



# INSIDE WASHINGTON

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County Impacts from the White House & Congress, Week 1

MAY 2025

# EXECUTIVE ORDERS



**President Trump has issued more Executive Orders than any other president.**

- **Federal funding freeze**
  - Halts funding for certain federal funding and programs that do not align with certain Executive Orders signed by President Trump
- **DEI/Community Benefit Plans**
  - Eliminates federal DEI initiatives and requires contractors and grantees to certify compliance with anti-discrimination laws
- **Energy and natural resources including NEPA reforms**
  - Focus on promoting energy as national security issue, coal as a mineral and permitting reform
- **Elections**
  - Contains directives on policies that have traditionally been the purview of states and counties, directing federal agencies to conduct specific activities related to election integrity
- **Border security and immigration**
  - Directs agencies to ensure federal payments to states and localities don't facilitate undocumented residents or sanctuary policies. Requires review of federally-funded programs

# PRESIDENT'S FY 2026 BUDGET REQUEST



## NACo's Analysis of FY 2026 President's Budget Proposal



# RECONCILIATION



## Ten House committees have been involved in the House reconciliation process:

- Education & Workforce (21-14)
- Homeland Security (18-14)
- Transportation and Infrastructure (36-30)
- Financial Services (30-22)
- Oversight and Government Reform (22-21)
- Judiciary (23-17)
- Natural Resources (26-17)
- Ways & Means (26-19)
- Energy & Commerce
- Agriculture

*House leadership aims  
to pass the full  
reconciliation package  
by memorial day –  
Senate has not yet  
started its markup  
process*

# RECONCILIATION



**NACo has focused on several key priorities in the reconciliation process:**

- Preserving tax-exempt status of municipal bonds – **ACHIEVED**
- State and Local Tax (SALT) deduction - **PARTIAL PROGRESS** (proposed cap increase to \$30,000)
- Secure Rural Schools reauthorization – **INCLUDED**
- Low-Income Housing Tax Credit (LIHTC) enhancements - **INCLUDED**
- Child Tax Credit (CDC) – **INCLUDED** (\$800 billion allocation)
- Medicaid provisions – **MIXED RESULTS** (some wins, some concerns)
- Human Service programs -
  - SNAP – **SIGNIFICANT COST SHIFTS TO STATES AND COUNTIES**
  - SSBG – **PRESERVED**

# RECONCILIATION



## Tax Provisions – House Ways and Means Committee

### Municipal Bond Tax-Exemption

- Concern Congress could limit the municipal bond tax-exemption to generate ~\$364 billion in revenue
  - This would shift infrastructure costs on the state and local level, increasing borrowing costs by an estimated \$823 billion
- Because of county advocacy, **the municipal bond tax exemption was preserved in the Ways & Means Committee proposal**

### State and Local Tax (SALT) Deduction

- Proposal increases SALT cap to \$30,000 (from \$10,000) with an income limit of \$400,000, after which it would phase down to \$10,000
  - The "marriage penalty" is maintained
- Republican SALT Caucus members rejected the \$30,000 cap proposal – Asking to increase or full repeal

*Counties should  
continue to advocate  
for the municipal  
bond tax-exemption  
and SALT deduction  
to preserve and  
restore our federalist  
tax code*

# RECONCILIATION



## Medicaid Provisions – House Energy and Commerce Committee

The House Energy and Commerce Committee was instructed to cut \$880 billion from their budget.

KEY WINS	KEY CONCERNS
<ul style="list-style-type: none"><li>• <b>Nursing home staffing rule:</b> Delays implementation of CMS rule on minimum staffing standards for long-term care facilities until after Jan. 1, 2035 – <i>Delays would reduce severe financial and staffing impacts on counties</i></li><li>• <b>DSH payment reductions:</b> Delays DSH reductions by 3 years to FYs 2029-2031 – <i>DHS payments are vital supports for county-owned and operated hospitals</i></li></ul>	<ul style="list-style-type: none"><li>• <b>Work requirements:</b> Mandate work requirements for able-bodied adults aged 19–64 without dependents – <i>Increased administrative burdens and potential strain on county health and human services</i></li><li>• <b>Select FMAP reductions in some states:</b> Reduces from 90% to 80% for states that provide Medicaid coverage to undocumented immigrants under state-funded expansion – <i>Potential service cuts for eligible beneficiaries</i></li><li>• <b>Cost sharing for expansion populations:</b> By 2028, adults in the Medicaid expansion population would face mandatory cost-sharing (co-pays capped at \$35) – <i>County-owned and operated health facilities could see increased uncompensated care costs</i></li></ul>

# RECONCILIATION



## AI Policy Preemption

- The House Energy and Commerce Committee provision attempts to block state AI policies, which AI industry leaders lobbied for.
- A 10-year moratorium would block counties from enforcing local AI regulations, limiting our ability to manage evolving technologies in public services.
- The bill also includes \$500 million to modernize and integrate AI into Commerce Department IT systems

*More than 30 states passed laws or resolutions relating to AI in 2024, according to the National Conference of State Legislatures.*



# RECONCILIATION



## Miscellaneous

- **Rescind unobligated grant funds from several IRA programs**, including the county-eligible Neighborhood Access and Equity program
- **Invest in air traffic control at airports**, including some county-owned airports
- **Create new revenue sharing mechanism for states and counties that produce wind and solar energy on federal lands**, with counties receiving 25% of revenues produced by wind and solar production in their county (Begins 2026)
- **Integrate \$13 million in IRA funds into the Farm Bill baseline** to ensure long-term support for locally led conservations
- Expand funding and flexibility for **key USDA conservation programs**
- **Extend and revise the Opportunity Zones tax incentive program** that provides tax incentives for investments in designated distressed neighborhoods, or qualified opportunity zones

# RECONCILIATION

## NACo's Analysis of House Committee Markups





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