




# MEMORANDUM

Date: April 7, 2025

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

From: Jan Leshner   
County Administrator

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

The following provides additional information related to the presentation made to the Board of Supervisors on April 1, 2025 regarding the allocation of federal funds to Pima County.

Federal Funding Update and Impacts

The potential impact in the current Fiscal Year of modifications to County Federal Grant Awards (CFGA) total \$157 million. Of that total, \$105 million (67 percent) are from one-time large allocations to the County, which are American Rescue Plan Act (ARPA), Emergency Rental Assistance Program (ERAP), Emergency Food and Shelter Program (EFSP), and FEMA's Shelter and Services Program (SSP).

All ARPA recipients have received notice that non-obligated funds would be recouped by the federal government and that there would be a review of obligated funds for compliance with all federal regulations. The County obligated all its ARPA allocation by the required deadline of December 31, 2024, and follows all regulations under ARPA and federal grant regulations – 2 CFR 200.

The County received notice that expected SSP funds – or roughly \$10 million in reimbursements - are being withheld. Recently, a new Memorandum was issued to add additional Department of Homeland Security (DHS) review.

This affects SSP funding, but also critical Office of Emergency Management (OEM) funding including the Emergency Management Performance Grant (EMPG) and State Homeland Security Program (SHSP), both of which support direct emergency response in this community and emergency response training across the region. If this funding is compromised, it would represent \$1.4 million directed at our County's OEM, and \$220,000 for the County's portion of emergency response training. This funding is now marked for additional review by the Department of Homeland Security (DHS).

I recently sent a Memorandum to the Board about the recent termination and / or 'stop-work' orders on an assortment of Pima County Health Department (PCHD) grants. PCHD has received a series of notices from the State of Arizona pertaining to federal dollars across nine (9) grant awards.

Specifically, the grants with most County impact are the *National Initiative to Address COVID-19 Health Disparities* and *Vaccine Equity* grants, which were terminated prior to the performance end date of the grant-award period. Three (3) additional grants received stop-work orders for immunization supplies, storage, and communications campaigns (no staffing).

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Finally, four (4) grants received 'stop-work' orders, but have already been completed. These grants were for Epidemiology and Laboratory Capacity (ELC) and were completed prior to last year.

Notably, the Health Disparities grant (terminated) is direct funding from the Centers of Disease Control (CDC) whereas the Vaccine Equity grant, and the additional seven (7) grants that received stop-work orders are pass-through funds from CDC through Arizona Department of Health Services (AzDHS). These awards were terminated by CDC to AzDHS and 'stop-work' orders were issued to sub-recipients of those funds including the County.

Between the Health Disparities and Vaccine Equity grants almost \$2 million in funding that was awarded is now inaccessible to the County. The Health Disparities Grant had a performance period extension to May 2026. With an average annual spend rate of \$1.6 million, the County was positioned to fully spend that grant through the performance period, now leaving approximately \$1 million inaccessible to PCHD. The Vaccine Equity grant had a performance period end date of June 30, 2025 and the early termination represents a loss of approximately \$900,000.

These awards affect twenty-two (22) full-time employees (eight on Health Disparities, 14 on Vaccine Equity), twenty-five (25) employees that charge partial time to these awards, in addition to sub-awardees and contractors of PCHD. The County is working closely with the State and the Pima County Attorney's Office to review the directives, grant agreements and reimbursement deadlines. The County is also working closely on associated staffing plans for employees charging grant awards that were abruptly terminated.

PCHD receives over 90% of its grant awards from Department of Health and Human Services (HHS) and its sub-agencies, including but not limited to CDC, Substance Abuse and Mental Health Services Administration (SAMHSA) and Health Resources and Services Administration (HRSA). Notably, these agencies fund a series of grant awards across all those County departments that touch health, behavioral health, justice and community services. The County will monitor any other grant award impact across its departments associated with the considerable restructuring of HHS and its agencies.

Community Workforce Development (CWD) is another County department that has a large share of federal and state pass-through funding but has not received any unplanned termination or 'stop-work' orders on any of its funding portfolio to-date. Additionally, the HUD funding that is received by the County is still within the recently passed Continuing Resolution, albeit with slight reductions.

The County is complying with directions from the federal funding and state pass-through agencies, and reviewing its grant agreements, awards and performance periods with the County's legal counsel. We will continue to keep the Board apprised if the County receives additional notification of other freeze, pause, or recoupment of County funding.

#### Regulations and Tariffs

There have been a series of actions that move to reconsider, relax, or deregulate existing federal regulations. Notably, the Environmental Protection Agency (EPA) has directed a series

of actions across Air Quality, Climate and Cooperative Federalism directives in recent weeks. Pertaining to air quality, there is potential reconsideration / relaxation of motor vehicle and potential impacts to Ozone National Ambient Air Quality Standards (NAAQS), which are reviewed every five (5) years. The last review took place in 2020.

There is potential reconsideration of the 2009 Endangerment Finding – which ties the science-based findings that greenhouse gas emissions in the atmosphere contribute to climate change and have adverse effects on public health and welfare. There is potential relaxation of current requirements for certain industries and associated mandatory reporting requirements. Finally, there is potential that the EPA will direct a model called Cooperative Federalism, which could move federal regulations on air quality to states by way of State Implementation Plans (SIPs).

Various tariffs and planned tariffs have been released and / or implemented specifically on steel and aluminum, motor vehicles, and others. These tariffs include a considerable amount of trade adjustments to previous free trade agreements. The County will monitor any cost adjustments to current projects and / or barriers to project completion.

#### State Legislative Update

Almost three (3) months into this year's legislative session, legislative floor activity averaged two weeks for bill review and committee assignments. The legislative session has begun moving forward on review of the previous backlog. There is shared concern pertaining to Executive Orders (EOs) and blocks to funding from the federal level, which is impacting review and updates to the planned fiscal year 2026 budget. House and Senate Appropriation Committees are scheduled to meet in early April, following the floor hearings. There are a series of bills that might have direct financial impact on the County of which we keep the Board updated.

I will continue to update the Board on the status of bills that either limit local authority, or result in a transfer of costs to the County.

As stated in the prior Memorandum, there is continued anticipation that there are ongoing risks to the County's federal funding sources, regulatory changes, and directives that might shift County existing programming. Many of these federal actions are still evolving, and I will continue to update the Board of Supervisors regularly.

#### Attachment

- c: Carmine DeBonis, Jr., Deputy County Administrator
- Steve Holmes, Deputy County Administrator
- Dr. Theresa Cullen, Director, Pima County Health Department
- Daniel Sullivan, Director, Pima County Community Workforce Development
- Scott DiBiase, Director, Department of Environmental Quality
- RK Kelly, Director, Grants Management & Innovation
- Ken Walker, Deputy Director, Grants Management & Innovation
- Art Cuaron, Director, Finance and Risk Management
- Sarah Davis, Senior Advisor, Pima County Administrator's Office
- Michael Racy, Racy and Associates



# Update on Federal and State Actions Affecting County Funding

Federal and State Executive, Legislative and Judicial Actions

Pima County Board of Supervisors Presentation

April 1, 2025



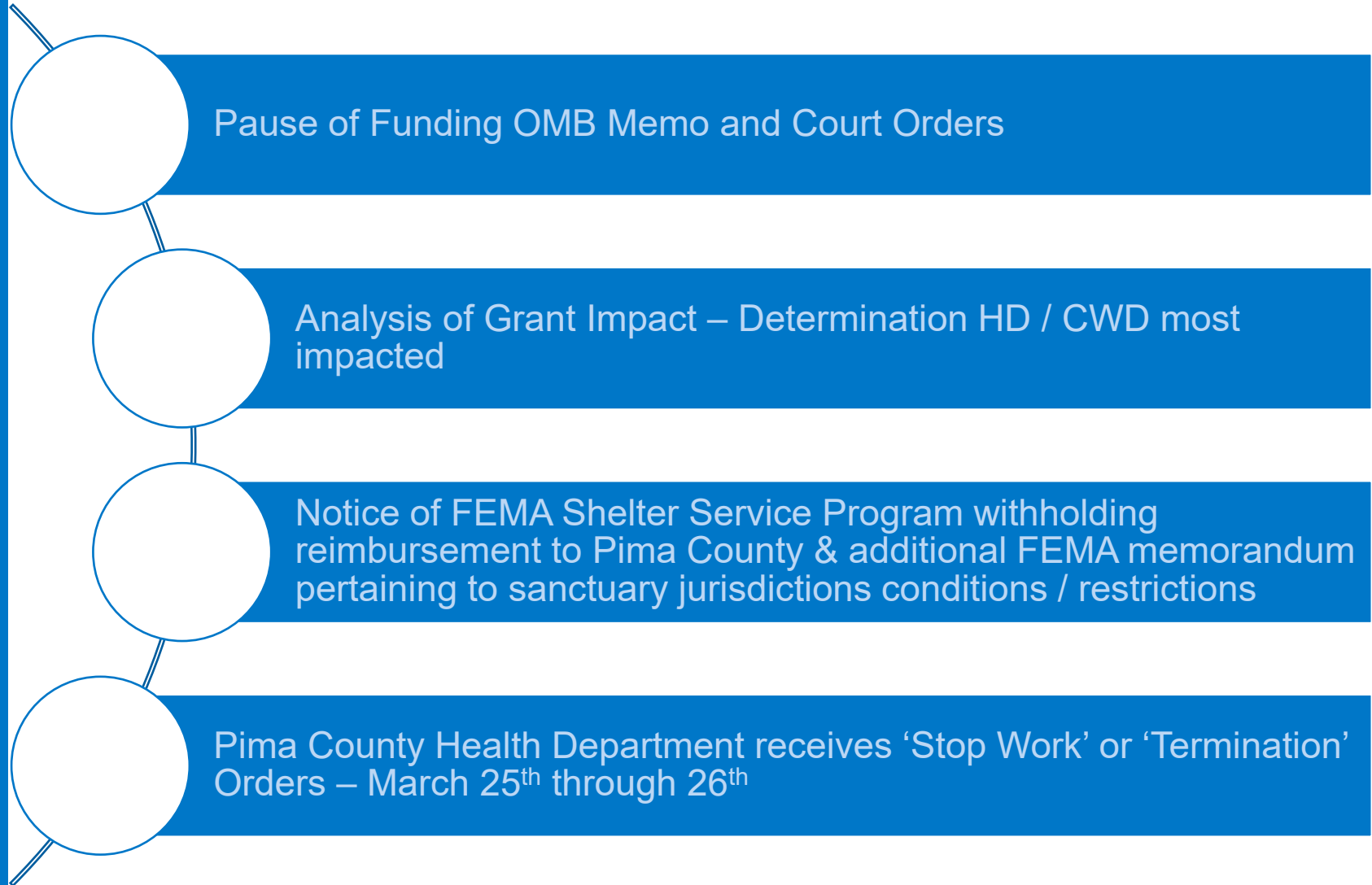
# Federal Executive Orders & Other Actions

- Since January 20<sup>th</sup>, there have been over **103 Executive Orders** issued and signed, with over 149 legal actions in response to the Executive Office actions
- Federal Funding and Pima County Grants & Budget Implications – **Paused SSP Funding and Stop Orders for Health Department**
- Continued Substantial Reduction in Federal **Workforce** with Court actions to reverse course on firing of employees
- Modifications and potential relaxation of **regulations**
- State-level Update



## Timeline of Federal Funding Directives and County-directed Pauses:

# Timeline of Funding Holds





# Pima County Grant Portfolio Overview

## Potentially impacted grants represented **\$157M** in FY2024 reported grant expenditures

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Notices of Funding Review / Reimbursement from larger funding allocations:

- American Rescue Plan Act (ARPA) – notice of review on expenditures, recoupment of unobligated funds – Pima County has obligated **all** of its ARPA award allocation
- Emergency Rental Assistance Program (ERAP) – awarded and ramping down
- Emergency Food and Shelter Program (EFSP) – awarded and closing out
- FEMA Shelter Services Program (SSP) – March 12<sup>th</sup> **paused** reimbursement **~\$10M**

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The remaining grant portfolio has direct impact on 20 County departments – Pima County’s **Health Department and Community Workforce Development are most impacted**

Notices of **Termination** and / or **Stop Work** Orders on March 25 – 26, 2025 on **nine grants**

- **National Initiative to Address COVID-19 Health Disparities** and **Vaccine Equity** were termed **before** performance period end date (22 full-time staff, 25 additional staff that are part time on the grants) – collectively there is **almost \$2M in funds inaccessible to the County**
- Three grants **were still active, but have no staff charging** – programming tied to immunizations, immunization equipment and communication campaigns (**~\$37,000 in inaccessible funds**)
- Four grants received ‘stop work orders’ that were **already closed**



# Health and Human Services

Pima County Health Department Grants largely have funding from the Department of Health and Human Services (**92%**) and its associated federal agencies – majority cost reimbursement / State pass-through

*(Centers for Disease Control, Substance Abuse and Mental Health Services Administration & Health Resources and Services Administration – among others)*

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Announcement of significant cuts and reorganization at Department of Health and Human Services – and its respective agencies



# Federal Workforce

Approximately **121,361 federal workers dismissed** in first months of Administration

HHS announced cuts to **20,000 jobs**

Notice of **intent to close or significantly cut** entire federal departments – such as USAID and Dept of Education

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Federal Judge ordered six federal agencies to **rehire thousands of workers** with ‘probationary’ status – issued March 13<sup>th</sup>

The large-scale February layoffs will be reflected in **April / May’s Bureau of Labor Statistics reporting and UCFE benefits data**



# Environmental Protection Agency & Deregulation

## Air Quality

- Reconsideration / potential relaxation of motor vehicle emissions standards
- Ozone National Ambient Air Quality Standards (NAAQS) – review every 5 years, last review in 2020

## Climate

- Reconsideration of the 2009 Endangerment Finding – greenhouse gas emissions in the atmosphere endangering public health and welfare
- Potential for deregulatory actions for power plants, oil and gas, mandatory GHG reporting

## Advancing Cooperative Federalism

- Potential shift from federal regulation to state to determine air quality issues through State Implementation Plans



# State Legislative Update

Shared concern about Executive Orders and state budget impact

There is little progress on a new state budget and no negotiations with the Governor's Office on a budget.

House / Senate Appropriations Committees to meet following backlog of floor hearings

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There are still a sizable number of bills moving through the system limiting local authority and transferring costs to county government – health services, law enforcement among others

Pima County initiatives such as land use administrative approval, MS4 stormwater legislation, and post-conviction relief needs approved or progressing



PIMA COUNTY

**Thank you!**



## **PIMA COUNTY**

### **Board of Supervisors**

Rex Scott, *Chair*, District 1

Adelita S. Grijalva, *Vice Chair*, District 5

Dr. Matt Heinz, District 2

Jennifer Allen, District 3

Steve Christy, District 4

### **Pima County Administrator**

Jan Leshner