



Update on Federal Funding: March 2025

Finance Committee
March 3, 2025

Agenda

- Legal Update
- Overview of Federal Funds in City Budget
- Funding Highlight: Transportation

Legal Update

Mike Haas, City Attorney

Finance Update

Dave Schmiedicke, Finance Director

Federal Funding in the City Budget

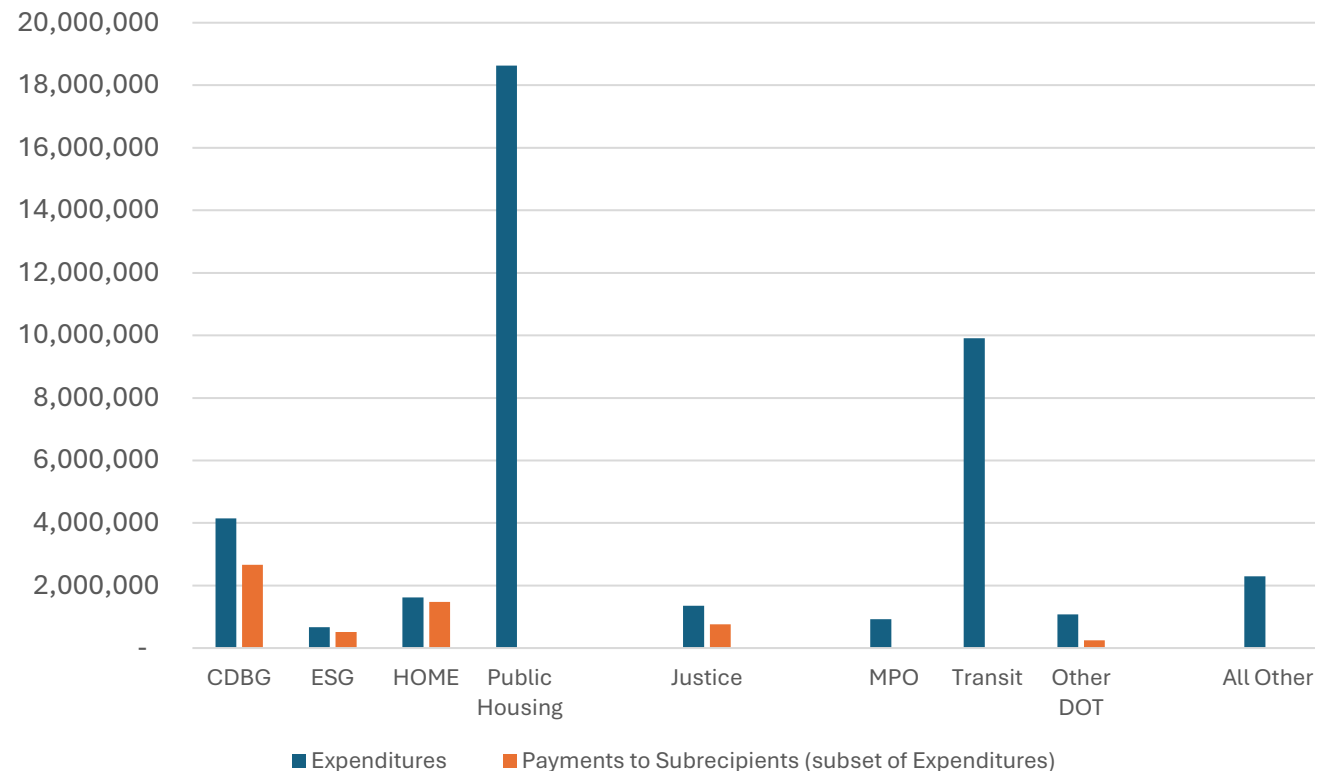
- Staff have developed a draft inventory of programs and projects that rely on federal funding.
 - Total Federal Grant Awards: \$438 million
 - 2025 Grant Amounts: \$157 million
 - 16 City agencies, with the largest amounts going to Metro, Transportation, and CDD
 - Funding supports approximately 175 FTE positions (out of approximately 3,000 FTE City positions)
- Major program activities funded by federal grants include housing assistance for low income individuals and families, emergency rental assistance, homeless services, major road reconstruction projects and safe streets projects, energy efficiency and sustainability programs, bus rapid transit and Metro electric bus acquisitions, public health initiatives (immunization, maternal and child health, supplemental nutrition for women, infants and children), law enforcement assistance, and safe drinking water.
- Data Limitations: Total award amounts includes funding that may have been partially or fully received (for example, E-W BRT funding). 2025 program amounts may not fully capture carryforward funds from prior years.

Federal Funding in the City Budget

- 2025 federal funding still reflects some COVID-related assistance programs and E-W BRT.
- Regardless of the current administration's actions, City would expect to see federal funding levels normalize to pre-pandemic levels as major projects are completed and COVID assistance draws to a close.
- For reference, in 2019, City expended \$41 million in federal funds, with the largest share from HUD for CDBG, Home, and Section 8 funds.

\$41m of Federal Aid in 2019 (Pre-Pandemic)

Expenditures of Federal Awards for Year Ending 12/31/2019



Guidance to agencies

Accessing Funds

- Most federal funding is paid on a reimbursement basis and is accessed through online portals
- Currently, most portals are open and functional
- Agencies have been instructed to submit reimbursements more frequently (e.g. monthly instead of quarterly); monitor the status of funding portals and report access issues to Finance Dept.; and monitor any proposed changes to existing grant agreements

New Grant Opportunities

- Some federal agencies are continuing to issue Notice of Funding Opportunities (NOFOs)
- Agencies have been instructed to carefully review NOFOs; there may be new terms related to compliance with Executive Orders (e.g. diversity, equity and inclusion) that could impact decisions about whether to submit an application for funding

Federal Budget

- Federal budget process is underway in Congress. Staff will monitor the federal budget process, with City's federal liaison, and its implications for Madison's residents and economy.
- Broad outline of federal budget includes \$4.5 trillion for continuing tax cuts that were enacted in 2017 and other tax cuts, plus \$300 billion of additional spending (primarily focused on immigration, customs, border protection and defense) to be offset by \$2 trillion in spending cuts
- Some categories of possible reductions include:
 - Medicaid/Medicare/Related -- \$24.6 trillion of current spending; \$880 billion of cuts (or about 4%).
 - Child Nutrition/Student Aid/Related -- \$722 billion of current spending; \$330 billion on cuts (or about 40%). The largest category of spending in this area is for school nutrition programs (e.g., free and reduced price school lunches).
 - Agriculture -- \$1.5 trillion of current spending; \$230 billion of cuts (or about 13%). Most of this funding is for the Supplemental Nutrition Assistance Program (SNAP) and farm programs.
 - Other (transportation, etc.) -- \$62 billion of cuts
 - Unspecified -- \$500 billion of cuts

Federal Budget – Possible Tax Law Changes

- Some of the options to meet the \$2 trillion target include changes to federal tax deductions and exemptions and other tax law changes.
- Repeal of the ***tax exemption for interest on municipal debt*** would increase federal tax revenues by \$250 billion over the next 10 years.
- State and local governments finance about 75% of the public infrastructure in the U.S..
- Repeal of this tax exemption is estimated to ***increase taxes and fees by \$6,500 per household nationally.***
- Other changes include repeal of the ***tax deduction for state and local taxes (SALT)*** – including income, sales and property taxes -- currently capped at \$10,000 per tax payer. Full repeal of the SALT deduction would increase federal tax revenues by \$1 trillion. A higher proportion of this tax increase would fall on tax payers in states and localities that are more reliant on income and property taxes, such as Madison.

Funding Highlight: Transportation

Tom Lynch, Director of Transportation

Transportation Federal Funding Exposure

Grant	Cap/ Operating	Amount	Status	Risk of Losing
CIG E-W BRT	Capital	\$110.6 mil	Reimbursed	Low
CIG N-S BRT	Capital	\$118.1 mil	Future	High (currently working on alternate strategies)
FTA 5307 Transit Maint	Operations	~\$7.7 mil/yr (10% of budget)	Ongoing	Low
FTA 5337 and 5339	Capital (Mostly buses)	Varies (~\$3 mil formula)	Ongoing	Low
FTA 5339c Lo-No	Capital	\$38 mil	~\$21 mil reimbursed	Remaining \$18 mil at high risk (solar)
Safe Streets For All	Mostly Capital	~\$6.7 mil	Pending	Moderate
Reconnecting Communities (Perry St)	Capital	\$1 mil	Pending	Moderate
Attain (technology)	Capital	\$5 mil federal +\$1.3 mil state	No agreement	High

Transportation Federal Funding Exposure

Grant	Cap/ Operating	Amount	Status	Risk of Losing
STBG Grants - MPO (JND)	Capital	~\$10.6 mil annually	Ongoing	Low
JND Bridge Grant	Capital	~\$25 mil	2025	Low
Carbon Reduction Grants (Signals)	Capital (some operating)	\$6.2 mil	Ongoing	Moderate-High
TAP (Trans Alternatives)	Capital	~\$1.2 mil	Pending	Low
HSIP (safety)	Capital	~\$1.8 mil	Ongoing	Low
TFIA	Capital	~0.7 mil	Pending	Low
TAP/STBG (9 Various Traffic Engineering Projects)	Capital and Operating	\$1.2 mil	Ongoing	Low