NACo Research and Advocacy:

Counties Preparing for Federal Funding Changes

Jonathan Harris

Zeke Lee

National Association of Counties (NACo) | Oct. 2025

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MUST

MAY

CANNOT

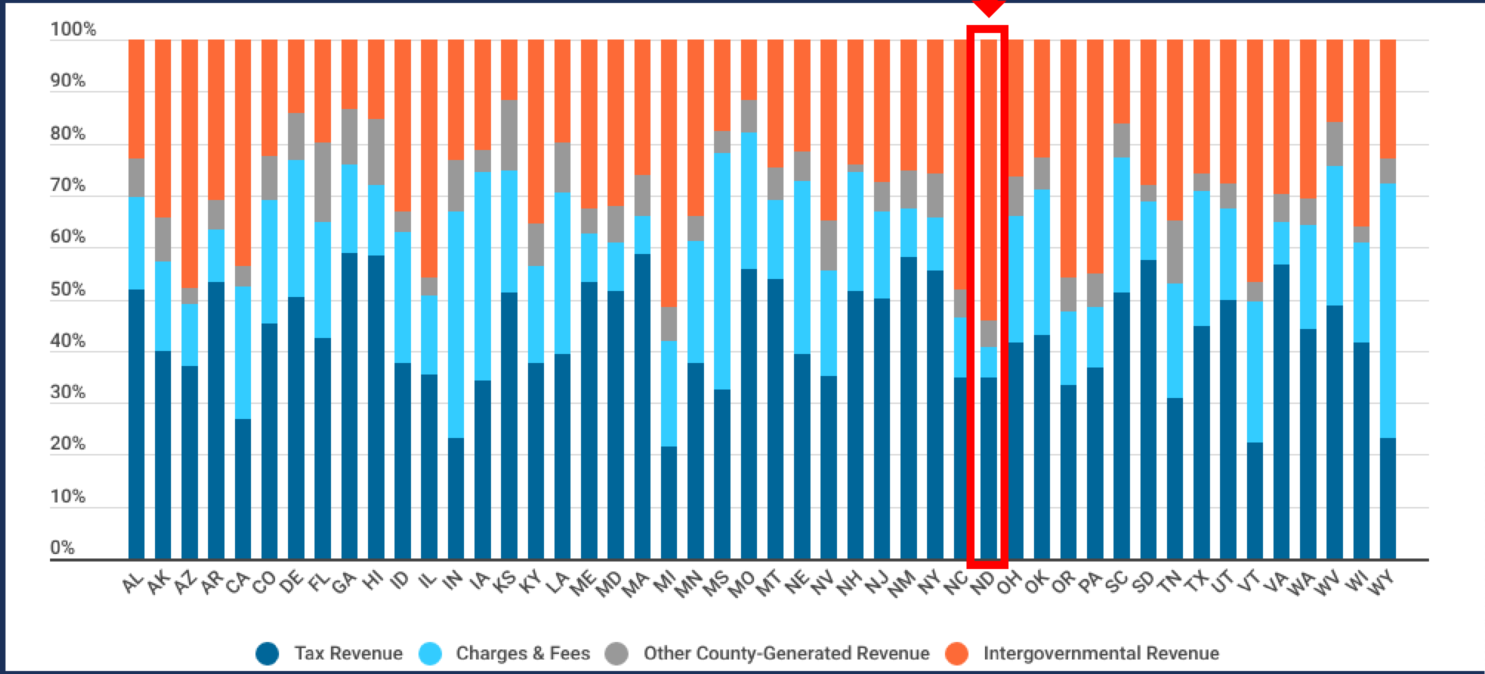
Counties are deeply engaged in the labor market, employing more than

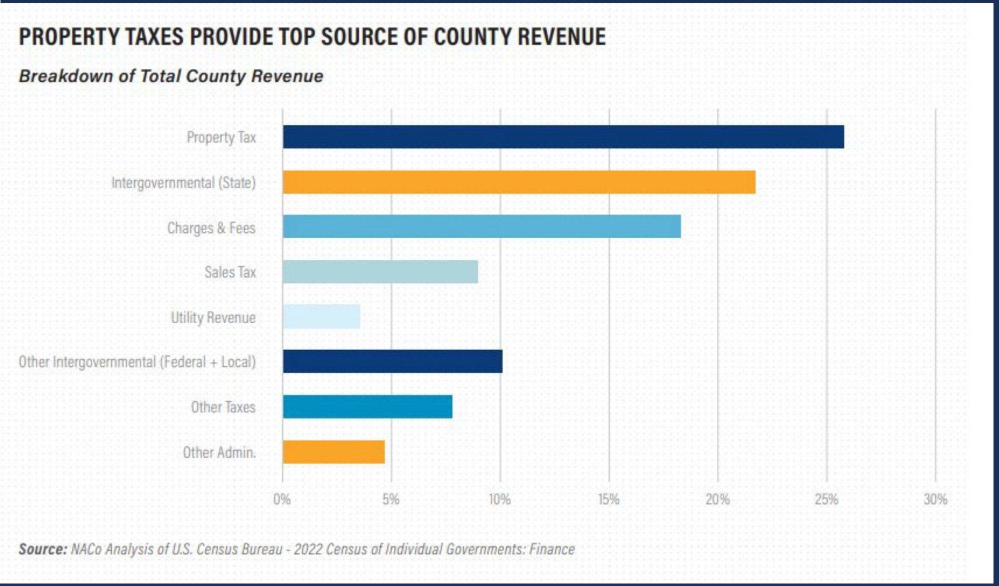
3.6 MILLION

public servants, representing one out of every 50 American workers

Property Tax Base, Reliance on Intergovernmental Transfers to Serve Residents

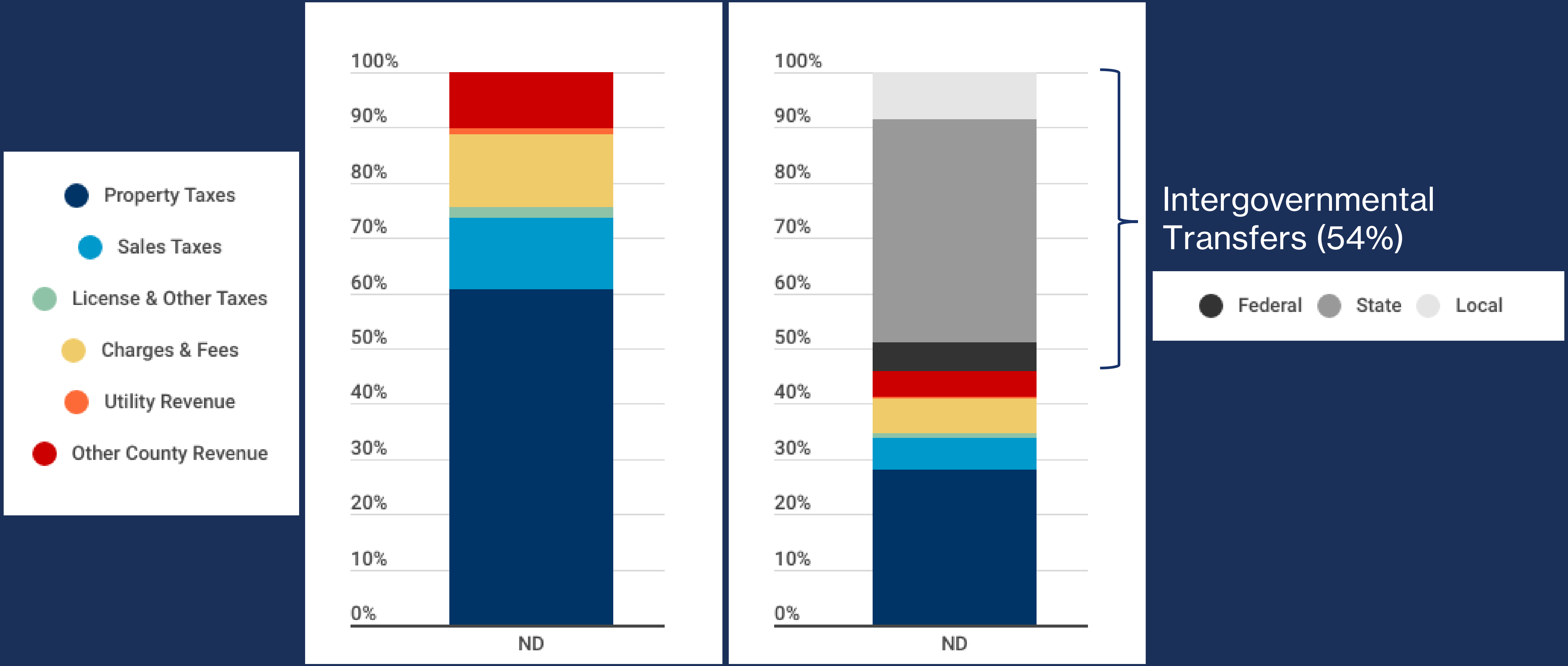
County Revenue Breakdown by State, 2022





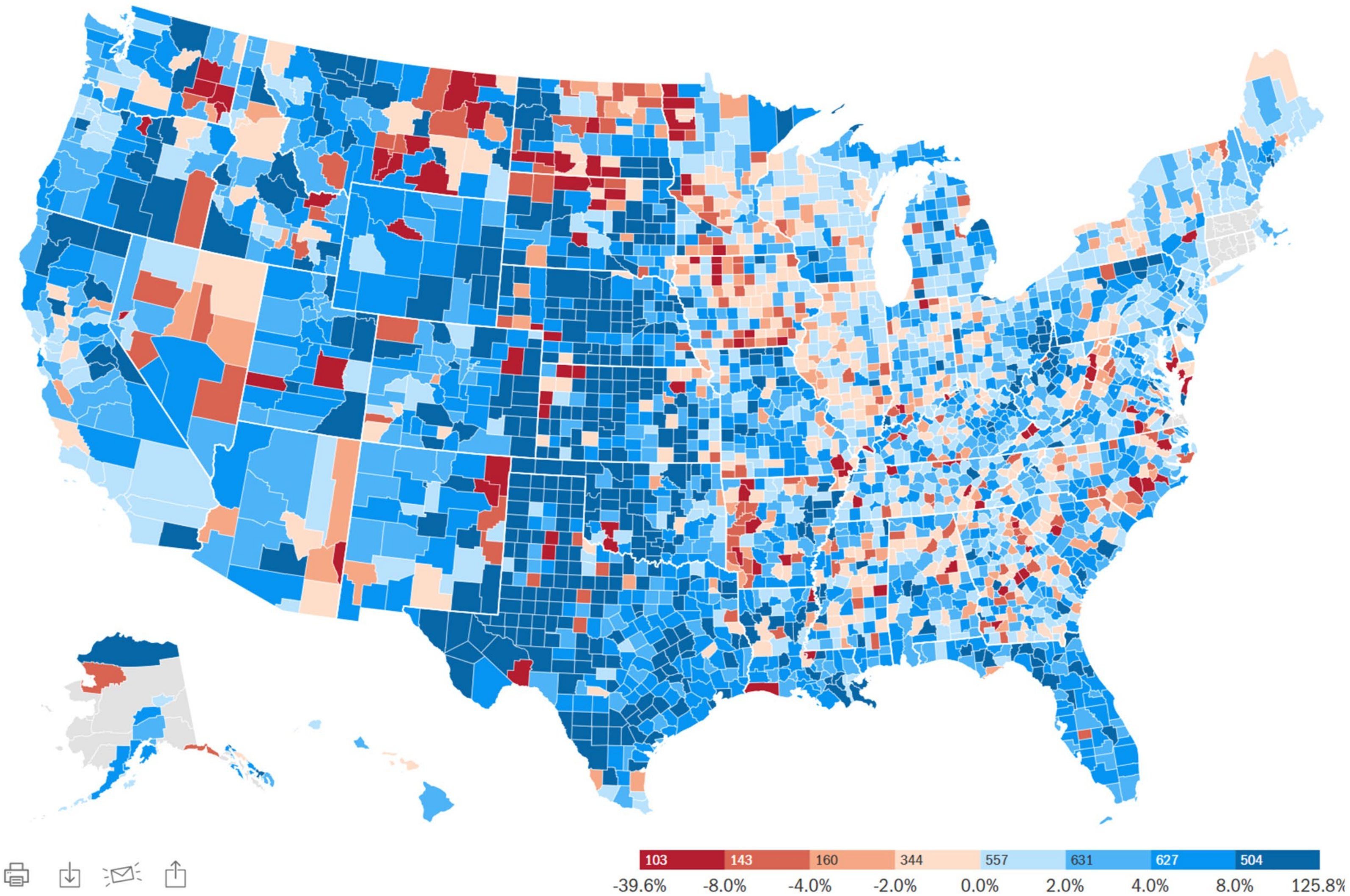
Property Tax Base, Reliance On Intergovernmental Transfers To Serve Residents

North Dakota County Revenue Breakdown, 2022



26% Of Counties Are Declining

2023 GDP Growth Rate



Source: NACo Analysis of the U.S. Bureau of Economic Analysis - Local Area Gross Domestic Product, 2023 Vintage

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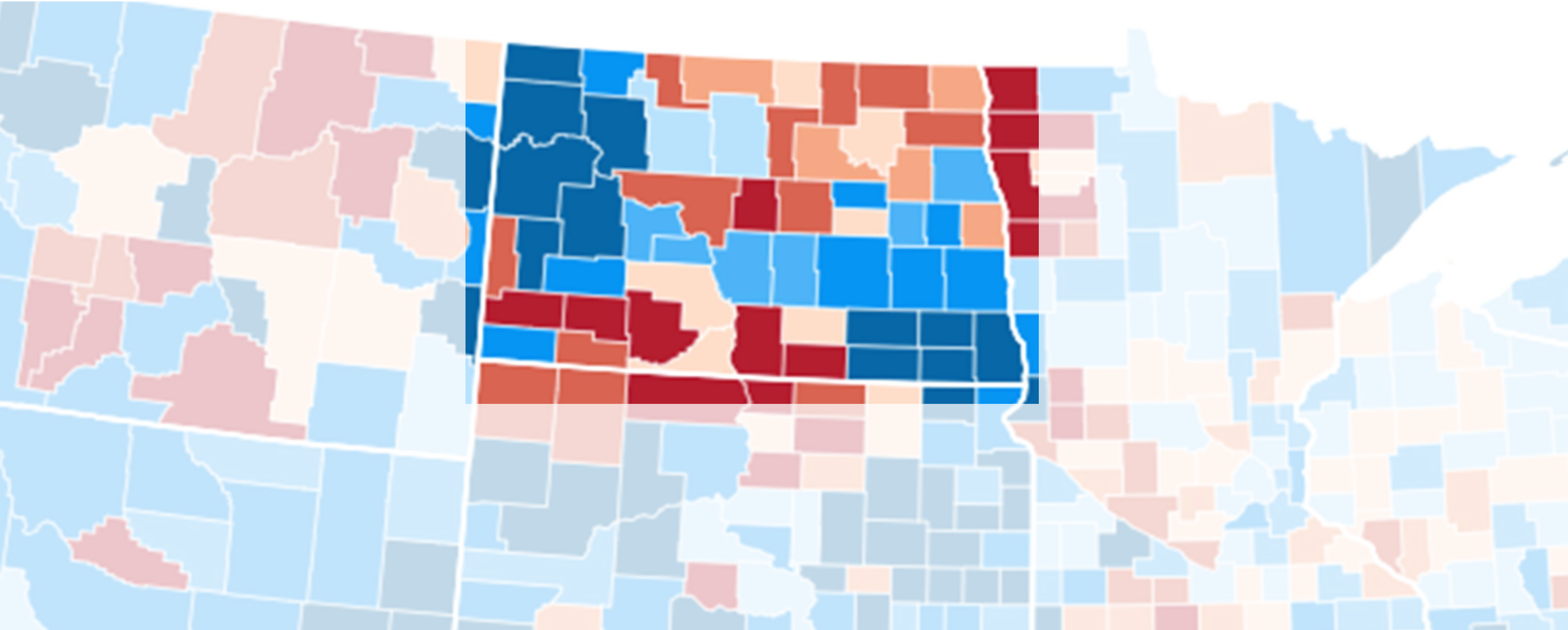
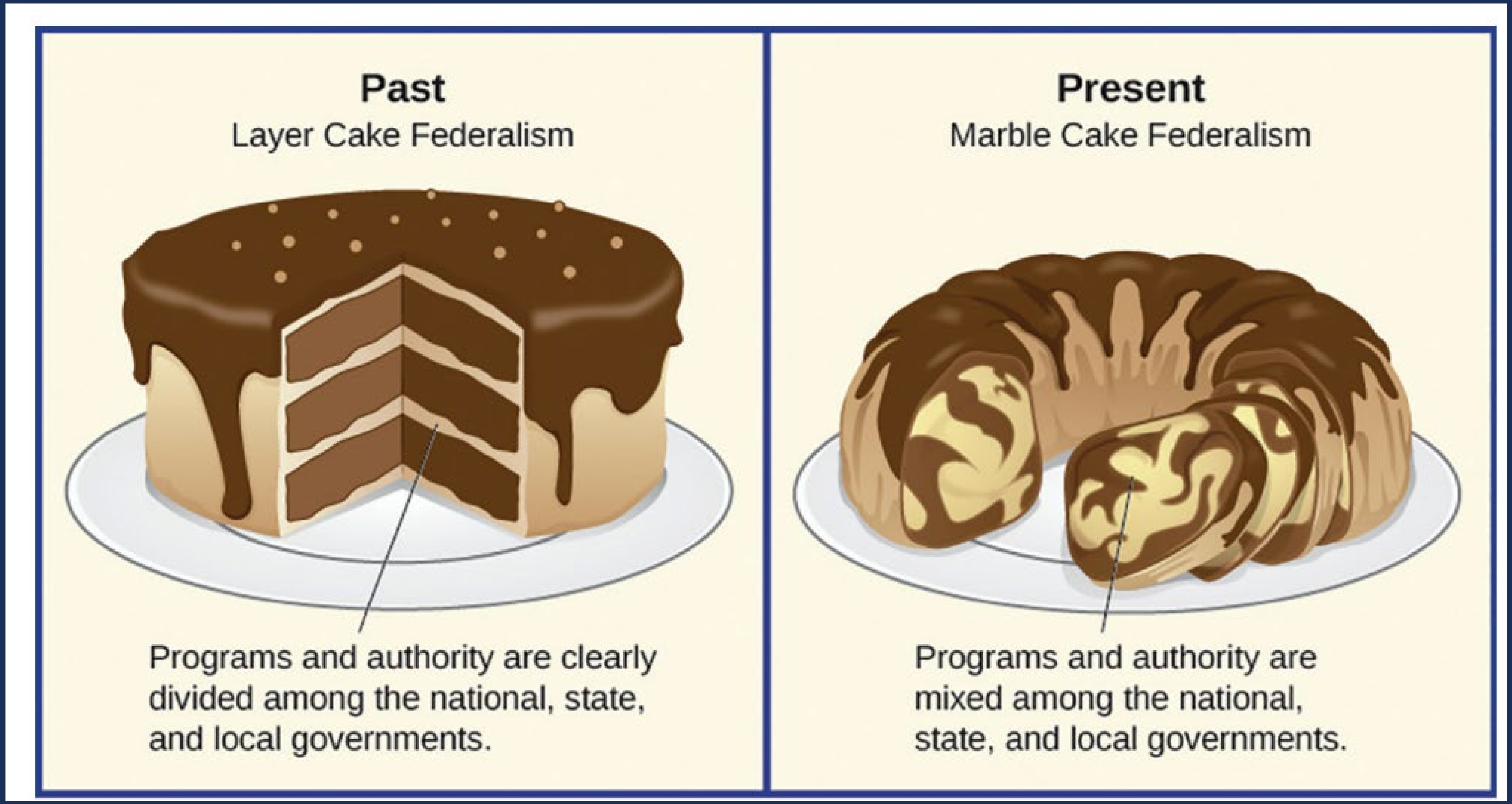


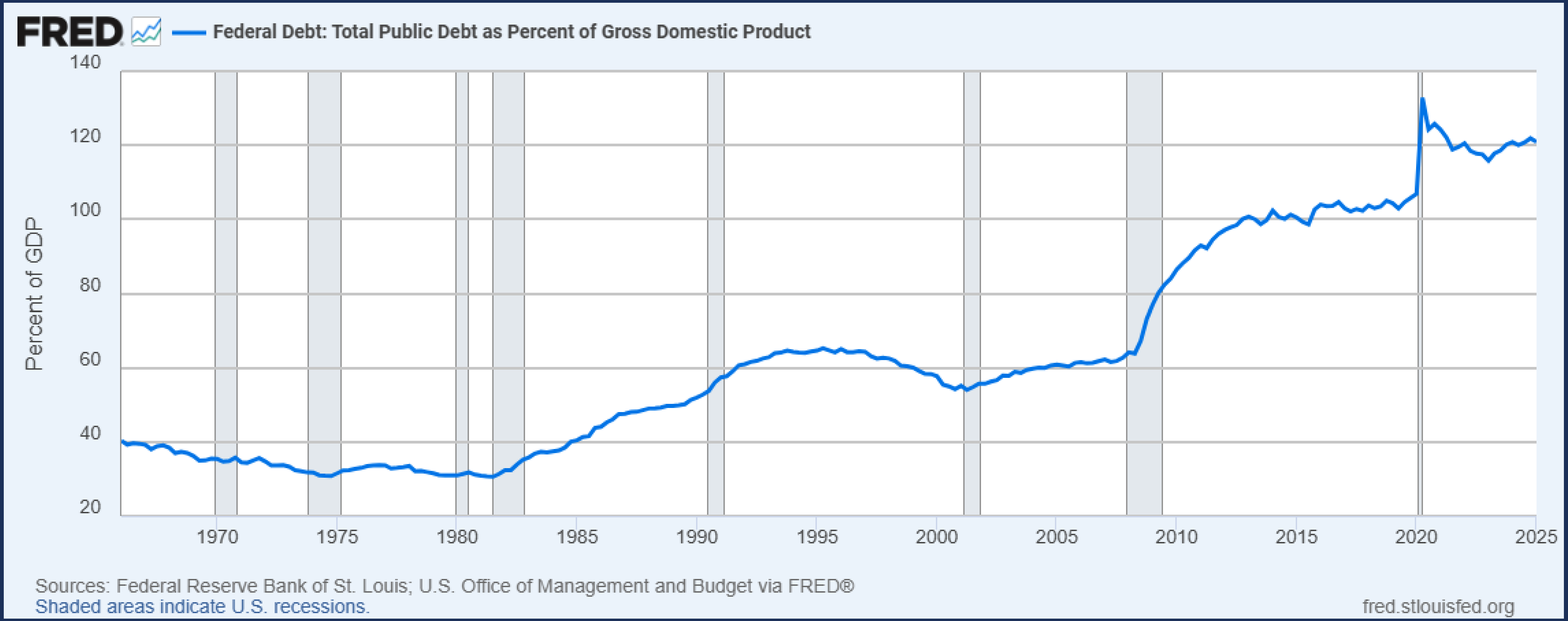
The Intergovernmental Partnership

100 YEARS OF MARBLE CAKE



National Fiscal Sustainability

Counties are essential partners in addressing the national debt – working with all levels of government to pursue a balanced approach that promotes national fiscal responsibility and supports vital community services.



The Big Shift: An Analysis of the Local Cost of Federal Cuts

JUL 7, 2025

Share

The Big Shift

H.R. 1 (the One Big Beautiful Bill Act), WH Executive Orders and President Trump's Fiscal Year (FY) 2026 budget request signal significant changes to the federal, state and local government partnership.

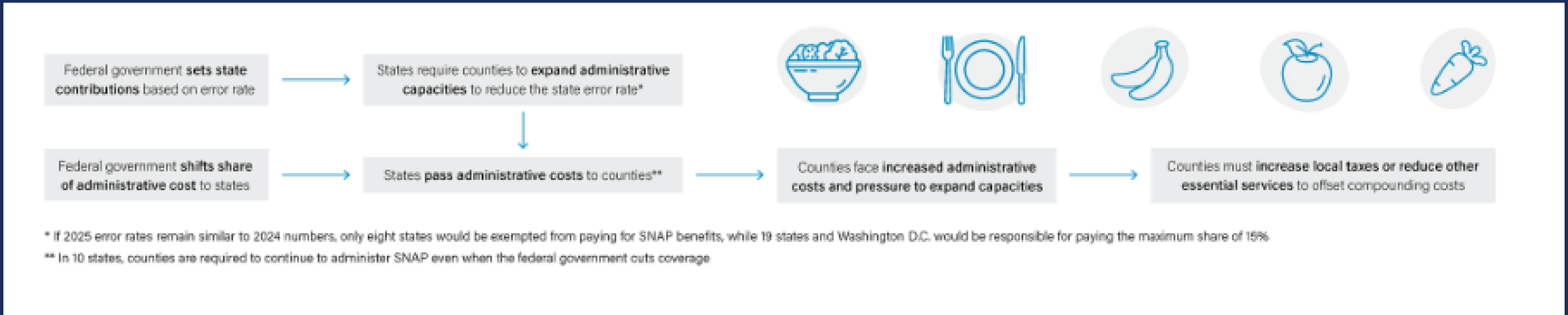
These federal changes present three distinct challenges for counties:

- Increased costs
- Diminished intergovernmental support
- Reduced local autonomy

To comply with expanded federal mandates and maintain essential services, counties may need to generate additional revenue, potentially shifting hundreds of billions of dollars in federal costs to local taxpayers.

Increased Costs: County-Delivered Safety Net

Program	What's Changing	Why it Matters
Medicaid	• Increased eligibility verification • Removal of 5% FMAP incentive for late expansion states • Limit on provider taxes	• Increased workload for county staff, without adequate resources • Increases in uncompensated care, especially in rural areas • Strain county services: EMS, etc.
SNAP	• Benefit cost share contingent on error rates • Administrative cost share will increase from 50 to 75% beginning in FY 2027 • Expanded work requirements	• Pressure on county administrative staff • Increase in county budget: administration, benefit costs



Increased Costs: County-Delivered Safety Net

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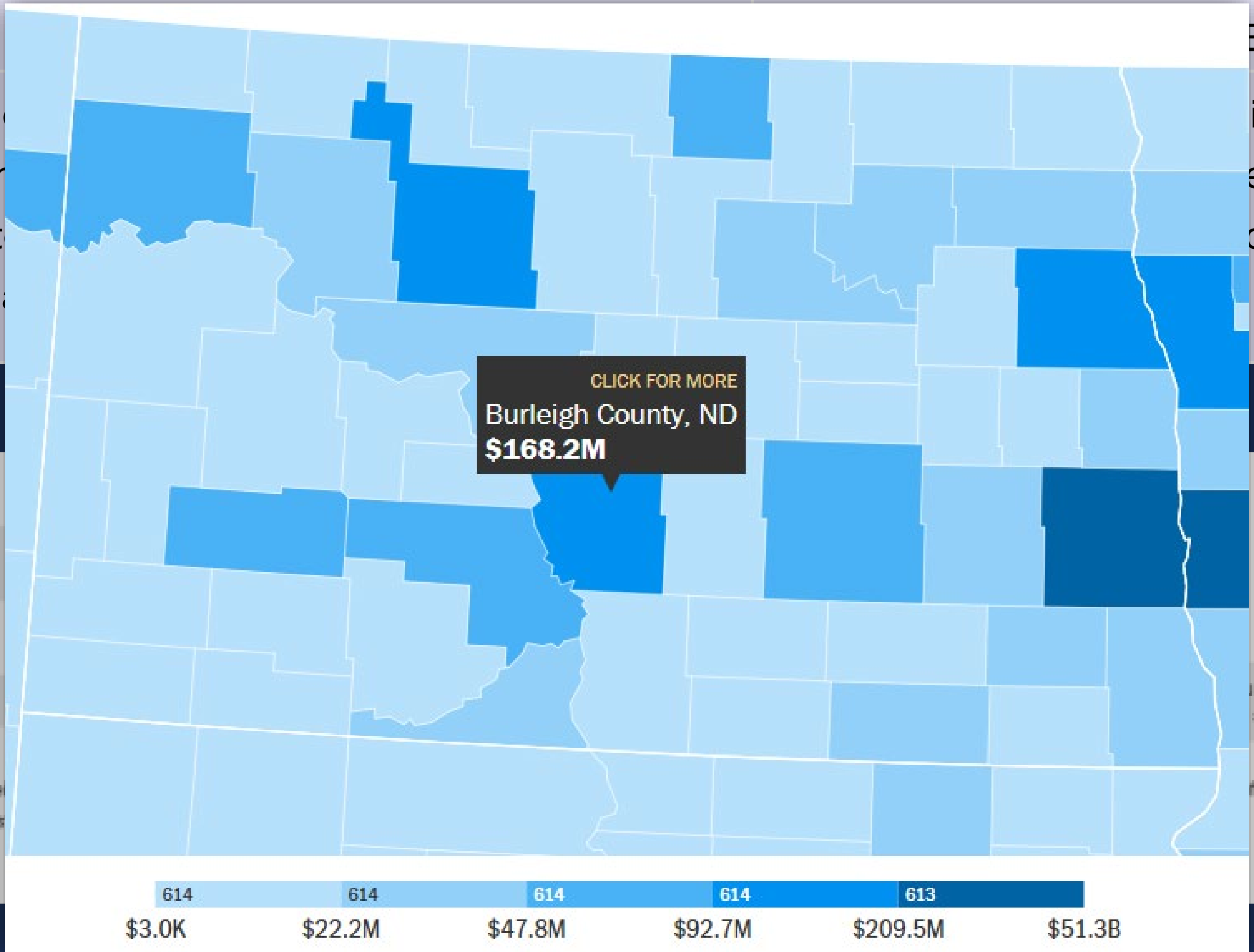
SNAP	• Ben... • Adm... 50 t... • Exp...	...inistrative staff ...et: ...osts

N.D. Medicaid & CHIP Benefits (2022): $1.6B



Federal government **sets state contributions** based on error rate

Federal government **shifts share of administrative cost** to states

...st **increase local taxes or reduce other services** to offset compounding costs

* If 2025 error rates remain similar to 2024 numbers, only e... ...f 15%

** In 10 states, counties are required to continue to adminis...

Increased Costs: County-Delivered Safety Net

Program		
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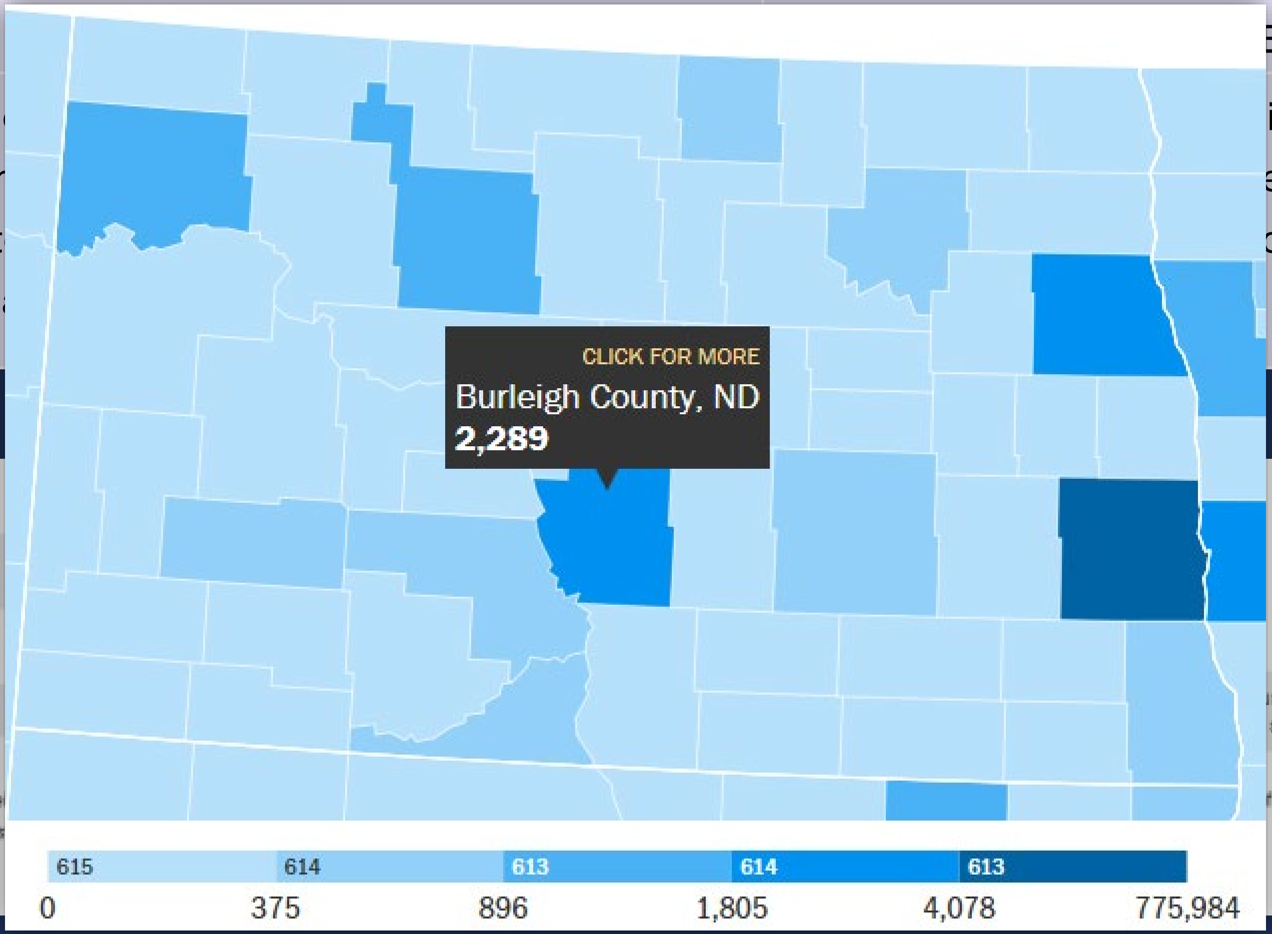
SNAP	• Ben… • Adm… 50 t… • Exp…	…inistrative staff …et: …osts

N.D. SNAP Benefits (2023): $108.5M
SNAP Recipient Households: 20,776



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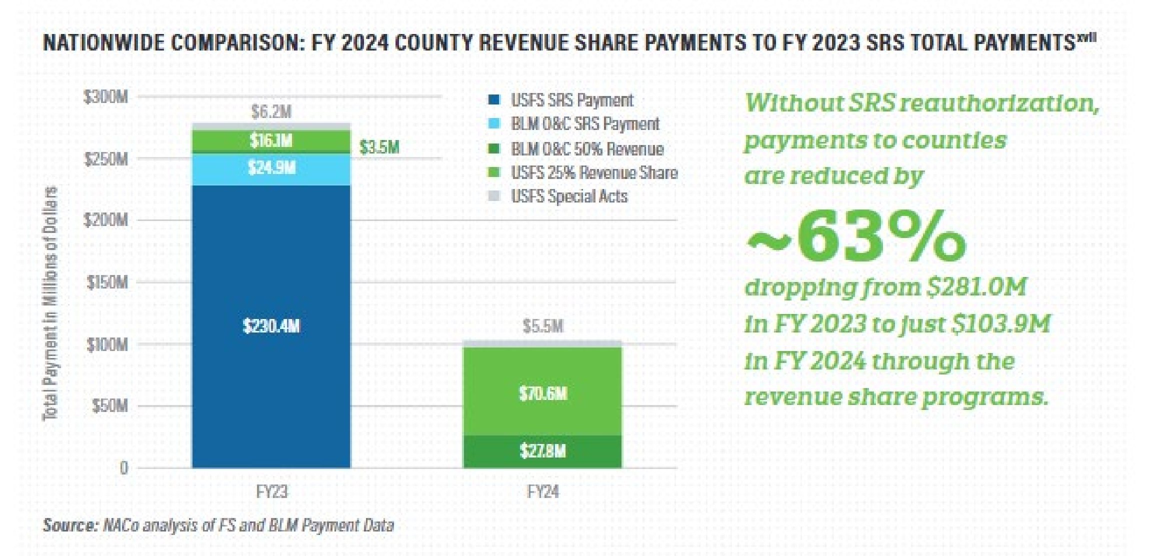
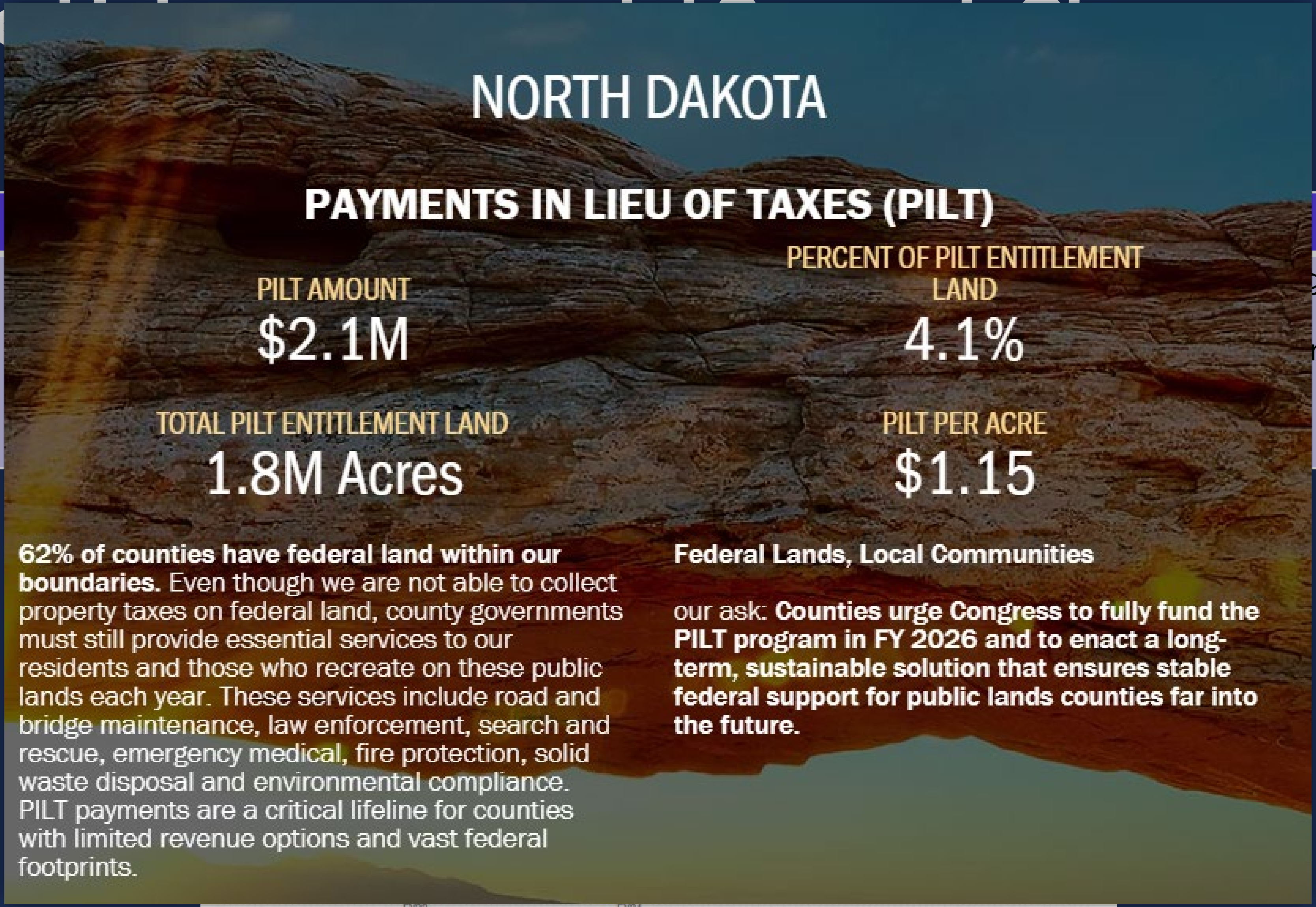
Decreased Intergovernmental Support: Changes in Direct Federal Funds

Program	What's Changing	Why it Matters
PILT/SRS	• SRS has not been reauthorized for FY24 • Over 700 counties facing budgetary shortfalls • PILT faces annual reauthorization • PILT has not kept pace with inflation/expenditures	• Unpredictable funding for counties with federal land • Already limited property tax base



Decrease
in Direct

Program	
PILT/SRS	g for counties rty tax base


NORTH DAKOTA

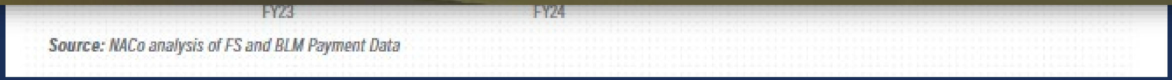
PAYMENTS IN LIEU OF TAXES (PILT)

PILT AMOUNT $2.1M	PERCENT OF PILT ENTITLEMENT LAND 4.1%
TOTAL PILT ENTITLEMENT LAND 1.8M Acres	PILT PER ACRE $1.15

62% of counties have federal land within our boundaries. Even though we are not able to collect property taxes on federal land, county governments must still provide essential services to our residents and those who recreate on these public lands each year. These services include road and bridge maintenance, law enforcement, search and rescue, emergency medical, fire protection, solid waste disposal and environmental compliance. PILT payments are a critical lifeline for counties with limited revenue options and vast federal footprints.

Federal Lands, Local Communities

our ask: **Counties urge Congress to fully fund the PILT program in FY 2026 and to enact a long-term, sustainable solution that ensures stable federal support for public lands counties far into the future.**



Source: NACo analysis of FS and BLM Payment Data

Decreased Intergovernmental Support: Local Programs

Program	Status	Impacted Areas
BRIC	Cancelled	Disaster preparedness
HOME	Proposed funding elimination	Housing
CDBG	Proposed funding elimination	Housing
CDFI	Proposed end to discretionary awards	Economic growth
EDA	Proposed elimination	Workforce development, Infrastructure

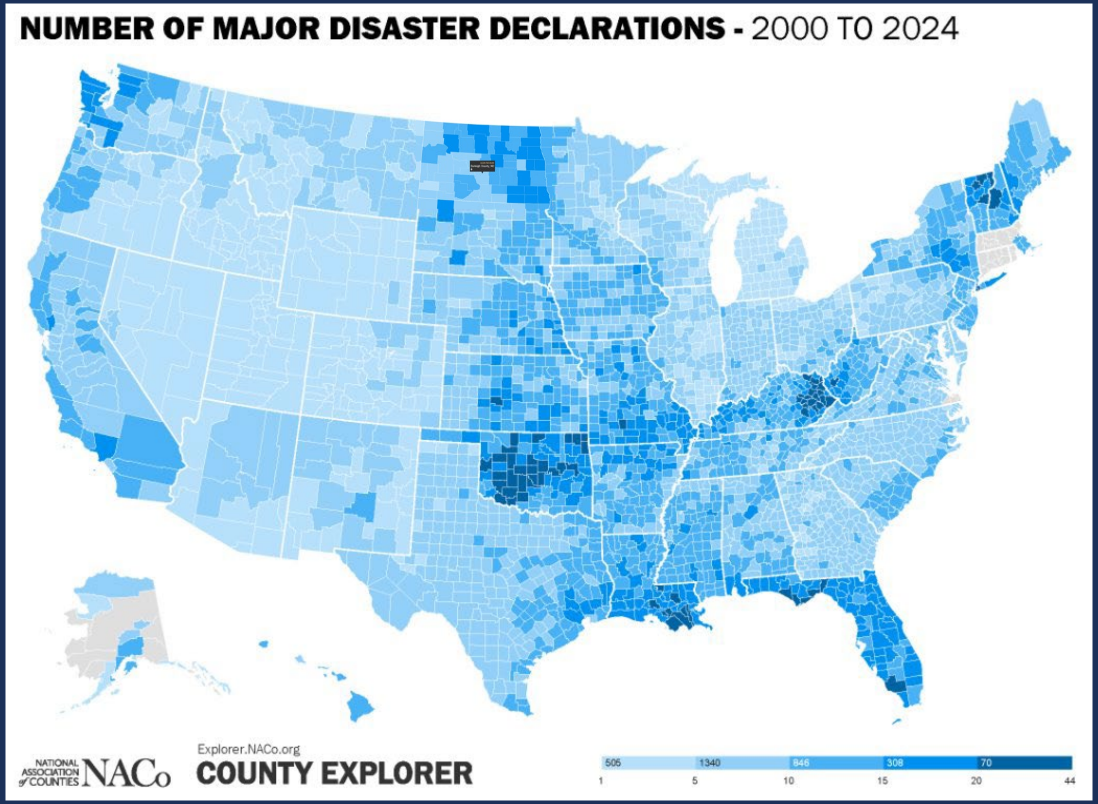
NACo Federal Funds Tracker

Rural counties and residents may see significant reductions in funding

- Over $5B in department cuts that interact with rural counties and industries
- $155 billion reduction in federal Medicaid spending in rural areas

Decreased Intergovernmental Support: Disasters

- Disaster Support
  - Every county has experienced at least one federally declared disaster since year 2000
  - Hundreds of millions of pre-disaster mitigation funding withdrawn with cancellation of BRIC
- FEMA Act – currently in House
  - Establishes FEMA as cabinet-level agency
  - Public assistance reforms
  - Individual assistance reforms
  - Mitigation reform
  - Transparency reforms



Anticipated Tradeoffs

As counties lose forms of federal support and shoulder additional costs, they will need to weigh various tradeoffs, including:

- 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 requirements 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

Counties serve as frontline implementers of federal and state programs – from health and human services to infrastructure, disaster response and economic development. Additional risks to counties' fiscal stability could undercut the ability to serve residents and uphold mandates.

Federal Policy Impacts to North Dakota Counties

October 27, 2025

Zeke Lee
Legislative Director, Public Lands and WIR
NACo

FARM BILL REAUTHORIZATION UPDATE

Continuing to push for **farm bill reauthorization** before the end of the year

House Agriculture Committee expected to release draft text in the coming weeks

H.R. 1 addressed the most controversial and costly provisions — commodity support and nutrition

Opens the door for **county priorities** in **rural development, forestry and conservation**

FEDERAL GOVERNMENT SHUTDOWN: LOCAL IMPACTS

•**Shutdown day 27**, disrupting critical **local–federal partnerships** nationwide (**38 days** without a vote in the House)

•NACo issued a statement urging **Congress and the President to act quickly** to reopen the government

•**Counties rely on $62 billion** in federal intergovernmental revenue to fund **emergency response, public safety and other core services**

•**Ripple effects:** Programs supporting **vulnerable residents, disaster recovery and transportation** could face **major disruptions**

•**North Dakota:** More than **57,000 residents** rely on the **Supplemental Nutrition Assistance Program (SNAP)** — the **state warns benefits may pause Nov. 1** if the shutdown continues, forcing **food banks** and social-service agencies to brace for a surge in demand

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WHAT SHUTDOWN IMPACTS ARE YOU SEEING IN YOUR COUNTY?

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SECURE RURAL SCHOOLS ACT REAUTHORIZATION H.R. 1383/S. 356

SRS Program Overview

- Established in 2000 to provide financial support to counties with national forest land, offsetting lost revenue from declining timber harvests
- Funds support essential local services including public schools, road maintenance, and emergency services in forested communities
- Payments are made annually to counties based on historic timber receipts, acreage of national forest land, and elected payment formulas
- Helps stabilize county budgets in regions with large tracts of untaxable federal land
- Includes Title I (schools and roads), Title II (forest restoration projects), and Title III (county emergency response and fire prevention)
- Program authorization currently lapsed. Last time program lapsed in 2016, SRS recipient counties saw an average 80% decline in total revenue sharing payments
- NACo strongly supports long-term reauthorization to ensure predictable, sustained funding for rural services

Secure Rural Schools Reauthorization Act of 2025

- Would reauthorize SRS program through FY2026 and distribute roughly $270 million in payments to 700+ counties annually
- Senate Status: Passed (Unanimous Consent)
  - 27 cosponsors
  - Previous bill passed via unanimous consent last Congress
  - Current objective: pass bill in the House
- House Status: Has not passed
  - 78 cosponsors currently (29 Rs, 49 Ds)
  - House is main sticking point in current reauthorization process
  - House majority leadership want a “pay-for” before trying to move the legislation. House sponsors working to identify available funds

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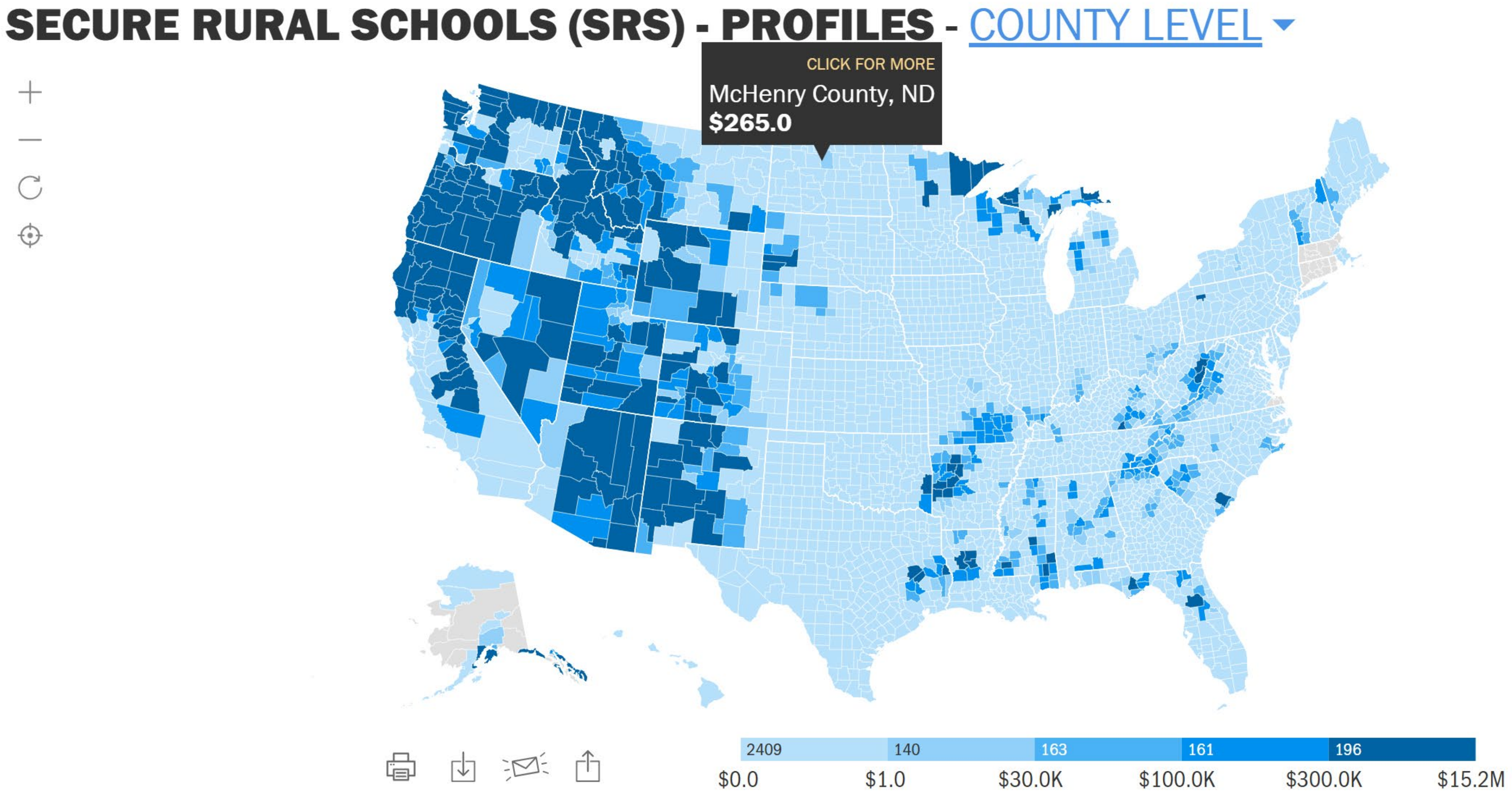
SRS: IMPACT TO NORTH DAKOTA



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LEGISLATIVE UPDATE CONT'D

PILT and Appropriations

Subcommittee Markup
Updated: July 14, 2025

APPROPRIATIONS
CHAIRMAN TOM COLE

INTERIOR, ENVIRONMENT, AND RELATED AGENCIES APPROPRIATIONS BILL, 2026

The Interior, Environment, and Related Agencies Appropriations Bill provides a total discretionary allocation of $37.971 billion, which is $2.54 billion (6%) below the Fiscal Year 2025 enacted level and prioritizes unleashing American energy, defunding Biden-era rulemakings that have hamstrung farmers and industry, and rightsizing agency funding levels, including a $2.1 billion reduction (23%) to the Environmental Protection Agency.

The bill fully funds the Payments in Lieu of Taxes (PILT) program, estimated at $550 million, and prioritizes funding for Tribes and Wildland Fire Management.

LEGISLATIVE UPDATE CONT'D

PILT and Appropriations

Administration to address the deferred maintenance backlog and restore deteriorating assets.

The LWCF is another tool the Administration is using to address the backlog of deferred maintenance. Instead of adding more land and infrastructure to the Federal Government's already bloated real property portfolio, the Budget proposes to repurpose $276.1 million for a new deferred maintenance program within LWCF, which can be used by BLM, NPS, and FWS to address our maintenance needs, with additional funding provided separately for the USDA FS. LWCF will continue to fund grants to States that support locally led outdoor recreation.

The 2026 Budget maintains an important commitment to neighboring communities by including $635.0 million in the discretionary request for the Payments in Lieu of Taxes (PILT) program. PILT payments offset the loss of property tax revenue for communities with significant Federal lands in their jurisdictions. The 2026 funding level for PILT ensures continuation of this important program supporting rural America. In strengthening the Federal Government's commitment to neighboring communities, the Budget proposes to transfer excess Federal lands to willing States and Tribes. Many parks and other Federal lands receive only a limited number of local visitors and do not constitute a primary Federal responsibility. Transferring those lands to willing States and Tribes supports local communities and their economies.

Upholding America's Trust and Insular Responsibilities

The Department of the Interior upholds the Federal Government's unique trust responsibilities by fostering government-to-government relations between the Federal Government and federally

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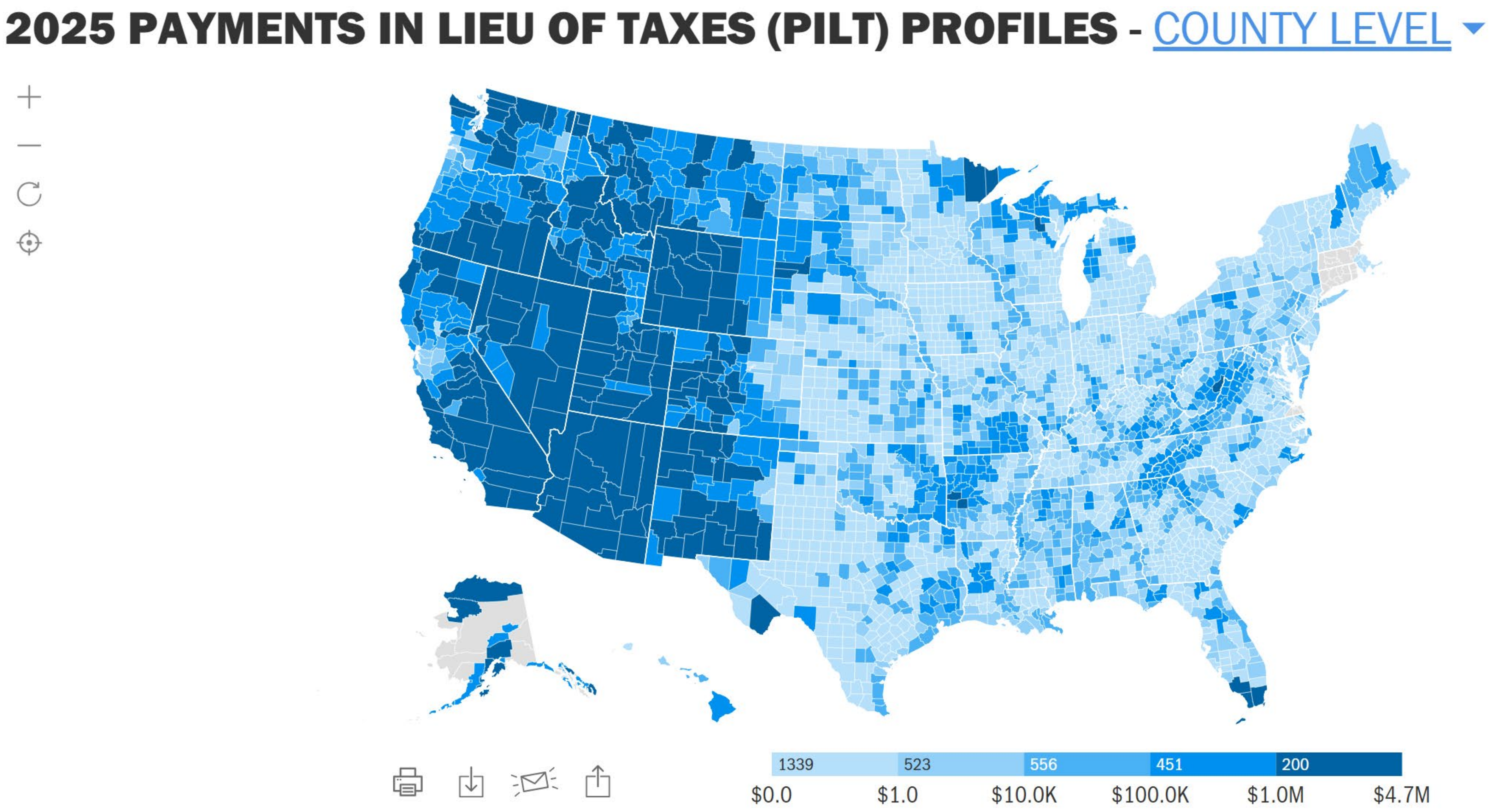
PILT IN NORTH DAKOTA



USDA ANNOUNCEMENT ON THE BEEF INDUSTRY

New USDA/DOI Plan Regarding Beef Industry

Scan this QR code to view the new plan

Thank you!

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Zeke Lee, Legislative Director – Public Lands & WIR, zlee@NACo.org

“The Big Shift” report:

North Dakota County Impacts & Response

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