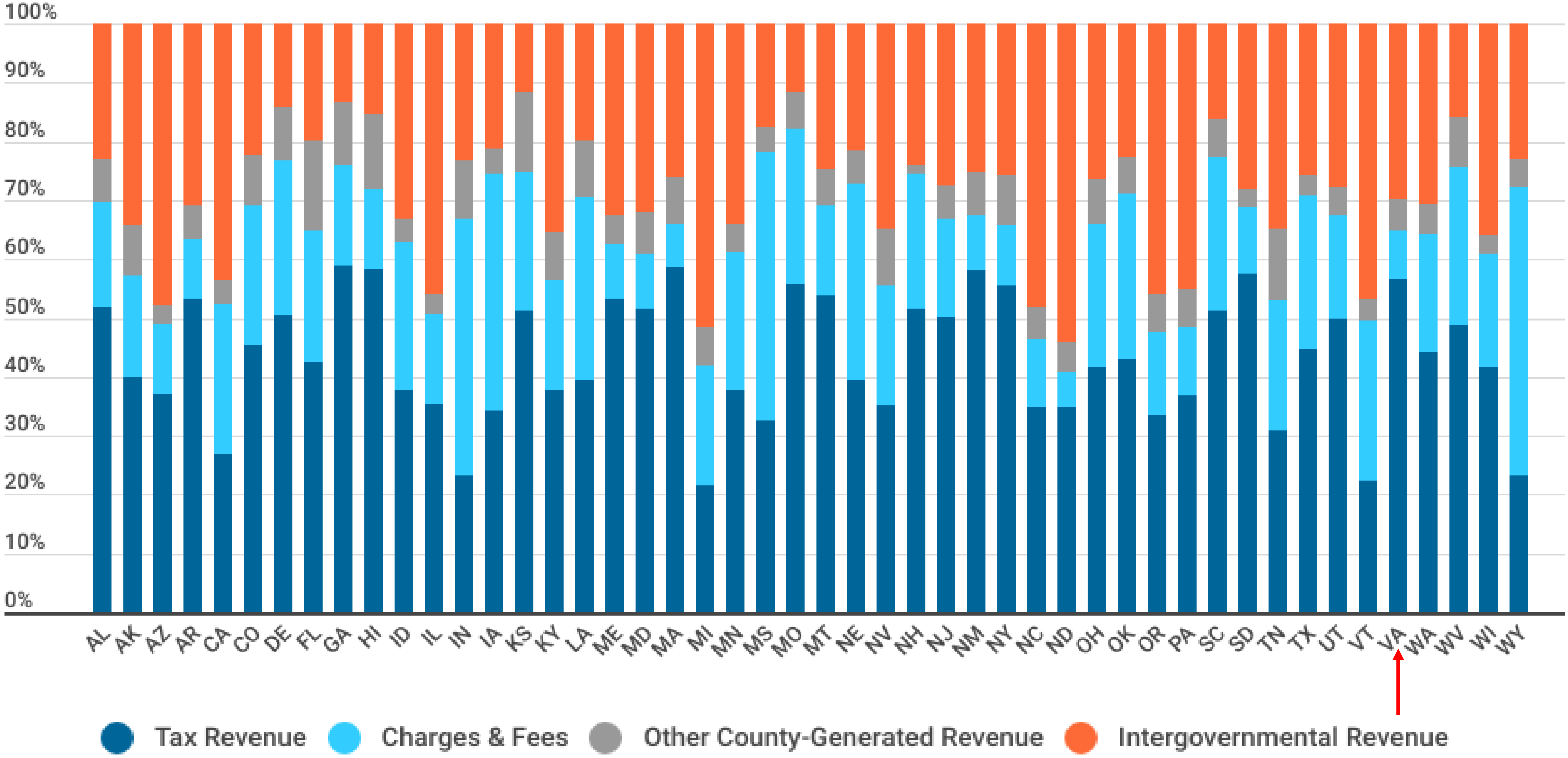
NACo and TFG Presentation to the Fairfax County Board of Supervisors

December 2, 2025

NATIONAL ASSOCIATION of COUNTIES NACo

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

County Revenue Breakdown by State, 2022



The Big Shift

H.R. 1, President Trump's budget requests and Congressional action will create significant changes to the federal, state and local government partnership.

1. Increased costs ⬆
2. Decreased intergovernmental support ⬇
3. 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

- Indigent and Uncompensated Care
  - Additional 10 million people uninsured by 2034
  - Increasing cost of emergency services, especially in rural areas
- SNAP
  - H.R. 1 changes both SNAP administration and cost share
  - VA Counties contribute 15.5% to the non-federal match for Admin ($19 million increase in H.R. 1)
  - $263 million additional cost to the state

533K

hospital and health care workers

Counties employ over 533,000 hospital and health care workers

900

hospitals

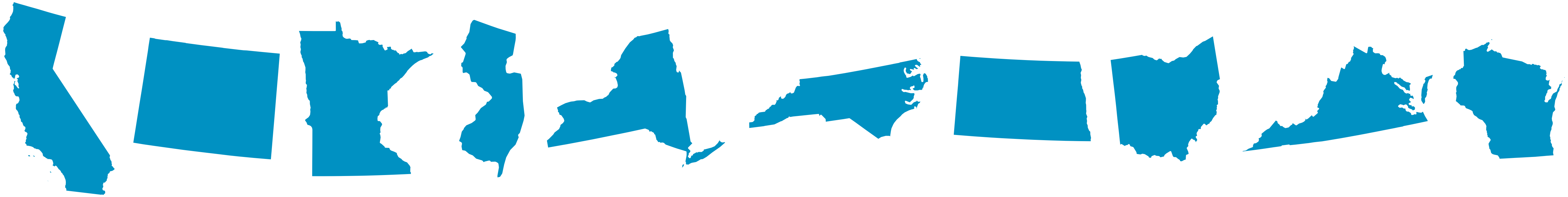
Counties support more than 900 hospitals that provide inpatient medical care and specialized care

700

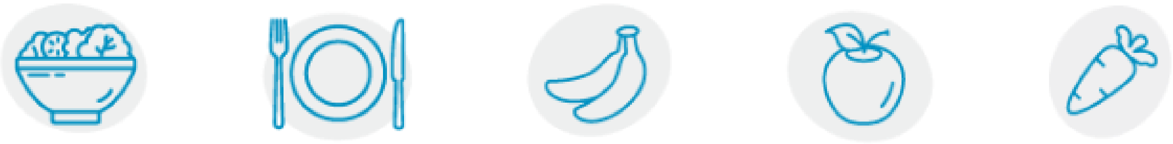
long-term care facilities

Counties also own and support more than 700 long-term care facilities

IN 10 STATES, COUNTIES ADMINISTER SNAP



CHANGES TO SNAP AT THE FEDERAL LEVEL WILL FLOW TO COUNTY GOVERNMENTS



Federal government **sets state contributions** based on error rate → States require counties to **expand administrative capacities** to reduce the state error rate*

↓

Federal government **shifts share of administrative cost** to states → States **pass administrative costs** to counties** → Counties face **increased administrative costs and pressure to expand capacities** → Counties must **increase local taxes or reduce other essential services** to offset compounding costs

* If 2025 error rates remain similar to 2024 numbers, only eight states would be exempted from paying for SNAP benefits, while 19 states and Washington D.C. would be responsible for paying the maximum share of 15%

** In 10 states, counties are required to continue to administer SNAP even when the federal government cuts coverage

Decreased Intergovernmental Support: Changes in Direct Federal Funds

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

State Budget Uncertainty

- **Federal budget:** With recent federal cuts, states will need to revisit their budgets for FY2026.
- **Federal layoffs:** Virginia will see downstream effects in personal income tax collections, unemployment insurance claims, Medicaid enrollment and other areas.
- **The U.S. and global economies:** Uncertainty caused by shifting tariff and trade policies, geopolitical challenges, stubborn inflation and questions about consumer spending.
- **Slow revenue growth:** States expect a continued slowdown or slight decline in revenue growth.

Source: NCSL, May 2025

State Reactions: The Big Shift

- **Colorado ➔** State facing $750m hole; special session & ending tax breaks expected to fill $150m
- **Pennsylvania, Oklahoma ➔** Proposed grant programs for rural hospitals
- **Pennsylvania ➔** Bill introduced to raise property tax for EMS
- **Oregon ➔** Bill introduced to modernize state's emergency preparedness and response processes
- **Montana ➔** loss of public lands funding would be "largest unfunded mandate, several counties would be bankrupt"

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.***

Outlook and Impact of Top Federal Policy of Interest to Fairfax County

Affordable Care Act (ACA) Enhanced Premium Tax Credits

Key Data: The Kaiser Family Foundation estimates that, if the premium tax credits expire, there will be an average monthly premium increase for benchmark silver plans of 200-210 percent in Fairfax County

- Key sticking point behind the recent record-breaking government shutdown
- 8 Senate Democrats, incl. Senator Tim Kaine, secured verbal agreement from Senate Majority Leader John Thune to hold an ACA extension vote on the Senate floor by mid-December 2025
- Speaker Mike Johnson has **not** agreed to hold a corresponding extension vote in the House
- Congress left for Thanksgiving with no clear breakthrough on a bipartisan extension
- Bipartisan House bill would extend credits for people making less than 600 percent of the federal poverty level

Surface Transportation Reauthorization & Proposed Transit Cuts

Key Data: Reforms included in the surface transportation reauthorization will influence key funding opportunities that will support the success of Fairfax County's $3.9 billion 2025-2030 Transportation Priorities Plan

- Congress has begun work on its next 5-year surface transportation reauthorization legislation - current authorization set to expire on September 30, 2026
- Will likely impact and modify key discretionary grant programs such as INFRA, BUILD, and SS4A
- Current authorization (enacted in 2021) designated $1.2 trillion to transportation & infrastructure programs
- Trump Administration focused on accelerating building, strengthening partnerships with state and local entities, increased safety, and NEPA reform
- In mid-November, the Trump Administration reportedly opened the door to eliminating transit funds from the Highway Trust Fund and preventing the FHWA from funding transit projects

ROAD to Housing Act of 2025 (S.2651)

Key Data: Fairfax County's goal to build 10,000 new housing units by 2034 could be helped by S.2651's provisions to accelerate housing production, reduce regulatory barriers, and provide financing assistance

- The legislation was introduced over the summer and is a package of numerous bipartisan housing bills; 8 titles and 40 sections
- Passed the Senate in October as part of the chamber's version of the FY26 NDAA
- House version of the FY26 NDAA does **not** include the *ROAD to Housing Act,* and House Financial Services Chair does not support its inclusion in the conference report
- Notable provisions: lifts cap on Rental Assistance Demonstration (RAD) program, creates a pilot program to support housing development in CDBG jurisdictions, incentivizes housing production near public transit routes, and supports expanded use of modular housing

Federal Workforce

Key Data: As of early 2025, approximately 80,000 federal government employees and over 3,800 federal contractors live within Fairfax County.

- Day 1 EOs signed, which: (1) mandate restructuring federal hiring practices & principles; and (2) reclassify certain federal employees involved in policymaking positions to positions with fewer civil service protections (i.e., Schedule F)
- Federal hiring freeze in place since Jan. 20; EO 14356 directs federal agencies to continue to restrict hiring across the government (with exceptions for political appointees, positions related to immigration enforcement, national security, and public safety)
- DOGE efforts led to mass layoffs of federal workers since Jan. 20 – supposed to sunset by July 4, 2026
- As of Nov. 18, estimates are that over 207,000 civil servants have left the federal workforce in 2025 – 154,000 signed up for the deferred resignation program

Energy & Environment

Key Data: Fairfax County is making significant clean energy investments, including the construction of a 5-megawatt solar array on the closed I-95 landfill, set for completion in Spring 2026. The county is also focused on increasing energy efficiency in buildings and electrifying its fleet, with plans to have non-carbon-emitting county fleet vehicles by 2035.

- H.R. 1, enacted on July 4, made significant changes to clean energy tax credits authorized by the 2022 Inflation Reduction Act (IRA)
  - Early termination of Alternative Fuel Vehicle Refueling Property Credit: Helps fund EV charging stations; will be terminated on June 30, 2026 (instead of Dec. 31, 2032)
  - Partial early termination of Clean Electricity Production Credit (PTC) & Clean Electricity Investment Credit (ITC): Helps fund solar and wind projects that lower greenhouse gas emissions; construction needs to begin by July 4, 2026, and be "placed in service" no later than Dec. 31, 2027 (instead of original phaseout beginning in 2033)
- H.R. 1 retains the IRA's Elective Pay Program that allows eligible tax-exempt entities (including counties) to receive payment equal to the full value of tax credits for building qualifying clean energy projects. However, the bill's changes made to EV charging, solar, and wind projects will impact counties' ability to use Elective Pay for those planned clean energy projects

Data Centers & AI

Key Data: Fairfax County has 20 data centers with an additional 4.4 million square feet under development.

- On July 23, the White House hosted an AI summit, unveiling a framework for its AI policy, placing a heavy emphasis on boosting U.S. innovation, building out data center infrastructure, and promoting American technology abroad
- The 28-page AI Action Plan lays out the Trump administration's approach to AI, putting forward more than 90 policy actions for "near-term execution" by the federal government. It seeks to provide data centers with wide-ranging exclusions from or permits for federal environmental regulations, in addition to generally expediting permitting efforts
- EO 14318 facilitates the rapid and efficient buildout of data center infrastructure
- **Draft EO seeks to preempt state AI regulations instead of a uniform national legislative framework**

Questions?

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