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Tough Challenges for Counties in a New Era of Fiscal Federalism.

Cuts in funding don't change counties' obligations to their residents. They will have to figure out how to raise new revenue, cut services or both. But success in navigating this new landscape won't come from austerity alone.

For decades, the federal government played a familiar role in the intergovernmental fiscal landscape: a partner that stepped in during times of extraordinary need. During natural disasters, agencies like the Federal Emergency Management Agency provided rapid emergency assistance. During economic crises, major legislation — most recently the American Rescue Plan Act — delivered flexible funding to help local governments respond, recover and rebuild.

Today, we are entering a new phase of fiscal federalism, one in which local governments are not just shouldering more of the work but are increasingly responsible for funding and delivering programs originally designed as federal commitments. With its administrative actions and the passage of the One Big Beautiful Bill Act, the federal government is stepping back from its traditional support role. And in doing so, it is placing county governments in particular under intensifying fiscal pressure while leaving in place the legal and programmatic obligations to provide mandated services such as SNAP food benefits or ensuring that county hospitals offer medical care to all regardless of insurance status.

This shift in responsibility was the focus of intense discussion at the recent annual conference of the National Association of Counties (NACo). Across panels and roundtables, the sense was clear: This is not a momentary squeeze, but the beginning of a lasting change in how counties are expected to govern.

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