FEDERAL POLICY UPDATE

The One Big Beautiful Bill Act and Counties

NATIONAL ASSOCIATION of COUNTIES NACo®

Stronger Counties. Stronger America.

Reconciliation

1. Municipal Bonds/County Tax Policy
2. SNAP
3. Medicaid
4. Other County Priorities

NACo Analysis of OBBA

The One Big Beautiful Bill Act

- **House:** Passed May 22, 2025 (215-214)
- **Senate:** Passed July 1, 2025 (50-50 with VP Vance tie-breaking vote)
- **House:** Passed Senate version July 3, 2025
- **Signed into Law:** Largest federal cost shift to counties in modern history

NACo Analysis of OBBA

Next for Counties: *Shift to implementation monitoring, cost management, and appropriations defense for remaining programs*

County Priorities in the One Big Beautiful Bill Act:

- **Municipal Bonds:** Tax-exempt status preserved ✅
- **SNAP Delay in Senate:** 1-year delay (FY 2026 → FY 2027) ✅
- **Major Event Funding:** $1.6 billion for 2026 World Cup and 2028 Olympics ✅
- **10-year AI regulation moratorium** on local authority removed ✅
- **Low-Income Housing Tax Credit** permanently increased ✅
- **Child tax credit is permanently increased** to $2,200 ✅

Partial Progress:

- **SALT Cap:** Increase to $40,000 (partial relief), expires in 2030
- **Secure Rural Schools:** Forced a reauthorization vote in the Senate

Tax-Exempt Municipal Bonds are a Critical Infrastructure Financing Tool

- Tax exemption has been **cornerstone of intergovernmental partnership since 1913**
- Municipal bonds have underpinned **$4 trillion in infrastructure investments** over past decade
- Finance roads, bridges, public transit, ports, libraries, police stations, and essential facilities
- Counties issue **revenue bonds** for projects like toll highways, airports, and utilities
- Eliminating tax exemption would impose **$823.92 billion in new costs** on issuers and borrowers over 10 years

State and Local Tax (SALT) Deduction

SALT Progress: Raises the state and local tax deduction cap from $10,000 to $40,000 for 2025-2029 for taxpayers earning under $500,000, with annual inflation adjustments and income-based phase-outs, before returning to the $10,000 cap in 2030.

Fairness in County Tax Policy: *Restoring the full SALT deduction is strongly tied to NACo's long-standing national goal of promoting home ownership, as the overwhelming number of itemizers who claim SALT deduct property taxes and mortgage interest*

The Big Shift

Counties face an unprecedented federal cost shift
while losing decision-making authority

- **Cut or scale back critical services,** including public health, nutrition, emergency response and rural development
- **Continue to deliver services at a new cost,** given the elimination of funding and statutory requirement to uphold certain services
- **Raise local taxes or fees** to cover new costs
- **Delay or cancel** infrastructure and resilience investments
- **Absorb long-term economic and social consequences** of underfunded programs

What Counties Must Now Manage:

- **$850+ million annually** in confirmed SNAP administrative costs
- **Variable SNAP benefit costs** starting FY 2028
- **Medicaid cost shifts** and uncompensated care costs
- Added **administrative burdens**
- **Supplement Medicaid funding reductions** in rural counties and hospitals

35.7%

Counties are responsible for administering SNAP in ten states, representing 35.7 percent of total participants or almost 15 million people

The County Human Services and Education Landscape

Supplemental Nutrition Assistance Program - SNAP

Administrative Cost Shift

- **Current Law:** Federal government pays 50% of administrative costs
- **New Law:** Federal share drops to 25% (counties pay 75%)
- **Confirmed Annual Cost:** $850+ million to counties in 9 states

Implementation Timeline:

- **Administrative Costs:** FY 2027 (NACo achieved one-year delay)
- **First County Payments:** Counties begin paying increased share October 1, 2026

States Where Counties Pay: California, Colorado, Minnesota, New Jersey, New York, North Carolina, Ohio, Virginia, Wisconsin (*North Dakota administers but state pays*)

NACo Analysis of SNAP Changes

State	FY 2024 Total Administrative Costs (millions)	FY 2024 50% Non-Federal Match (millions)	County Share of Non-Federal Match	County Share of FY 2024 50% Non-Federal Match (millions)	County Share of FY 2024 75% Non-Federal Match (millions)	Increased Cost to Counties Under New Match (millions)
California	$3,529	$1,765	28%	$494	$741	$247
Colorado	$243	$121	40%	$49	$73	$24
Minnesota	$222	$111	100%	$111	$166	$55
New Jersey	$490	$245	100%	$245	$367	$122
New York	$1,064	$532	100%	$532	$798	$266
North Carolina	$385	$193	100%	$193	$289	$96
North Dakota	$36	$18	0%	$0	$0	$0
Ohio	$392	$196	Changes annually	-	-	-
Virginia	$494	$247	15.5%	$38	$57	$19
Wisconsin	$216	$108	65%	$70	$105	$35
Totals	**$7,070**	**$3,535**		**$1,731**	**$2,597**	**$866**

House-passed Changes to SNAP in the OBBA Will Shift Significant Costs to Counties

Supplemental Nutrition Assistance Program - SNAP

Benefit Cost Shift

Error Rate Tier Structure:

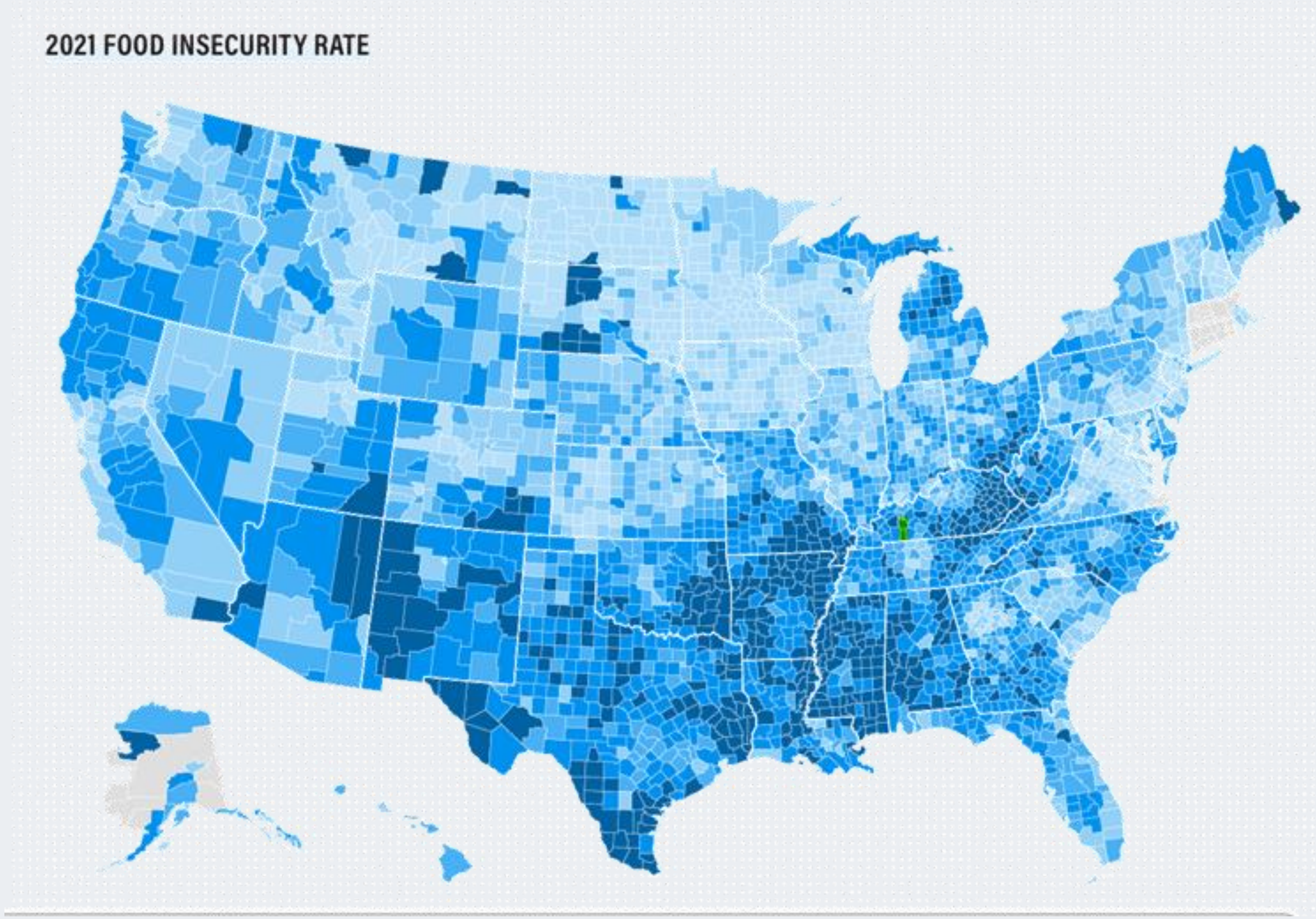
- **Under 6% error rate:** 0% state share (100% federal)
- **6-8% error rate:** 5% state share (95% federal)
- **8-10% error rate:** 10% state share (90% federal)
- **10%+ error rate:** 15% state share (85% federal)

Implementation Timeline:

- **FY 2028:** States choose FY 2025 or FY 2026 error rates for match requirement
- **FY 2029+:** Three-year rolling lag system begins (error rate from 3 fiscal years prior)
- **High error states (>13.33%):** Receive 1-2 year implementation delays (poor incentive structure)

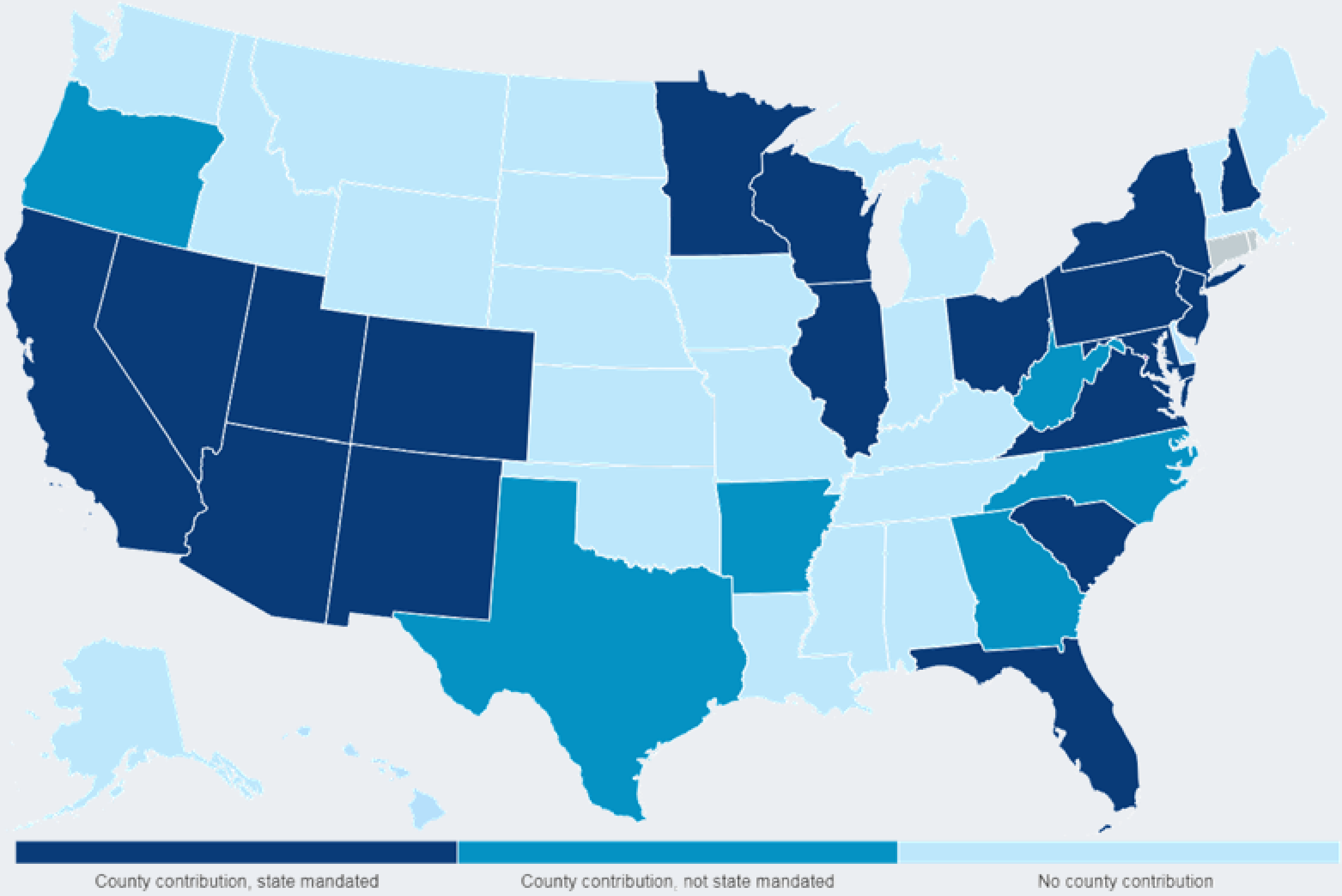
NACo Analysis of SNAP Changes

Supplemental Nutrition Assistance Program - SNAP



County Impact Reality: Creates massive new fiscal pressure for counties that administer SNAP and counties in states with high rates of food insecurity. New Jersey, New York, and North Carolina counties (100% county cost responsibility) face greatest risk of additional benefit cost shifts.

Counties Contribute to Medicaid in 25 States



NACo's Medicaid and Counties Report

Medicaid serves:

nearly

2 in 5 children

1 in 3

people with disabilities

1 in 5

Medicare beneficiaries

5 in 8

nursing home residents

Source: August 2024 Kaiser Family Foundation

Long Term Cost Shifts To Counties in Medicaid

- **Uncompensated and indigent health care costs:** Policy changes could lead to a projected **$18.9 billion** increase in uncompensated care costs by 2026 and as many as **17 million people** losing coverage, straining county-supported hospitals and clinics

- **Administrative burden:** Increases in eligibility determination workload (includes implementation grants)

- **Provider tax restrictions:** Prohibits non-expansion states from assessing new provider taxes and reduces the provider tax cap from 6% to 3.5% by 2032, reducing the amount of revenue counties can generate for Medicaid financing

NACo's Medicaid and Counties Report

Other County Policy Changes in the One Big Beautiful Bill Act

- **New Markets Tax Credit:** Permanent extension
- **Major Event Preparedness:** $1.6 billion for 2026 World Cup/2028 Olympics
- **Rural Health:** $50 billion Rural Health Transformation Program (FY 2028-2032)
- **Renewable Energy Revenue Sharing:** 25% of wind/solar revenue from federal lands
- **GOMESA Revenue Sharing:** Cap raised from $500M to $650M through 2034 (Gulf Coast counties)

Other County Policy Priorities: State and Local AI Moratorium

- **Original Proposal:** House included a 10-year moratorium prohibiting state and local governments from enacting any AI or GenAI policies or regulations, with federal funding tied to compliance.

- **NACo Opposition:** NACo led a coalition letter strongly opposing the provision as federal preemption that would strip counties of essential tools to protect residents and manage emerging technology risks.

- **Senate Action:** The Senate voted 99-1 to remove the AI moratorium provision from the final bill.

- **Significance:** Counties maintain the ability to enact measured AI regulations tailored to their communities' needs rather than being subject to a blanket federal prohibition, but this fight will resurface!

AI County Compass

County Energy, Infrastructure and Permitting Reforms

- **Renewable Energy Revenue Sharing:** Counties receive 25% of revenue from wind and solar energy produced on federal lands, mirroring oil and gas revenue-sharing models and creating new revenue opportunities for public lands counties.

- **Opt-In Fees for Accelerated NEPA Reviews:** Amends the National Environmental Policy Act (NEPA) by allowing project sponsors the ability to expedite environmental reviews if the sponsor pays a fee of 125% of the costs to prepare the environmental review. This could preempt county permitting/zoning authority.

- **Conservation Funding:** Integrates $13 billion in unobligated Inflation Reduction Act (IRA) funding to provide mandatory funding for USDA conservation programs, empowering counties and local partners to invest in soil, water and land stewardship.

- **Clean Energy Tax Credits:** Terminates wind and solar tax credits after 2027 while maintaining energy storage technology credits, shifting federal energy policy priorities but preserving county revenue-sharing opportunities.

Implementation and Advocacy Timeline

Immediate (2025-2026):

- Frozen Federal Funds Tracker monitoring ongoing
- FY 2026 appropriations
- Medicaid implementation grant applications (FY 2026 funding available)

Near-term (2027-2028):

- SNAP administrative cost shift begins (FY 2027)
- Medicaid work requirements start (January 1, 2027)
- Medicaid cost sharing begins (October 1, 2028)
- SNAP benefit cost sharing begins (FY 2028) – *Certain states will have implementation delays*

Ongoing:

- NACo advocacy to undo harmful policies and restore federal partnership
- Monitoring impact on state budgets

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