics by the Trump Administration to not provide federal disaster relief support to states like California.

   b. **State capacity to weather economic shocks:** State budgets are facing several hurdles that will make it difficult to manage a downturn. First, more than half of states have cut income taxes in recent years, reducing state revenue to adequately fund safety net programs.[31] In addition, the tax bill making its way through Congress may result in shifting unmanageably large costs to states

[30] Investopedia. https://www.investopedia.com/here-s-where-doge-layoffs-will-hurt-the-most-11695899

[31] CBPP. https://www.cbpp.org/research/state-budget-and-tax/tracking-the-fallout-from-state-tax-cuts

for things like Medicaid and SNAP.[32] States would likely have to respond by defunding other programs and reducing the number of people who are eligible for Medicaid and SNAP.

Every state has a rainy day fund, and they've gotten more stable in recent years. Thirty-eight states have increased their reserves since the COVID pandemic in anticipation of an economic correction. Though each state's situation is different, the median state has enough money in their rainy day fund to continue government operations for 48 days. States with the smallest rainy day funds include New Jersey, Illinois, Delaware, Washington State, and Missouri; states with the healthiest rainy day funds include Wyoming, Alaska, Arkansas, New Mexico, and North Dakota.[33]

[32] Ibid.

[33] Pew Trust Charitable Trusts. https://www.pewtrusts.org/en/research-and-analysis/articles/2024/09/19/states-prioritize-reserves-as-fiscal-flexibility-declines?rsrv_map_data_picker=rdfd