

# THE BOND BUYER

## Tracking threats and opportunities in federal funding to cities, states

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An effort by House Republicans to recoup unspent pandemic aid is unlikely to reach into local coffers, a move that would be politically unpopular and difficult to implement, according to municipal market advocates.

"The political reality is that's impossible and no Republican wants to do that," said Emily Brock, federal liaison for the Government Finance Officer Association, referring to local government worries that Congress might target their unspent pandemic aid under a House GOP bill that claws back "unobligated" pandemic funds.

The House legislation is expected only to target Treasury-level unobligated pandemic aid that remains undistributed, Brock said. "It's not the money that's at the local level," she said. "The practical reality and the legislative reality is that the level of 'obligation' sits at the federal level."

Brock made the comments Saturday during a Washington update at a GFOA debt committee meeting ahead of the association's annual conference, which is being held this year in Portland.



Tim Ewell, chief assistant county administrator for Contra Costa County, Calif., said the county has issued a centralized RFP for grant writers to ensure it doesn't miss out on any federal grant funding opportunities.

The House Republican bill, [the House passed in April](#), lifts the nation's debt limit in addition to cutting federal spending and recouping unobligated money allocated in COVID-relief bills passed in 2020 and 2021.

President Joe Biden earlier this month said he was [open to the idea of clawing back some pandemic aid](#) as part of negotiations over the debt ceiling.

"We don't need it all," Biden told reporters May 9. "But the question is, what obligations were there made, commitments made, money not disbursed, etc.? I have to look, take a hard look at it. It's on the table."

The definition of "unobligated" remains key to the debate, Brock said, and under current statute, the word appears to mean money that remains at Treasury and has not yet made its way down to the local level.

"From a federal funds' perspective, we are troubled by the word 'unobligated'," Brock said. The bottom line, she said, is that the only way for Congress to claw back pandemic aid that's already been sent to local governments is by amending the American Rescue Plan Act, which enshrines the 2024 obligation date.

The Republican bill also features across-the-board cuts to federal funding, some of which flows to communities and is being watched closely by issuer advocates, Brock said.

Meanwhile, issuers should be sharpening their pencils to ensure they capitalize on federal funds in the \$1.2 trillion Infrastructure Investment and Jobs Act and the Inflation Reduction Act, Brock said.

"We're making sure there's no NOFO FOMO" — fear of missing out on Notice of Funding Opportunities — Brock joked.

Contra Costa County, California has floated a centralized RFQ for grant writers "so departments don't feel totally overwhelmed," said Tim Ewell, the county's chief assistant county administrator and debt committee chair.

"We're trying to get ahead of that," Ewell said.

On the rulemaking front, many issuers are eagerly awaiting guidance from Treasury that will provide details on [direct-pay tax provisions in the IRA](#). The tax credits promise subsidies to help finance a range of renewable energy projects, and they may be a "game changer," Ewell said.

But, as always, the devil will be in the details, and the details won't be known until Treasury releases guidance on the tax credits.

New York City, for example, would like to take advantage of the new programs but the reimbursement nature of the credits could make it challenging as the government will have to put up the money first, said debt committee member David Womack, deputy director at NYC's Office of Management and Budget.