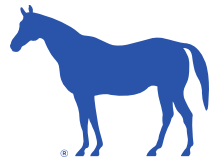


FEDERAL FUNDING & POLICY IMPACTS ON LFUCG

Budget, Finance, & Economic Development Committee



LEXINGTON

Grants Overview

- LFUCG manages a portfolio of federal grants valued at about \$50 million to \$60 million in annual expenses. This is down significantly as one-time funding for pandemic recovery has dwindled.
- Some grants are formula grants, meaning we get funds according to a specific formula because Lexington meets certain federal criteria.
 - This includes CDBG, HOME, ESG, certain highway grants, etc.
- Some grants are competitive, meaning we apply and are awarded a fixed grant for a fixed period of time.
 - This includes SAMHSA opioid and paramedicine funding, Assistance to Firefighters Grants, and many capital and social services programs.
 - These grants have a start and end date and aren't guaranteed year to year.

Evolving Federal Funding Landscape

- Beginning in 2025, federal priorities shifted, with federal agencies examining grants for compliance with shifting executive priorities (specifically regarding certain activities, e.g., DEI, immigration).
- To date, LFUCG has not lost federal grant funding or been passed over for federal grant funding because of these shifting priorities.
- A current proposal to amend the federal register would allow the current and future Administrations to award and rescind grants for any reason, including political reasons. This would impact LFUCG but also all recipients of federal funding.

Federal Budget & Grants: Overview

- No actual cuts or reductions implemented affecting LFUCG directly – despite shifting federal priorities.
- Significant “close calls,” including a notable 2025 scare when a major SAMHSA grant was withheld but then reinstated within days after public outcry.
- Ongoing legal and political battles continue to pose threats.
 - Continuum of Care Program changes and funding – shift from permanent to transitional and services only (HUD not funding housing).
 - Use of federal Save system to verify citizenship (on hold).

Legislative Win – ROAD to Housing Act

- Passed July 2026 – bipartisan law bundling 50-60 housing reforms.
- Key provisions:
 - Expands Community Development Block Grant (CDBG) uses to include new construction of affordable housing.
 - Requires CDBG grantees to maintain a publicly searchable database of publicly owned land suitable for development.
 - Expands flexibility in the HOME grant program.
 - Rewards/incentivizes communities that take steps to facilitate housing development such as density bonuses, eliminating parking minimums, etc.
 - Restricts large institutional investors from dominating single-family homes in a market (hasn't been an issue in Lexington).

Questions?



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