



MEMORANDUM

Date: May 16, 2025

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Leshar 
County Administrator

Re: **Update on Federal Funding Impacts to County Federal Grant Awards**

Release of Proposed Federal Budget

On Friday May 2, 2025, the Executive Office of the President, through memorandum prepared by the Office of Management and Budget (OMB) released the proposed Federal fiscal year (FY) 2026 budget. County staff cross walked the proposed budget line items against the FY 2024 audited financial grant expenditures to estimate the potential fiscal impact to County grant funds and programming.

When the County previously reported potential impact to its grants portfolio, \$102 million of the FY 2024 audited financials is represented by large federal allocations such as American Rescue Plan Act (ARPA), Emergency Food and Shelter Programming (EFSP), FEMA Shelter and Services Program (SSP) and Emergency Rental Assistance Programming (ERAP). We have reported to the BOS that funds are currently being withheld from FEMA SSP programming, specifically almost \$12 million in requested reimbursements.

The remaining estimated \$52 million (represented in discretionary, and annual block grants) were reviewed against the proposed federal budget to estimate the potential impact to County departments and programming and the fiscal impact thereof. As a conservative estimate against the proposed federal budget \$26 million (50%) of the \$52 million has been proposed for elimination or substantial cuts.

Attachment 1 details funding across the Federal Departments and programming that is specifically represented in the County's current grant funding. The County's largest share of federal funding expenditures is through the Department of Health and Human Services (DHHS) and Housing and Urban Development (HUD) – collectively, just over \$18 million of the impacted \$26 million. Department of Homeland Security (DHS) agencies – specifically the Federal Emergency Management Agency (FEMA) represents the largest share of non-reimbursements to-date at the \$12 million referenced above. The State of Arizona has reported that they have not received their second round of Low-Income Home Energy Assistance Program (LIHEAP) funding, and the County is monitoring the situation. See additional details in the presentation to the BOS on May 6th for reference.

PM

Please note this estimate is likely to change as the full proposed federal budget moves through Congress.

State Legislative and Budget Update

The State Legislative committee sessions have concluded except for budget hearings and special appropriations. As of mid-May, the Governor has vetoed a series of bills that would negatively impact housing vulnerability, diversity equity and inclusion, school policies, elections, bills tied to regulations on firearms, among others. Budget discussions are still occurring, and it is unclear the direct impact of proposed cost shifts from the federal government on the proposed budget to states and local jurisdictions.

I will continue to update the Board on potential budget impacts at the State-level associated with the approval of bills that could affect Pima County or any of Pima County's legislative initiatives.

Additional Information Requested During May 6th BOS Meeting

A few questions from the May 6th meeting were directed at staff for follow up. Responses to those requests are provided below.

Supervisor Heinz requested more information pertaining to the economic outlook and impact of federal activities, directives and funding pauses that would potentially bring additional negative impacts to the County.

Based on the recent [Economic Decision Guide Report](#) and update to the Board, the impact of cuts to federal funding and implementation of tariffs would have a negative effect on the County due to a series of economic indicators within the region. The report suggests that *Inflation, Housing, Consumer Confidence* and *Federal Funds Rate* are all considered unfavorable.

Inflation, coupled with tariffs, would compromise the County's ability to maintain an optimum level of service and would affect consumer pricing on a considerable amount of goods and services for County operations and existing projects. The County will continue to carefully evaluate the timing of capital projects, and the availability of revenue to cover appropriate and necessary expenses.

The proposed Federal Fiscal Year 2026 budget has substantial cuts that are positioned to affect over 50% of the County's ongoing / annual grants largely across health, housing / human services, workforce and infrastructure. Overall economic downturns and consumer confidence (and subsequent reduced spending) coupled with substantial cuts to housing, health, and human services would largely project overall increases to housing and health vulnerability, and the demand on social safety net programming across the region (and within the County operations). The details of these impacts will continue to be monitored and reported as realized by the County.

Highlighted in the FY 2025 – 2026 Pima County Budget highlights please note [Board of Supervisors Policy D 22.14, General Fund – Fund Balance](#) which provides sufficient reserve to safeguard against extreme and unforeseen financial emergencies.

Supervisor Christy directed questions to staff pertaining to the Board’s recent acceptance of grant awards and risk to funding. Since January 7th, the Pima County Board of Supervisors accepted 22 grant awards, amendments, or no-cost impact actions that are referenced under potential program or fiscal risk / cuts.

Please note in the proposed federal budget, there are notifications of cuts / elimination to specific programs, and complete reorganization of federal agencies for which the specific program impacts are unclear. It is unclear whether there will be direct cuts to already awarded grants and obligated (versus unobligated) funds. We will update the Board with more detailed financial information about the impact when the budget is finalized. Many of the accepted awards have grant agreements and funds obligated.

Below is a listing of scopes of services across specific grants approved by the Board that have been highlighted for proposed elimination and / or sourced from federal agencies that are under scrutiny for large-scale cuts or reorganization. The County will likely be notified of more through the budget negotiation process.

- **Community Workforce and Development** – Low Income Home Weatherization programs, WIOA – Adult and Dislocated Worker Program, HUD Continuum of Care (CoC) Program – Coordinated Entry, Housing Opportunities for Persons with AIDS (HOPWA), and other Department of Labor Workforce opportunities. Additionally, the approved HUD Consolidated Plan and Annual Action Plan between Pima County and City of Tucson for Continuum of Care, Emergency Services Grant (ESG) and other shared housing / homeless services / voucher programs.
- **Pima County Health Department** - Health – Arizona Department of Health Services pass-through grants – unclear of impact due to broader cuts to federal agencies versus specific program cuts, CDC direct grants – such as Overdose to Action (OD2A).
- **Office of Emergency Management** – Emergency Management Performance Grant.

Current Federal Budget Negotiations Update

There are substantial negotiations about the content within the proposed Federal Fiscal Year 2026 budget. Currently, tax-exempt status of municipal bonds has been achieved – specifically the tax exemptions were preserved in the House Ways and Means Committee proposal.

Pertaining to health and human services, there are still considerable discussions and proposals around Medicaid resulting in potentially mixed outcomes. Work requirements, cost sharing for expansion populations and other potential cuts that would directly result in lack of care or

increased uncompensated care continue to be debated. There is a proposed delay in reductions or cuts to Disproportionate Share Hospital (DSH) payments by 3-years – which help offset the fiscal impact of indigent care. Supplemental Nutrition Assistance Program or SNAP benefits are proposed to shift costs to states and counties. These negotiations are still ongoing.

Attachment 2 provides the federal updates overview that will be reviewed with the Board on May 20.

JKL/anc

Attachments

c: Carmine DeBonis, Jr., Deputy County Administrator
Steve Holmes, Deputy County Administrator
Art Cuaron, Director, Finance and Risk Management
Ken Walker, Interim Director, Grants Management & Innovation
Sarah Davis, Senior Advisor, Pima County Administrator's Office
Michael Racy, Racy and Associates, Inc.

ATTACHMENT 1



Update on Federal and State Actions Affecting County Funding

Federal and State Executive, Legislative and Judicial Actions

Pima County Board of Supervisors Presentation

May 6, 2025

Federal Executive Orders & Other Actions

Pima County Board of Supervisors 5/6 Update **Key Discussion Items:**

- Barriers to County Grant and Program Funding
- Proposed 2026 Budget Implications
- State Update

Over the first 100 days in office there have been over **143 Executive Orders** issued and signed, with over **225 legal actions** in response to the Executive Office actions - only **7closed**

Monitoring Federal Actions on Local Grants and Programming

Disruption to local funding and programming



Policy
Directives in
**Executive
Orders**

Most Executive Orders
have Court action



Directives
from
Federal (or
State Pass-
through)
agencies to
**pause /
terminate /
stop work
or funding**

New York et al. v Trump, Litigation on HHS, and
Temporary Restraining Orders on early grant terminations



Reductions
of Federal
Agencies /
**Workforce
Overseeing
Programs**

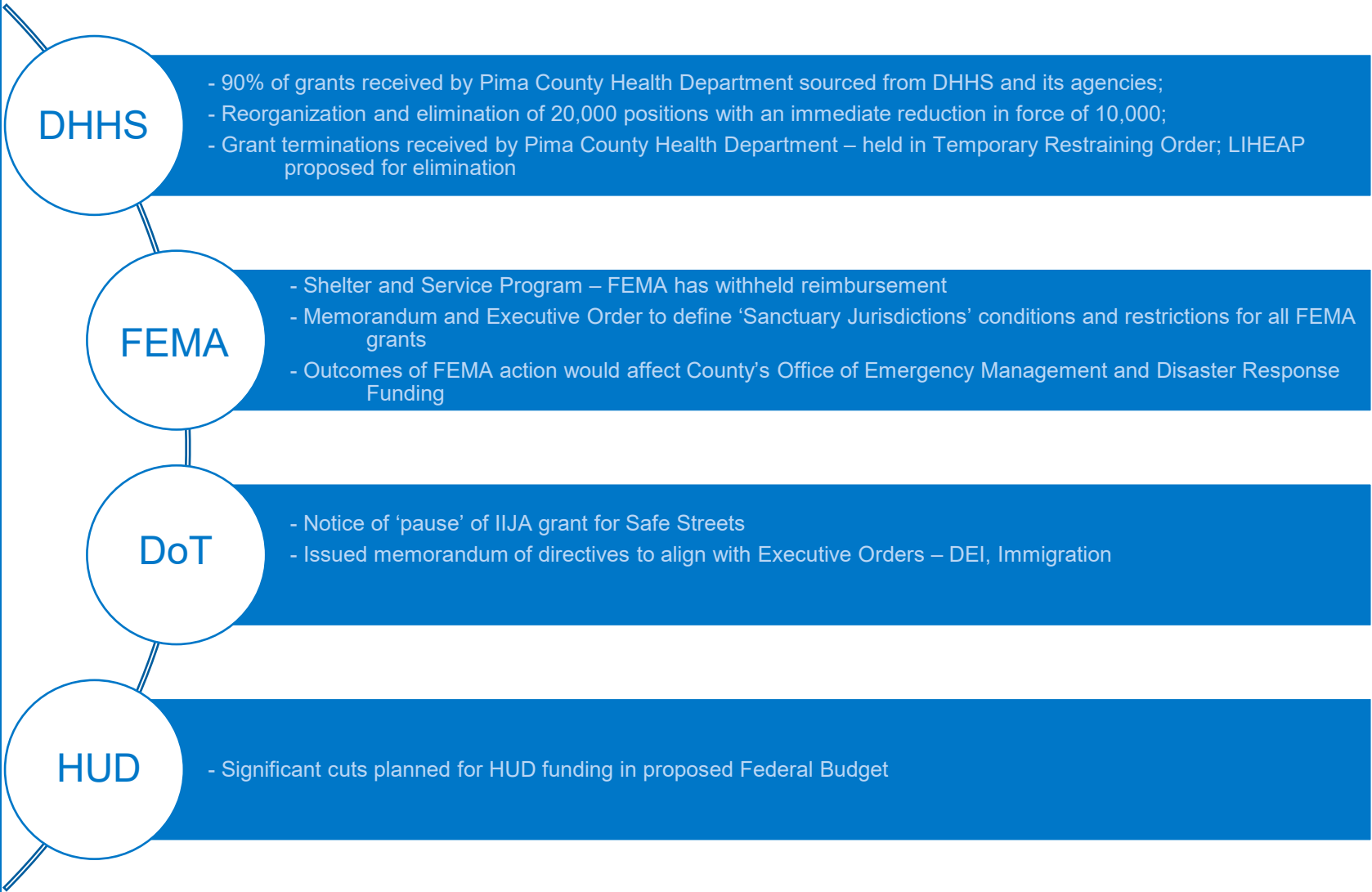
Programmatic Oversight and
funding sourced depts
Supreme Court blocked
probationary employees court order

In each of the above – there is risk of:
Enhanced scrutiny on reimbursements
Actual non-payments



Status of Federal Grant Holds / Pauses

Timeline of Federal Funding Directives and County-directed Pauses:



Review of the Proposed FY2026 Federal Budget Overview

Proposed Federal FY2026 Budget Released

Friday, May 2, 2025

- Of the large grant allocations (\$102M - ARPA, EFSP, SSP, ERAP) the County still has **not been reimbursed for over \$12M in Shelter and Services Programming.**
- The County has 12 grants under **IIJA representing \$69M in awards.**
- Of the previously reported \$52M in FY2024 County Grant Spending (block grants and annual awards – regularly anticipated programming) an estimated ~ \$26M (50%) are slated for elimination (or significant) financial / program cuts in the FY2026 proposed budget – anticipated to be higher.

Federal *Proposed* Budget Impacts

Detail on County Grant Awards

Department Health and Human Services (Proposed cuts represented ~\$11.4M in FY24 Grant Spending)

- Low Income Home Energy Assistance Program (LIHEAP) –proposed elimination
- Community Services Block Grant (CSBG) - Community Action Agencies - proposed elimination
- Health Resources and Services Administration (HRSA) – proposed consolidation and reduction – substantial cuts
- Centers for Disease Control – proposed consolidation and reduction – substantial cuts
- Substance Abuse and Mental Health Service Administration – proposed consolidation, reduction and refocus – substantial cuts

Environmental Protection Agency (Proposed cuts represented ~\$1M in FY24 Grant Spending)

- Environmental Justice – proposed elimination

Department of Homeland Security (Proposed cuts represented ~\$500K in FY24 Grant Spending, \$12M owed in SSP)

- FEMA Non-Disaster Grant Programs – substantial cuts
- Shelter and Services Program – proposed elimination



Federal *Proposed* Budget Impacts – Detail on County Grant Awards

Department of Justice (Proposed cuts represented ~\$1.8M in FY24 Grant Spending)

- Reduce State and Local Grant Programs (TBD)

Department of Energy (Proposed cuts represented ~\$45K in FY2024 grant spending, and \$~69M in County IIJA awards)

- Bipartisan Integrated Infrastructure Jobs Act (IIJA) cancellation across many federal departments
- Weatherization – redirected

Department of Education (CWD programming impacts)

- Adult Education - proposed redirection back to states

Department of Labor (Proposed cuts represented ~\$4M in FY24 Grant Spending)

- Make America Skilled Again - potential reauthorization / additional cuts to Workforce Innovation and Opportunity Act (WIOA)
- Job Corps – proposed elimination

Federal *Proposed* Budget Impacts

Detail on County Grant Awards

Housing and Urban Development (Proposed cuts represent ~\$6.7M in County FY24 Grant Spending)

- **State Rental Assistance Block Grants** – substantial cuts and limits – shift to states.
- **Community Development Block Grant (CDBG)** –proposed elimination
- **HOME Investment Partnership Programs** – proposed elimination
- **Homeless Assistance Program** – Continuum of Care (CoC), Housing Opportunities for Persons with AIDS (HOPWA), Emergency Solutions Grants – Homeless Emergency Assistance (ESG) proposed reduction and consolidation
- **Pathways to Removing Obstacles (PRO) Housing** – proposed elimination



State Legislative Update

Bipartisan compromise for budget shortfall
(\$122M) – House Bill 2945

Floor activity anticipated to complete in upcoming
weeks

**Budget Discussions – Finance Advisory
Committee numbers indicted a slight downturn
state revenues**

Several federally funded programs and Federal
Departments have indicated in the proposed
FY2026 Budget that **programming / costs could
potentially move back to state / local
jurisdictions**



PIMA COUNTY

Thank you!



PIMA COUNTY

Board of Supervisors

Rex Scott, *Chair*, District 1
Jennifer Allen, *Vice Chair*, District 3
Dr. Matt Heinz, District 2
Steve Christy, District 4
Andrés Cano, District 5

Pima County Administrator

Jan Leshner

ATTACHMENT 2



Update on Federal and State Actions Affecting County Funding

Federal and State Executive, Legislative and Judicial Actions

Pima County Board of Supervisors Presentation

May 20, 2025

Federal Executive Orders & Other Actions

Pima County Board of Supervisors 5/20

Update **Key Discussion Items**:

- Barriers to County Grant and Program Funding
 - Proposed 2026 Budget Implications
 - State Update
-

Over the first 100 days in office there have been over **151 Executive Orders** issued and signed, with over **241 legal actions** in response to the Executive Office actions - only **8 closed**

Litigation Tracking

The County is tracking current and ongoing litigation

Monitoring Focus Areas:

- Direct impacts to **funding, notifications or directives** from federal agencies and **workforce cuts**
- The County is also tracking litigation around **allowability of policy directives** in the Executive Orders
- In monitoring notifications, directives, and funding impacts from federal agencies tied to litigation – **determination of size of impact** across Pima County

Follow up Items from May 6th Board of Supervisors Meeting

- Proposed Federal Fiscal Year 2026 Budget and Economic Decision Guide for Pima County
 - *Inflation, Housing, Consumer Confidence and Federal Funds Rate* are all considered **unfavorable**
 - Inflation and Tariffs would affect a considerable amount of goods and services for County operations and existing projects
 - If the proposed FFY 2026 budget implications and cuts to funding are realized there would be overall projected increases to housing, health and safety net service vulnerability
- BOS Accepted Awards Referenced in Proposed Federal Cuts
 - Since January 7th the BOS have accepted 22 grant awards, amendments or no-cost extensions that are implicated in the proposed budget
 - **Obligated** funds versus **unobligated** risk

Review of the Proposed FY2026 Federal Budget Overview

Proposed Federal FY2026 Budget Released Budget Negotiations

- Bipartisan Integrated Infrastructure Jobs Act - The County has 12 grants under **IIJA representing \$69M in awards. It is unclear if IIJA obligated funds would be safe in new FFY budget cycle**
- An estimated ~\$26M (50%) of ongoing and discretionary grants are slated for elimination (or significant) financial / program cuts in the FY2026 proposed budget – anticipated to be higher.
- **Congressional Budget Discussions** – movement on tax exempt municipal bonds, Medicaid (mixed), and considerable cost shifts to states and counties.

State Legislative Update

Bipartisan compromise for budget shortfall
(\$122M) – House Bill 2945

**Budget Discussions – Finance Advisory
Committee numbers indicted a slight downturn
state revenues, with no surplus dollars**

Several federally funded programs and Federal
Departments have indicated in the proposed
FY2026 Budget that **programming / costs could
potentially move back to state / local
jurisdictions**

A series of bills were vetoed that would have
negatively impacted housing vulnerability, diversity
equity and inclusions, school policies, elections
and others.



PIMA COUNTY

Thank you!



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