

Latest Overview on Trump Administration Funding Freeze Actions

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Since taking office, President Trump has issued a series of executive orders and his Office of Management and Budget (“OMB”) has released memoranda that impact contractors and grantees obligations and disbursements.

Previously, we held webinars on Trump’s freeze of foreign assistance ([here](#), [here](#), and [here](#)), and also wrote a [post](#) summarizing [Trump’s executive order repealing EO 11246 and attempting to impose False Claims Act liability on illegal DEI/DEIA programs that violate federal anti-discrimination law](#). Discussed here is OMB’s January 27, 2025 temporary pause of “federal financial assistance” (including its rescission) and the status of: (1) foreign assistance contractors and grantees; (2) contractors and grantees with DEI/DEIA programs; and (3) non-foreign assistance grantees.

OMB Memorandum Directing and Rescinding a “Temporary Pause” of “Federal Financial Assistance”

On January 27, 2025, OMB released Memorandum M-25-13, titled “*Memorandum for Heads of Executive Departments and Agencies.*” The memorandum directs federal agencies to identify and review all “federal financial assistance” programs and supporting activities consistent with President Trump’s Executive Orders, “including” (but not expressly limited to) seven executive orders on [Immigration](#), [Foreign Assistance](#), [International Environmental Agreements](#), [Energy](#), [DEI](#), [Transgender issues](#), and the [Hyde Amendment](#).

In the Memorandum, the term “federal financial assistance” was defined as “assistance that recipients or subrecipients receive or administer’ in various forms,”¹ but the term “does not include assistance provided directly to individuals.” The Memorandum also states that Medicare and Social Security benefits are not impacted.

The Memorandum states that:

“[T]o the extent permissible under applicable law, Federal agencies **must temporarily pause** all activities related to obligation or disbursement of all Federal financial assistance, and other relevant agency activities that may be implicated by the executive orders, including, but not limited to, financial assistance for foreign aid, nongovernmental organizations, DEI, woke gender ideology, and the green new deal.”

¹ Quoting 2 CFR 200.1 (definition of “federal financial assistance”).

(bold in original). The Memorandum did not specify exactly which executive orders or programs were implicated.

The pause became effective at January 28, 2025 at 5:00 PM. OMB may grant exceptions on a case-by-case basis to allow agencies to issue new awards to take other actions. Additionally, “to the extent required by law,” federal agencies may continue to take “certain administrative actions,” such as the closeout of federal law (under 2 CFR 200.344) or other recording obligations expressly required by law.

By February 10, 2025, each federal agency is required to ensure that its federal financial assistance programs align with the Administration’s priorities by: (1) assign responsibility and oversight to a senior political appointee; (2) review current pending federal financial assistance announcements and, “to the extent permissible by law, cancel awards already awarded that are in conflict with Administration priorities”; and (3) ensure adequate oversight and initiate investigations when warranted to identify underperforming recipients and address identified issues up to and including cancellation of awards.

On January 28, 2025, OMB released a Q&A that stated: “**Any programs not implicated by the President’s Executive Orders is not subject to the pause.**” (bold in original). The Q&A also listed the seven executive orders that were identified in the Memorandum, but again, the Q&A did not explicitly limit which executive orders or programs were implicated. The Q&A did state that the pause “does not apply across the board. It is expressly limited to programs, projects, and activities implicated by the President’s Executive Orders, such as ending DEI, the green new deal, and funding nongovernmental organizations that undermine the national interest.” It also stated the pause did not affect “programs that provide direct benefits to Americans.” Specifically exempted were: Medicare, Social Security, Medicaid, SNAP, funds for small businesses, Pell Grants, Head Start, rental assistance, and “other similar programs.”

Several non-profits filed a lawsuit in the U.S. District Court for the District of Columbia, *Nat’l Council of Nonprofits v. Off. of Mgmt. & Budget*, No. CV 25-239, 2025 WL 314433 (D.D.C. Jan. 28, 2025), seeking a temporary restraining order. Before the Court, the Department of Justice provided a notice that stated the Memorandum “implicates only those programs subject to certain Executive Orders,” and attached the Q&A which lists the seven executive orders.

Also on January 28, 2025, the U.S. District Court for the District of Columbia stayed the Memorandum’s ban on disbursement of funds under **open awards** until at least February 3, 2025 at 5 PM, while the parties brief arguments on a temporary restraining order.

On January 29, 2025, OMB issued M-25-14, a two sentence memorandum rescinding M-25-13: “OMB Memorandum M-25-13 is rescinded. If you have questions about implementing the President’s Executive Orders, please contact your

agency General Counsel.” In the wake of the Memorandum being rescinded, it is unclear how federal agencies will implement President Trump’s Executive Orders.

Foreign Assistance Contractors and Grantees

The Executive Order on Foreign Assistance implemented a 90-day “pause” in new foreign assistance obligations and disbursements to foreign countries and implementing non-governmental organizations, international organizations, and contractors. During these 90 days, OMB and Secretary Rubio will review each program for “programmatically efficient and consistent with United States foreign policy.” Secretary Rubio has outlined [three questions](#) that will guide the review: (1) Does it make America safer? (2) Does it make America stronger? (3) Does it make America more prosperous?

USAID has communicated to contractors and grantees that they must take immediate action to pause implementation of USAID program-funded activities and otherwise refrain from further commitments or expenditures of USAID funding, until further notice. During the pause, contractors and grantees are required to mitigate costs. USAID has stated that they acknowledge the funding pause will have schedule and cost implications for implementing partners, and it will negotiate equitable adjustments as appropriate.

Further, all prospective solicitations, notice of funding opportunities, and any pre-award discussions or negotiations to stop immediately.

On January 28, 2025, Secretary Rubio issued an exemption from the pause for “core life saving programs,” such as medicine, medical services, and food and shelter from the foreign assistance funding pause.

Contractors and Grantees with DEI/DEIA Programs

The Executive Order on DEI ended illegal DEI programs within government and as directed agencies to terminate all “equity-related” grants or contracts and DEI requirements for employees, contractors, and grantees. This order is separate from the Executive Order Trump’s executive order repealing EO 11246 and attempting to impose False Claims Act liability on illegal DEI/DEIA programs that violate federal anti-discrimination law.

Together the two orders direct federal agencies to terminate existing DEI related contracts and grants, as well as prevent entities from using illegal DEI preferences in hiring.

Non-Foreign Assistance Grantees

In the initial aftermath of the OMB Memorandum, there was widespread concern that all federal obligations and disbursements for grantees would be paused. Upon OMB's release of its Q&A and its rescission of the Memorandum, the Administration has clarified that the pause does not apply to all non-foreign assistance grantees. Still, there are open questions on the scope of each executive order.

The Nichols Liu team continues to monitor the implementation of the new administration's executive orders for their impact on contractors and grantees. If you have any questions about how this executive order may impact your business with the federal government, please contact us.