



## Scenario Planning: The Local Response to Federal Funding Shifts

This quick guide explores how state and local governments can respond to increasing volatility in federal funding by strengthening local leadership, investing in capacity, and aligning funding with long-term community priorities through scenario planning.

### Why Local Leadership, Collaboration, and Capacity Matter More Than Ever

#### Publish Date

**Date**

#### Background

Federal funding has long been a cornerstone of state and local government operations. However, recent years have seen growing volatility in federal appropriations, grant programs, and policy direction. This unpredictability places pressure on local entities to be more strategic, resilient, and self-reliant. Federal funding is no longer just about eligibility; now, it is about agility.

Without scenario planning, local governments run the risk of:

- Launching multi-year programs that may lose funding mid-stream.
- Over-relying on flexible interpretations of obligation and expenditure.
- Misaligning projects with evolving federal priorities.
- Failing to meet accelerated compliance timelines.

#### Key Components

##### Federal Volatility

- Delays in federal budgets and continuing resolutions disrupt planning.
- Short-term funding cycles hinder long-term investments.

## Understanding the Impact

### Local Leadership and Innovation

- Local governments are increasingly stepping up to fill gaps.
- Strategic leadership is essential to navigate uncertainty and maintain service delivery.

### Capacity Building

- Investing in internal capacity (staffing, systems, partnerships) is critical.
- Local governments must be “grant-ready” to act quickly when opportunities arise.

### Strategic Alignment

- Funding decisions should align with community needs and long-term plans.
- Avoid “chasing dollars” that don’t fit the local government’s mission, capacity, or planned priorities.
- Take a proactive, rather than reactive, approach to grant planning.

### Why Scenario Planning Matters in Federal Funding

#### 1. Anticipates Disruptions

- Federal budgets can be delayed, reduced, or redirected due to political shifts, economic downturns, or emergencies.
- Scenario planning helps local governments prepare for funding cuts, delayed awards, or sudden opportunities.

#### 2. Supports Agile Decision-Making

- By outlining potential responses in advance, local entities can act quickly when conditions change.
- This agility is especially important for competitive grants with short application windows.

#### 3. Aligns Resources with Risk

- Helps prioritize investments in staffing, technology, or partnership based on the likelihood and impact of different funding scenarios.
- Encourages proactive rather than reactive resource management.

#### 4. Strengthens Strategic Alignment

- Ensures that grant pursuits and program expansions are consistent with long-term goals—even under constrained funding.
- Prevents mission drift caused by chasing misaligned funding.

#### 5. Improves Stakeholder Communication

- Provides a structured way to communicate risks and plans to leadership, funders, and community partners/members.

## Next Steps & Recommendations

- Builds confidence in the local government's preparedness and professionalism.

For local entities, the message is clear: **don't wait for stability—lead through uncertainty.**

### Immediate Actions to Take:

#### 1. Inventory/Understand Current Grant Portfolio

- To ensure your organization can plan for any impacts due to grant terminations or changes in policy, you must have a complete inventory.

#### 2. Conduct a Lost Funding Analysis

- A lost funding analysis will help your organization identify where opportunities exist AND if the grants enterprise is resourced sufficiently.

#### 3. Analyze Federal Funding Exposure

- It is important for your organization to see what programs and services could be at risk due to disruptions in federal funding. This includes both grants and benefit programs.

#### 4. Model Potential Impacts

- It is critical that your organization start modeling impacts and develop several response/mitigation scenarios.

#### 5. Establish Grant Governance and Planning Teams

- These teams will ensure that your organization mitigates any exposure to new policy directives having to do with current policy issues.

### Recommendations:

- **Coordinate with Executive Leadership** to set strategic direction, approve major funding decisions, and ensure alignment with long-term goals.
- **Review the budget bill in Congress** to determine what is being cut/moved.
- **Conduct in-depth strategic planning** in which you inventory your grants (includes sources, projects funded, departments, people assigned or managing programs, systems involved).
- **Conduct Scenario Planning.** For example, if money is cut from **X** HHS program can it be funded with **Y** HUD program?
- **Grant Management Teams** should conduct grant readiness assessments, lead grant identification, evaluation, application and compliance processes.

- **Develop a Go/No-Go framework** for evaluating opportunities. This tool should be used to assess all funding opportunities for your organization.
- **Invest in staff training** and cross-functional grant teams.
- **Engage with state associations and national networks** for shared learning.

## Additional Resources

Matthew Hanson, "[In the Face of Federal Volatility, State and Local Governments Must Lead with Purpose](#)," LinkedIn, June 16, 2025.

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