



How will the One Big Beautiful Bill Act impact Alabama students?

The One Big Beautiful Bill Act (OBBBA) was signed into law by President Trump on July 4, 2025. OBBBA will affect Alabama students through three key programs: Medicaid, CHIP, and SNAP. On January 14, 2025, State Finance Director [Bill Poole](#) and State Fiscal Officer [Kirk Fulford](#) presented slides on the impact of these changes. OBBBA will also benefit Alabama families through new tax credit programs outlined below. We will outline the impact these changes will have on Alabama's students and the key decisions Alabama state policymakers will have to make in the coming years.

How will changes to Medicaid and CHIP affect Alabama students?

Medicaid and CHIP, the Children's Health Insurance Program (ALL Kids in Alabama), provide low-cost healthcare to low-income individuals. As of May 2025, 1.1 million Alabamians are enrolled in Medicaid or CHIP. **51% of these enrollees are children.** For these programs, in 2025, 73% of funding comes from the federal government and \$1.79 billion is allocated from Alabama's FY26 General Fund. Cuts will roll out over the next 10 years, and higher costs to states will begin with higher administrative costs starting December 31, 2026. These changes will affect students in four ways:

- Alabama will have to pay a larger share of the cost of Medicaid. It is estimated that Alabama will need to pick up \$4.1 billion in costs by 2034, or reduce eligibility. This may crowd out General Fund or Education Trust Fund revenues, meaning legislators will have to decide how to allocate funds for these programs and may need to cut funding from other programs.
- Alabama students who previously received Medicaid or CHIP may no longer be eligible due to new federal eligibility requirements for their parents. Eligibility changes will begin on October 1, 2026. This will impact the physical and mental health of our students, which will ultimately impact their ability to focus and succeed in school.
- Fewer students will be identified for additional RAISE Act funding and other programs. Alabama uses Medicaid to identify low-income students. Fewer students will qualify for state-funded programs, and fewer will be counted as low-income in the RAISE Act education formula.
- Alabama schools will receive less funding in Medicaid reimbursements, or the state will need to cover these costs. Schools currently receive about \$34 million annually through federal Medicaid reimbursements for providing healthcare to low-income students.

How will changes to SNAP affect Alabama students?

SNAP, the Supplemental Nutrition Assistance Program, provides food-purchasing assistance to low-income families, and school meals for low-income students and the schools that serve them. About 15% of Alabamians are on SNAP, and 67% of families on SNAP have children. Changes to SNAP will affect Alabama students in four ways:

- **Alabama will be required to fund SNAP at a higher rate than before.** Previously, the federal government funded the majority of this program and sent benefits directly to recipients, totaling \$1.73 billion in 2024. Based on OBBBA, Alabama's share for the administrative cost for SNAP will increase by \$39.8 million in FY27. Additionally, beginning in FY28, Alabama will be required to contribute to the cost of SNAP allotments an estimated \$173.4 million annually and beyond. This may crowd out General Fund or Education Trust Fund revenues, meaning legislators will have to decide how to allocate funds for these programs and may need to cut funding from other programs.
- **Alabama students who previously qualified for SNAP may no longer be eligible for benefits** due to federal eligibility requirements for their parents. This will impact their ability to get nutritious food at home or at school.
- **With fewer students eligible for SNAP, Alabama schools may lose Community Eligibility status,** which provides school districts with funding for breakfast and lunch programs for all students in low-income communities.
- **Fewer students will be identified for additional RAISE Act funding and other programs through SNAP.** Alabama uses SNAP as one way to identify low-income students, through a process called Direct Certification. Fewer students may qualify for state funded programs, and fewer will be counted in Alabama's education formula.

What other aspects of OBBBA will benefit Alabama students?

The OBBBA made changes to the Child Tax Credit and 529 Plans, which will reduce the amount of federal taxes eligible families pay. It also created a federal scholarship tax credit program to encourage school choice and Trump Savings Accounts to provide \$1,000 for children born between 2025 and 2028. These programs will benefit Alabama families in a few ways:

- **Created the Federal Education Freedom Tax Credit Program,** also known as the Federal Scholarship Tax Credit, which Governor Ivey opted Alabama into on January 16, 2026, through an Executive Order. This program begins in January 2027, and will allow taxpayers to claim a dollar-for-dollar credit of up to \$1,700 for donating to approved Scholarship Granting Organizations that fund K-12 scholarships, including private school tuition and educational materials (i.e. books, supplies).
- **Increased the Child Tax Credit by \$200,** which helps Alabama families by reducing the amount qualifying families pay in federal taxes. OBBBA also requires the qualifying child and taxpayer (parent or guardian) to report their social security numbers. About 280,000 Alabama children benefit from this program.
- **Expanded 529 Plan eligibility and flexibility** by increasing the annual spending limit from \$10,000 to \$20,000. 529 Plans were previously only for higher education, but they can now be used for K-12 educational purposes.
- **Created Trump Accounts and provides \$1,000 for children born between 2025 and 2028.** These accounts function like retirement accounts, though funds may be withdrawn beginning at 18 years old for education expenses. Alabama students born in the next few years will benefit from this program.