Bond Case Briefs

Municipal Finance Law Since 1971

Trump Clawbacks of FEMA Aid Present Risk to Muni Bonds, MMA Says.

- **DHS pulled back $80 million in FEMA grants to New York City**
- **Mayor Adams office is working to recoup withheld FEMA funds**

Municipal bond investors are being advised to scale back positions in credits that receive significant sums of money from the US government, as President Donald Trump seeks to affect state and local policy by withholding federal funding.

“It seems likely that Trump and Elon Musk will continue to find ways to cut back on federal assistance to cities and states from whom they want a policy change,” said Matt Fabian, a partner at Municipal Market Analytics. “Investors should be more careful with borrowers who have a deeper reliance on federal funding.”

The warning comes after Department of Homeland Security Secretary Kristi L. Noem announced that DHS rescinded $80 million in funds approved by congress to help New York City shelter undocumented immigrants in hotels and other facilities. The DHS grant program, which is overseen by the Federal Emergency Management Agency, came under fire last week by Trump, who claimed the money was being used to purchase rooms in “luxury hotels.”

New York City Mayor Eric Adams responded Wednesday to the funding revocation in a post on X. “Our office has already engaged with the White House about recouping these funds and we’ve requested an emergency meeting with FEMA to try and resolve the matter as quickly as possible,” wrote Adams.

Thus far in President Trump’s second term, his administration has threatened or implemented several policies that could have big impacts on the municipal bond market. The White House has been urging the General Services Administration, the government’s real estate manager, to cut federal office space, which is pressuring some municipal bonds backed by payments from the US government.

“Federal money used to be an asset,” Fabian said. “Now, it’s a liability.”

Bloomberg Markets

By Maxwell Adler

February 18, 2025

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com