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## **Public Finance in a Time of Structural Volatility.**

**If abruptly changing federal policy becomes a recurring feature, state and local governments will need to adjust how they govern, not just how they budget.**

Last March, state and local officials in Kansas and Missouri were trying to understand what had just happened to their budgets. Federal grants supporting public health, nutrition assistance and community programs were suddenly reduced or cut off. Local leaders told a Kansas City news publication that they were scrambling to determine how much funding had been lost and what services would have to be scaled back. Some were calling members of Congress simply to confirm whether the money was truly gone.

This wasn't a recession. Revenues hadn't collapsed. What had changed were the rules. In the current environment, the tools built to manage downturns remain essential. But if abruptly changing federal policies — from tax law to Medicaid rules to funding streams — continue to reshape the fiscal landscape, those tools alone will not be enough. It will be time to re-examine larger issues of governance.

I've been talking with state and local finance officers over the past several months, and I keep hearing a version of the same thing: We know how to plan for economic downturns. What we're less prepared for is federal policy shifts mid-budget.

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OPINION | March 24, 2026 • Craig S. Maher

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