



DISTRIBUTION DATE: 10/01/2025

MEMORANDUM

TO: The Honorable Mayor & City Council

FROM: Jestin D. Johnson
City Administrator

SUBJECT: Federal and State Funding
Outlook

DATE: October 1, 2025

City Administrator Approval:

Date: October, 1 2025


Jestin Johnson (Oct 2, 2025 15:52:00 PDT)

INFORMATION

This memorandum provides an update on federal and state funding and potential impacts on the City, prepared with the assistance of Townsend Public Affairs as part of the City's Fiscal Roadmap initiative on contingency planning.

SUMMARY

The City of Oakland relies heavily on federal and state funding to support housing, homelessness response, youth and senior programs, public health, emergency management, transportation, and public safety. Given the growing volatility at both levels of government, City staff engaged Townsend Public Affairs (TPA) to prepare a memorandum (*Attachment A*) on current risks and uncertainties. This report contextualizes their findings for Oakland, identifying areas of potential greatest exposure, with the contingency plan to be developed and presented alongside the Midcycle Budget in May 2026. The memorandum reflects the latest information available as of the date of publication.

BACKGROUND

The [City's Roadmap to Fiscal Health](#) was presented to the City Council in June 2025, which identified specific projects to place the City on a sustainable fiscal path, including the development of contingency plans for risks tied to federal and state grant revenues. This memorandum represents the first step in identifying Oakland's exposure and the range of risks the City may face.

POTENTIAL RISKS

The findings presented in this section are based on analysis prepared by the City's federal and state advocacy consultant, TPA, which staff have summarized for clarity and brevity.

Federal and state funding that Oakland depends on is subject to significant uncertainty. Even after funds have been announced or budgeted, they can be reduced, delayed, or restricted. This

can occur through several mechanisms, including rescissions that cancel previously approved funds, executive orders that change eligibility rules, continuing resolutions that delay reimbursements, and budget actions that eliminate or scale back programs.

Federal Funding

At the federal level, Oakland is encountering new challenges that make it harder to secure and maintain discretionary grants. Executive orders now require that applications clearly advance Administration priorities, and political appointees are playing a larger role in reviewing awards. Many federal agencies also remain under-staffed, which slows down processing. These changes put Oakland's competitive applications for housing, transportation and public safety grants at greater risk of delay or denial.

Other federal risks identified include:

- Budget reconciliation and rescissions that permanently reduce entitlement, climate and social service programs. California is projected to lose between \$20 and \$40 billion over the next decade, which would shift costs to local governments.
- Sanctuary city designation, which could result in targeted cuts to Department of Justice (DOJ), Housing and Urban Development (HUD), and Health and Human Services (HHS) funding.
- Ongoing reliance on continuing resolutions (CRs), which keep the federal government open but delay reimbursements and the release of new awards, disrupting program timelines.
- Proposals to consolidate competitive grants into state-managed block grants, limiting Oakland's ability to apply directly and reducing local control over program design.
- A shift in federal homelessness policy away from Housing First toward more enforcement-driven approaches, which could jeopardize Oakland's existing harm-reduction programs.

State

At the state level, TPA noted that the FY 2025-26 budget preserved or expanded several major programs despite the State's \$12 billion deficit. These include:

- \$500 million in State Low-Income Housing Tax Credits, \$120 million for the Multifamily Housing Program, and \$500 million for the Homeless housing, Assistance, and Prevention (HHAP) program.
- \$300 million for the Dream for All homebuyer program
- \$1.1 billion in statewide transit funding
- \$10 billion in Proposition 4 bond allocations for water, wildfire, clean energy and climate resilience projects.

These allocations provide near-term stability and opportunities for Oakland to leverage state and federal matches, however, they remain subject to reduction if state revenues continue to decline or if federal cuts cascade into state programs. From the items above, only the HHAP program provides Oakland with a current direct allocation. The City can also apply for Proposition 4 bond funding for climate and resilience projects. The other programs are available statewide and benefit Oakland when residents, developers, or partner agencies compete successfully for allocations.

OAKLAND IMPACT AND ACTIONS UNDERWAY

In FY 2025-26, there is \$60.85 million currently budgeted in federal and state revenues. Of this, \$26 million supports housing and homelessness programs and \$21 million supports youth and education programs, which make up more than 80 percent of the City's exposure. Other areas such as senior services, public safety, public health, and arts and community development are smaller in scale but remain subject to changes in funding rules or program priorities. Potential reductions in federal and state support are significant across multiple City funds and the GPF may face backfill pressures if external funding is reduced.

It is important to note that the actual federal and state grant revenues received are typically higher than the adopted budget amounts, since City departments regularly seek Council approval to apply for and accept additional grants during the fiscal year. For reference, the table below shows actual federal and state grant revenues received in FY 2024-25 (pre-audit) with budgeted amounts for FY 2025-26.

Table 1: Federal and State Grant Revenues – FY25 Actuals and FY 26 Adopted Budget (in millions)

Category / Service Area	FY24-25 Actual Revenue Received			FY25-26 Budgeted Revenue		
	Federal	State	Total	Federal	State	Total
Arts and Community Dev	\$4.08	\$8.11	\$12.19	\$3.73	\$3.99	\$7.72
Emergency and Disaster Response	\$12.10	\$0.31	\$12.42	\$0.00	\$0.00	\$0.00
Environmental and Climate		\$1.29	\$1.29		\$0.00	\$0.00
Housing and Homelessness	\$24.41	\$117.62	\$142.03	\$26.02	\$0.00	\$26.02
Public Health	\$1.09		\$1.09	\$1.00		\$1.00
Public Safety	\$5.31	\$12.53	\$17.84	\$0.72	\$0.93	\$1.65
Senior Services	\$2.56	\$0.06	\$2.62	\$2.89	\$0.34	\$3.23
Transportation & Infrastructure	\$12.02	\$38.42	\$50.44	\$0.00	\$0.00	\$0.00
Youth/Education Programs	\$12.10	\$6.10	\$18.21	\$14.48	\$6.74	\$21.23
Grand Total	\$73.68	\$184.43	\$258.11	\$48.85	\$12.00	\$60.85


To address these risks, the City is taking several proactive steps. As previously noted, contingency plans are in development in anticipation of delays, recissions, or targeted cuts. This includes identifying alternative funding strategies, preparing scenarios for scaling programs if revenues are reduced, and ensuring departments are able to adjust quickly if reimbursements are delayed. These contingency plans will be developed as part of the City's broader Fiscal Roadmap process, with a package of options expected to be brought forward in May 2026.

In addition, legal and compliance review by the City Attorney's office has been made more rigorous for all federal grants, particularly those from the Department of Justice, the Department of Housing and Urban Development, and the Department of Transportation. These programs are most at risk of new conditions or eligibility restrictions.

City administration is also developing a grant policy that will be incorporated into the Consolidated Fiscal Policy (CFP) update at the end of the year. This policy will establish an internal review and approval process that must take place before any grant application is submitted. Because some grants require local matching funds that may not have an identified source, the Administration will also propose specific metrics for Council consideration to help determine which grants are most worthwhile to pursue. For those the City currently elects to pursue, a key process improvement is to move quickly on federal and state application to stay ahead of shifting priorities. Early submission may give Oakland a stronger chance of success if eligibility rules are later tightened.

Through the development of contingency plans, stronger compliance and oversight processes, and the forthcoming grant policy update within the CFP, Oakland is putting the systems in place to adapt quickly to changing conditions.

Respectfully submitted,


Justin Johnson (Oct 2, 2025 15:52:00 PDT)

Attachment A: Informational Memo from Townsend Public Affairs, Inc. on Federal and State Budget Impacts

MEMORANDUM

To: The Honorable Barbara Lee, Mayor, City of Oakland

From: Niccolo De Luca, Vice President, Townsend Public Affairs, Inc.
Ben Goldeen, Federal Advocacy Director
Alex Gibbs, Grants Director
Carlin Shelby, Senior Associate
Kerri West, Senior Associate
Joe Hansen, Federal Legislative Analyst

Date: September 2, 2025

Subject: Informational Memo/Federal and State Budget Impacts

BACKGROUND

Townsend Public Affairs (TPA) has prepared this memo for the City of Oakland, providing information and details relating to federal and state funding and potential impacts on the City.

FEDERAL BUDGET UPDATE

As the Administration pursues fiscal restraint, it has adopted a series of policies that generate uncertainty for end recipients of federal funding. These changes include provisions across multiple executive orders (EOs), newly proposed funding conditions, budget reconciliation, rescissions, and structural changes in the FY26 appropriations process, along with forthcoming program reauthorization bills.

The combination of these actions demands flexibility from local jurisdictions and has increased the effort required to access federal grant funding compared to prior years. Generally, previously executed grant agreements are difficult to modify unless the Administration provides sufficient cause under the Administrative Procedures Act. Grants that are yet to be awarded or lack an executed agreement may see significant changes compared with prior years. Upcoming Notices of Funding Opportunities are expected to contain new funding conditions that some jurisdictions may not be able to meet.

Federal Budget Reconciliation: Potential Cost Shifts to California

President Trump signed the \$3.4 trillion OBBBA on July 4, the largest tax and spending package in U.S. history. While it temporarily expands tax benefits, it also enacts deep, permanent cuts to federal entitlement and climate programs, shifting costs to states.

California may face a \$20–\$40 billion reduction in federal support over the next decade, particularly in healthcare, nutrition, and social services; pressures not addressed in the 2025–26 State Budget.

Breakdown of Various Federal Funding Changes

Executive Order on Federal Grantmaking

On August 7, President Trump signed an EO titled *Improving Oversight of Federal Grantmaking* and released a fact sheet providing additional detail. The EO renews and formalizes a process that the Administration began in February, reviewing discretionary grant programs and awardee projects for

compliance with Administration priorities. It designates political appointees to review individual awards and Notices of Funding Opportunities (NOFOs), specifying that “Discretionary awards must, where applicable, demonstrably advance the President’s policy priorities.”

The EO represents a continuation and formalization of the ongoing review process, which has already generated multiple court challenges over frozen funding. Agencies with reduced staff are now tasked with reviewing future NOFOs, currently unobligated funding, and projects already underway.

New Funding Conditions in Grant Applications and Agreements

The Administration continues to explore new funding conditions it can impose on federal grant recipients to ensure compliance with its priorities. The most notable condition would have required DOJ grantees to comply with the Administration’s interpretation of Section 1373, potentially barring “sanctuary jurisdictions” from receiving DOJ funds. Similar efforts are under consideration across other agencies, including HUD and DOT, though they continue to face court challenges.

FY26 Appropriations Remain Unclear; Continuing Resolution or Government Shutdown Likely

As the end of FY25 approaches on September 30, Congress remains behind in executing the appropriations process, which provides the general operating budget, programmatic funding, and earmarks for federal agencies. Given these delays, divisions between the bipartisan Senate draft bills and the partisan House versions, and the White House’s “skinny budget” being interpreted more as a statement of values than a substantive negotiating framework, a continuing resolution (CR) appears increasingly likely.

Historically, CRs have extended prior-year funding on a temporary basis to allow Congress to finalize negotiations and pass a package of 12 appropriations bills. While CRs generally maintain level funding temporarily, they often delay formulaic and discretionary funding until a full-year budget is enacted. FY25 ultimately relied on a full-year CR after negotiations collapsed in the spring.

Rescissions Further Threaten Programmatic Funding and Complicate Appropriations

Rescission packages—requests by the President to withdraw statutory budget authority granted to agencies—are further complicating appropriations following the passage of HR 4, which rescinded funds for several foreign aid programs and the Corporation for Public Broadcasting.

Because appropriations bills usually require 60 Senate votes to overcome a filibuster, they are generally bipartisan. However, OMB Director Russ Vought has expressed dissatisfaction with this process and views rescissions as a tool to undo compromises opposed by the Administration. He has openly discussed sending additional packages to Congress this fall, including one advancing the closure of the Department of Education and the transfer of its non-statutory responsibilities to other agencies.

2026 Surface Transportation Reauthorization Act, New Farm Bill, and Water Resources Development Act Pending

Before appropriators can fund specific programs, authorization bills establish the programs, offices, and conditions under which funding is provided. The President’s skinny budget request proposed consolidating carveout discretionary programs that local jurisdictions could apply for on a competitive basis into pre-existing block grant programs, usually administered through states.

As Congress drafts these authorization bills—particularly the Surface Transportation bill and the Farm Bill (covering food assistance programs)—it is increasingly likely funding will shift from competitive awards to formula-based allocations. Advocacy may expand the eligible uses of formula funds to cover projects that previously depended on competitive funding. However, these consolidations are largely being framed as cost-saving measures, which will likely result in lower overall funding.

Additional Executive Orders Supporting Nuclear Power

On May 23, President Trump signed an EO supporting the “rapid development, employment, and use of advanced nuclear technologies” in both domestic and military energy production.

The order authorizes the Department of Energy to test new reactor designs at National Labs, develop nuclear fuel recycling infrastructure, and accelerate permitting for new nuclear facilities on federal land. It also requires the Nuclear Regulatory Commission to adjudicate reactor license applications within 18 months.

The EO highlights the defense and artificial intelligence (AI) sectors as key drivers of future electricity demand. Multiple technology companies, including Microsoft and Google, have advocated for increased nuclear power to fuel AI data servers, which consume more energy than standard search engines.

Ending Crime and Disorder on America’s Streets

On July 24, the Trump Administration issued an EO titled *Ending Crime and Disorder on America’s Streets* that seeks to change how the U.S. addresses homelessness by reversing constraints on involuntary civil commitment, enforcing anti-vagrancy laws, and conditioning federal funds on enforcement. This follows the Supreme Court’s June ruling allowing people to be arrested and fined for sleeping in public spaces.

The EO represents a major shift in federal homelessness policy by emphasizing enforcement and institutionalization for homeless individuals deemed mentally ill or addicted to drugs, over voluntary care and housing-first principles. To accomplish these goals, the EO instructs the Attorney General and HHS to identify and challenge legal barriers, including consent decrees, that limit the use of civil commitment.

Funding Impacts

The EO directs federal agencies (HUD, HHS, SAMHSA, DOT) to prioritize funding for jurisdictions that enforce laws against public drug use, camping, loitering, and squatting. Federal resources may be withheld from localities that utilize low-barrier, housing-first models without treatment or accountability requirements. Programs that include supervised drug-use facilities or emphasize harm reduction without mandatory treatment may be deemed ineligible for federal funding.

As with many of the Administration’s EOs, litigation over civil rights, due process, and disability protections is expected. Since states set laws and manage the process of involuntary commitments, capacity constraints may limit how realistically this policy can be implemented while the Administration disinvests in treatment.

Protecting American Communities from Criminal Aliens

This EO reasserts “federal supremacy” over immigration, national security, and foreign policy, claiming that state and local officials have violated or obstructed the enforcement of federal immigration laws.

It directs the Attorney General to designate and publish “Sanctuary Jurisdictions” by May 28. Jurisdictions so designated will receive DOJ notice, after which the Attorney General and Secretary of Homeland Security must:

1. Report the federal funding these jurisdictions are receiving that can be suspended or terminated.
2. Pursue legal action to bring them into compliance with federal law.
3. Develop rules and guidance to ensure eligibility verification for individuals receiving federal public benefits from private entities.

The EO also mandates DOJ to challenge any state and local laws that “favor aliens over American citizens,” citing in-state tuition for non-citizens as an example.

Strengthening and Unleashing America's Law Enforcement

This EO addresses concerns raised by law enforcement unions and directs the U.S. military to develop capabilities to assist local law enforcement.

It first establishes a federal legal defense fund for law enforcement officers who “unjustly incur expenses and liabilities for actions taken during the performance of their official duties.” It empowers the Attorney General to maximize federal resources for inter-agency procedures, training, compensation, and prosecution of crimes against law enforcement. It further requires review and modification of consent decrees and legal arrangements that “unduly impede the performance of law enforcement functions.”

The EO also directs the Department of Defense to report within 90 days on opportunities for non-lethal integration with local law enforcement, and authorizes DHS to expand coordination through Homeland Security Task Forces.

The result will likely be increased transfer of excess military equipment and enhanced training coordination with local enforcement.

Enforcing Commonsense Rules of the Road for America's Truck Drivers

This EO rescinds a 2016 DOT memo that softened enforcement of requirements for commercial motor vehicle (CMV) drivers to be fluent in English. It reinstates English proficiency as a matter of safety and authorizes the Federal Motor Carrier Safety Administration to suspend drivers who do not meet the requirement.

It also directs the Secretary of Transportation to enhance verification of commercial driver's licenses, including foreign-issued credentials.

STATE BUDGET UPDATES

For 2025–26, the Legislature faced a \$12 billion deficit, requiring swift action including spending reductions, internal borrowing, fund shifts, deferrals, and revenue solutions. Drivers of the deficit included weaker economic growth tied to federal tariff policies, rising Medi-Cal costs, litigation against the federal administration, and emergency spending for wildfires in Los Angeles County. Despite the deficit, the Legislature prioritized housing, homelessness response, local government support, and transportation infrastructure. The State Budget was signed into law towards the end of June.

Housing Affordability Package

Affordable Housing

The budget directs resources through two major streams: \$500 million in supplemental state Low-Income Housing Tax Credits (LIHTC) and \$120 million for the Multifamily Housing Program. These investments aim to leverage additional federal and private funding sources.

Housing Production

The Legislature supported the Governor's proposals to streamline approvals and test new financing models. AB 609 (Wicks) and SB 607 (Wiener), serving as the framework for AB 130 and SB 131, represent some of the most sweeping housing, homelessness, and environmental streamlining reforms in years.

Rental Assistance

The Renters Tax Credit is set for reform, pending final agreement, to provide greater relief, particularly for renters with dependents. The revised credit could take effect in FY 2026–27.

Homeownership Access

The budget includes \$300 million for the California Dream for All program, supporting first-time buyers by eliminating traditional down payment requirements and reducing monthly mortgage costs.

Homelessness Response

- Encampment Resolution Fund appropriation.
- Allocated \$500 million in FY 2026–27 to the Homeless Housing, Assistance, and Prevention (HHAP) program.
- Expanded staffing for the Housing and Homelessness Accountability, Results, and Partnership (HHARP) unit to strengthen local compliance and enforcement.

Transportation

Preserved \$1.1 billion for transit programs, rejecting the Governor’s proposed cuts.

Public Safety

Approved \$100 million in one-time funding for Proposition 36 implementation.

Cap-and-Trade Extension and GGRF Realignment

Governor Newsom has announced his intention to extend Cap-and-Trade beyond 2030. Legislative negotiations will determine future GGRF allocations.

Proposition 4 Bond Implementation

Proposition 4, the \$10 billion bond approved by voters in 2024, funds water resilience, wildfire prevention, clean energy, biodiversity, and climate-smart agriculture. The Governor’s 2025–26 plan allocates \$2.7 billion, with early adjustments already enacted through AB 100. Further allocations will be refined through follow-up trailer bills.