



State Debt Collection Against the Federal Government



A comprehensive guide that outlines the strategies, tactics, and best practices for state debt collection against the federal government



President Trump regularly abuses his power through executive overreach, including **threatening and withholding congressionally approved funding** from states when he personally disapproves of their policies or political leaders, or using dubious loopholes to cut federal programs. This has included cutting Head Start funds in violation of the Impound Control Act of 1974 and weaponizing a single subclause within federal regulations to unilaterally engage in a “slash-and-burn” campaign to terminate federal grants.

In response to this violation of the separation of powers, **state attorneys general across the country have filed lawsuits to prevent Trump’s federal “grant funding hostage scheme.”** The litany of legal challenges from states trying to protect their congressionally approved funding cuts across a wide range of issues, such as:

- Wind power in Rhode Island and Connecticut
- Equity-focused climate resilience in Washington
- Pre-disaster mitigation in twenty states
- Transit security in New York
- Transportation projects, emergency management (including punitive funding cuts), and even programs to protect public safety and assist victims of crimes in states that do not support Trump’s attacks on immigrant communities
- Post-pandemic resources for K-12 schools in fifteen states and D.C.
- Services for low-income K-12 students and higher education STEM programs if these services or programs prioritize support for historically marginalized communities
- Mental health services in high-need, low-income rural schools
- Shelter and essential programs for noncitizen migrants in Washington
- And a wide range of community programs, like 24/7 crisis hotlines, emergency services for overdose victims, and homeless shelters if they are not able to screen for immigration status before providing care.



“I think they know the lawsuits are a delay, and that they win if they’ve denied us the funds that were already owed. They got what they wanted if they withheld those funds for the four years of the Trump administration. If that’s their new game—that “sure, you get your climate funds when Biden’s in, but hey, if you didn’t spend that quick enough, and every Republican White House from now, we’re just gonna hold it for four years”—well, that’s not an acceptable situation for us to confront in future years.”

Maryland Delegate David Moon



The above examples represent only those issues that have resulted in lawsuits. Politically motivated funding cuts, such as those to transportation infrastructure in New York and New Jersey, continue, along with other expected abuses of power during the government shutdown. In response to these attacks, states have introduced legislation to mitigate the impact of illegally frozen federal funds, such as withholding state funds from the federal government or placing liens on federal properties.

Withholding State Funds

Legislation in **Maryland** (2025 MD HB 1545), **New York** (2025 NY SB 6915), and **Wisconsin** (2025 WI SB 353) would withhold state payments to the federal government to compensate for federal funds that are being illegally withheld from the states. Similar language was introduced in an amendment in **Connecticut** (Amendment to 2025 CT SB 1477). In **Pennsylvania**, Representatives Tarik Khan, Chris Pielli, Carol Kazeem, Tarah Probst, and G. Roni Green have introduced legislation authorizing the Commonwealth to offset unlawfully withheld federal aid by intercepting state payments and placing statutory liens on non-essential federal properties. All of these bills work in much the same way, with the New York legislation including additional public transparency through monthly reporting. While the Wisconsin legislation would require the secretary of their Department of Administration to take all the major steps below, bills in Connecticut, Maryland, and New York hold different state officials responsible for these mandates or authority. The following are the primary steps state officials would take based on these bills.

STATE DEBT COLLECTION: 4 LEGISLATIVE STEPS

ACTION PLAN FOR
STATE LEGISLATORS



STEP 01

Determine federal funds withheld in violation of court order.

- **Maryland:** The Board of Public Works (Governor, Comptroller, Treasurer) determines the amount legally owed to the state.
- **New York:** The State Comptroller determines funds legally owed by the federal government.
- **Connecticut:** The Secretary of the Office of Policy and Management, consulting with state comptrollers, performs these calculations.



STEP 02

Authorize state funds to be withheld from federal payments.

- **Maryland:** The Board of Public Works determines the specific amount of state funds to withhold.
- **New York:** The Governor, State Comptroller, and Budget Director authorize withholding state payments up to the amount owed to the state.



STEP 03

Implement a pause or reduction of state funds to the federal government.

- **Maryland:** Comptroller withholds payments (after Board approval) up to the determined amount.
- **New York:** Commissioner of Taxation and Finance withholds payments based on determinations by state leadership.
- **Connecticut:** Comptroller withholds funds up to amount determined by Office of Policy and Management.
- **Wisconsin:** Secretary of Dept. of Administration authorized to unfreeze funds once federal debts are received.



STEP 04

Share the numbers with the public and public officials.

- **New York:** Comptroller issues a monthly public report on funds owed and estimated future payments for the next 12 months.
- **Connecticut:** Secretary of Office of Policy and Management files a report with the House and Senate detailing funds owed and future payments.
- **Wisconsin:** Secretary of Dept. of Administration reports to Governor and Legislature on federal debt and required state payments.



Liens on Federal Properties

State legislation in Maryland ([2025 MD HB 1546](#)) and New York ([2025 NY AB 8636](#) and [SB 8173](#)) would implement a process to place liens on federal properties. Both bills assert that “the state reserves jurisdiction with respect to land that the United States or any unit of the United States leases or otherwise holds in the state when the federal government is found not in compliance with court decisions upholding federal congressionally approved spending.” The following are the primary steps state officials would take based on these bills.

STEP 01

Determine what federal funds are being withheld from the state in violation of a court order

- **Maryland:** the Board of Public Works determines the amount of funds legally owed to the state.
- **New York:** the state comptroller determines what funds are legally owed by the federal government, in consultation with the commissioner of taxation and finance.

STEP 02

Based on a review of this federal noncompliance with court decisions, place an equivalent lien on federal properties

- **Maryland:** the state’s central collection unit, in consultation with the attorney general, is allowed to place relevant liens on federal properties.
- **New York:** the state comptroller or the commissioner of taxation and finance, in consultation with the state’s attorney general, places liens on federal properties based on the amount of funds owed to the state.



Q&A with Bill Sponsors

To go beyond the bill summary, we interviewed **Maryland Delegate David Moon**, the author of 2025 MD HB 1545 and HB 1546, and **New York State Senator Jessica Ramos**, the lead bill sponsor of 2025 NY SB 6915. The following are excerpts from those conversations.

1. How would you describe this bill to a constituent?



Del. Moon

I try to use existing frames and policy concepts that my constituents will understand, and I've really shunted this entire question into one about the feds illegally withholding funds that we are due and getting those funds. And so I use the language of debt collection and "deadbeat" debtors as the frame that I invoke in this conversation, because it's one that people are quite familiar with. And in fact, the remedies that I'm suggesting are from the debt collection or "deadbeat" debtor world.

2. Where did this bill idea come from?



Del. Moon

I was spitballing with our comptroller, Brooke Lierman, and some of my smart colleagues in the Assembly, and I reached out to Jamie Raskin, my member of Congress, about this too. We had Vance traveling around Europe in those early days, and Trump talking about, well, "we're actually expanding executive power, and if we control the courts, let's see how long you guys can deal without these funds." It was clear that the delay was part of their strategy. So even if we [eventually] do get the funds, they're trying to deprive us of them for four years, plus whatever time it takes us to win back a chamber and get the pipeline of money coming back out, or win court cases.



Sen. Ramos

The State of Maryland actually has been leading the way by introducing legislation that would allow their state to directly withhold federal payments. We, of course, being our own state and having our own laws, wanted to figure out how that would work for New York. And in New York State, we just happen to be a donor state, and a donor city, right here in New York City. So we know that we hold power in being able to withhold that funding if we were allowed to.



GUIDE

Bill Design Considerations from Maryland Delegate David Moon

Debt Collection Tools



“One whole separate set of questions is which debt collection tools to use, which are achievable, and what’s legal federally and in your state?”

Auditing and Reporting



“If you’re really interested in the federal withholding angle, then I think a reporting element is important just to understand what funds are coming in and what funds are going out. There’s a second audit ... what does the scale of delinquency actually look like, and what methods have been attempted? If it’s all litigation, how many of them are litigation controlled by us, the state, and where in their recovery process is that?”

Debts to Target



“I suppose I’ve answered this by saying only those funds that were definitely owed. You could certainly try to apply this to ones in a more questionable category, like funds that they clawed back because you didn’t spend it in time.”

Methods of Withholding Funds



“Another thing, too, is how you’re holding it back. You can think about other ways to do that, like impounding or putting it in escrow.”

Preview of 2026



“I’m creating a process where the state can call the feds delinquent on an account and refer the matter to our collections department for action. And in doing so, the collections department is empowered to pursue a range of collection strategies, including but not limited to withholdings, liens on federal property, and the like.”

3. What prevents this type of legislation from being used to withhold payments to the federal government for purely political reasons?



Del. Moon

My proposal to initiate the collections process begins with our Board of Public Works. Now, I very well could have made that just the attorney general or the governor, but I intentionally didn’t want one person. Because if we’re locking this into law in future years, it seems weird if you have a Democrat or Republican governor just constantly lobbying delinquencies at the administration. I would like it to be something legitimate,

3. What prevents this type of legislation from being used to withhold payments to the federal government for purely political reasons? (cont.)



Del. Moon

and so my thought process was that this is not a politicized process, since these are bona fide funds that they're being "deadbeats" about. So, you'd have a process where these three people would get together in a public meeting, with the agendas announced and the meeting livestreamed, they have to vote on it, and there's professional staff for that meeting. I'm engaging in a little bit of trust, because we could certainly have an immoral Board of Public Works lineup at some date in the future that decides to go full-bore political in these decisions. But that was my step around this, by not making it the decision of a sole person. You can certainly add parameters if you would like to narrow it even more, like congressionally appropriated funds that are being withheld could have a trigger, such as litigation. You could also do it in the referral process, so that maybe the attorney general could refer it to collections once they've initiated litigation.

4. What concerns do you have about retaliation from the Trump administration?



Sen. Ramos

Of course, the Trump administration retaliates even if you didn't attack first. I mean, it's not about waiting to be the target. ... The Trump administration is withholding funding from very critical programs and infrastructure projects critical to the future of our state. And so if he's playing politics, our job is to protect our people and make sure that our taxpayer dollars are readily available to answer the questions of improved transportation and increased infrastructure, given climate resiliency needs and the housing challenges that we're facing. I think we have to acknowledge that we've already been allocated funds by Congress for certain things, and yet they are being overridden by an executive administration that is playing politics with the taxpayer. So, it's about acknowledging that the federal government holds more cards than the individual states, but that New York State is going to continue to try and think of creative solutions to combat any attack from this administration.

5. What feedback have you received from community members and advocates on this bill?



Del. Moon

The people who are interested in a greater resistance and visible fightback are interested in these proposals, as are people who are specifically interested in the question of being more creative and thinking outside of the box for tactics beyond "Hey, we're suing them." A number of my colleagues are interested in this because of the real public demand that they see a visible effort to do something about these illegal withholdings.

5. What feedback have you received from community members and advocates on this bill? (cont.)



Del. Moon

Now, having said that, on the flip side of this, I've certainly gotten a lot of feedback from lawyers, and non-lawyers too, about the "proper" ways of pursuing these things. And so that's one where I think those who have a strict lawyerly look at this, and they have a different goal set if the goal is to advise the client only on things where you're gonna get a "yes." But that's not always the purpose of the litigation, right? Sometimes people need to have their day in court. ... If the feds have a jurisdictional problem with this, so be it, but there's actually nothing stopping me from going and getting a piece of paper recorded and putting a lien on a federal property. ... And you can obviously let the courts make the final decision on whatever happens, but there's nothing that's stopping you from introducing legislation or implementing something like this.



Sen. Ramos

Oh, by and large, positive. I think New Yorkers and Americans writ large are really desperate to hear some real solution—not just rock throwing, not just yelling, not just tweeting, not just slogans, but actual measures that are going to stand up in court and that are going to have real repercussions for the wrongdoing that is taking place. Now, I actually get a lot of constituents who think that when I talk about withholding our taxes, I mean that we're going to force the population to withhold their individual taxes. Many constituents don't know that, aside from the individual income tax that we pay directly to the federal government, that doesn't pass through the state, but the state itself actually pays the federal government directly for a lot of services. I think the challenges are in explaining to the general public exactly what money it is that will be withheld, and then, of course, any challenges that we may expect in litigation from the federal government or the powers that be trying to stop us.

6. Why is this bill needed now, and what message does it send?



Sen. Ramos

Right now in New York, we are in an affordable housing crisis, we have a climate resiliency crisis, we have a mental health crisis, we have a child care crisis, we have an elder care crisis. We have so many challenges that we really do need a federal government that is honest and steadfast in solving these problems, because the fact is, we are not the only city or state going through these challenges. ... And I think we're living at a time when we really have to protect the social safety net, given the uncertainty, the precarity of the economy and the steep rise in poverty that we're seeing, certainly here in New York. So understanding that, for example, Donald Trump and his administration have already withheld \$356 million in cloudburst flood mitigation funding from New York City, and yet we are here now getting prepared for our hurricane season. That's a very scary time when there is an unstable or defunded FEMA that would normally be responsive to these types of natural disasters. So that means that we should be able to equip our governors with the strongest possible tools, so that when they're at the table having these discussions with the Trump administration about much-needed funding, for transportation and all of the things that we've been talking about, they are taken seriously.





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