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NATIONAL
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OF TOWNS
AND TOWNSHIPS

Special Report

Impact of Executive Action on Federal Funding

January 30, 2025

NATaT Special Report: Impact of Executive Action on Federal Funding

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Introduction

Late on Monday, January 27, 2025, the Office of Management and Budget (OMB) under President Donald Trump issued [Memorandum M-25-13](#), directing all federal agencies to pause disbursement of financial assistance—including grants, loans, and congressionally directed spending—except for Social Security, Medicare, and other direct aid programs for individuals. The memorandum also required agencies to submit reports detailing specific initiatives funded during the Biden administration.

On Tuesday, January 28, the administration released a fact sheet and a related spreadsheet, setting a February 7 deadline for agencies to submit their reports to the OMB. The primary objective of the memorandum was to eliminate Diversity, Equity, and Inclusion (DEI) and climate change policies from federally funded programs, in line with President Trump’s executive orders (EOs) including: [Eliminating Radical and Wasteful Government DEI Programs and Preferencing](#), [Protecting the American People Against Invasion](#), [Reevaluating and Realigning United States Foreign Aid](#), [Putting America First in International Environmental Agreements](#), [Unleashing American Energy](#), and [Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government](#).

The OMB directive was scheduled to take effect at 5:00 PM (ET) on January 28, 2025. However, minutes before 5:00 PM, a federal judge in Washington, D.C., issued a temporary injunction blocking enforcement of the memo through Monday, February 3, 2025.

On January 29, 2025, the administration formally rescinded the OMB M-25-13 directive but announced that it will continue a comprehensive review of federal programs and awards to ensure alignment with its policy priorities under the newly issued EOs.

NATaT staff will update this Special Report regularly with new and pertinent information as it develops and will address questions and feedback.

Questions Related to Navigating Policy and Priority Transitions

While the Memorandum has been rescinded, many questions remain about the implementation and impact of the directive. Provided below are answers to many of those questions that we hope are helpful as the Trump administration continues to evaluate and realign programs with the policies and priorities. During this transition period, towns and townships are encouraged to keep an open line of communication with federal agencies and review existing funding agreements.

NOTE: In most cases, congressionally directed spending, or earmarks, are treated as grants once they are signed into law and the appropriation is directed to the relevant funding agency. When addressing grant funding in this report, we are also referencing the processes and procedures for earmark awards.

How do policy and priority transitions impact open grant solicitations?

It is possible that open grant solicitations will be rescinded and re-evaluated, and then ultimately resolicited so that they align with the new administration's priorities. **This is not unusual and has happened in the past.** For example, in 2021, the first Trump administration issued its Notice of Funding Opportunity (NOFO) for the Fiscal Year (FY) 2021 US Department of Transportation's (USDOT's) Better Utilizing Investments to Leverage Development (BUILD) grant program just before he left office on January 20th. The Biden administration immediately pulled that NOFO and released an entirely new one a week later, changing the program name to Rebuilding American Infrastructure with Sustainability and Equity (RAISE) and aligning the program to the new administration's policy agenda and priorities. Funding was ultimately awarded to local and state projects under the criteria of the new RAISE grant.

What should we do if we are writing a grant right now?

If you are currently writing a grant application, you are encouraged to keep working under the current due dates and requirements as established in the applicable NOFO. We encourage you to continue to craft your narrative by responding to prompts and compiling data/budget numbers with an emphasis toward merit criteria that align with the Trump administration's priorities. Based on the EOs and recent changes to open NOFOs, we recommend you do not highlight DEI or climate change, which have been specifically targeted in the administration's EOs.

Let's use the RAISE/BUILD program as an example again. The FY 2025 solicitation for the program has a due date of January 30, 2025. While the original NOFO was released under the Biden administration (as RAISE), the Trump administration's USDOT issued a revised NOFO (as BUILD) last Friday, January 25 to align the program with the administration's priorities and EOs. Specifically, the new NOFO removed reference to a multitude of DEI and climate change initiatives previously prioritized under the Biden administration. While the general eligibility requirements and funding criteria of the program, established in federal statute, did not change, adjustment to the new administration's priority focus for the program should be considered in any application. Applicants should closely monitor program websites and updates for any amendments to open grant solicitations and be prepared to make modifications as they arise.

What happens to awarded funding in the negotiation stage?

If you have been awarded a grant, loan, or earmark but have not finalized an agreement with the funding agency, you may be impacted by changes to policies and priorities of the new administration. These changes may affect both new awards and disbursements under existing awards. Awardees are encouraged to contact the grant agency or grant program officer for specific guidance on your situation. Be prepared for potential delays in finalizing your grant agreement and receiving funds. You may also want to consider alternative funding sources or contingency plans to ensure continuity of your project. Funding awards that are in the contract negotiation stage may require project and budget amendments to comply with current and forthcoming EOs.

Can the administration rescind funds that are already awarded? What about federal funds that are not fully obligated?

Generally, the administration cannot rescind funds that have already been awarded through federal grants or congressionally directed spending. Awarded funding is considered "obligated," which is beyond the reach of

the rescission process under the [Budget Impoundment and Control Act of 1974](#) (ICA). Grant funds are typically considered obligated once a formal notice of award (NOA) or grant agreement is issued, committing the federal government to disburse funds for the specified grant period. The rescission process under the ICA applies only to unobligated budget authority, meaning funds that have been appropriated but not yet legally committed to specific recipients or purposes.

Even when legally committed, however, there are specific circumstances where a grant could potentially be terminated:

- If the recipient fails to comply with the terms and conditions of the award.
- With the consent of both the federal agency and the recipient.
- If the recipient initiates the termination.
- If the award terms explicitly allow for termination based on changes in agency priorities or program goals.

Recent changes to the Uniform Guidance (effective October 1, 2024) require that any policy-oriented termination basis must be expressly included in the award terms if the funding agency wishes to apply it.

It's important to note that while the administration cannot unilaterally rescind awarded funds, they may have some flexibility in managing unobligated funds or proposing rescissions for congressional approval. However, once funds are awarded and obligated, they are generally protected from rescission.

Should we proceed with bidding projects that have received federal funding?

The decision to proceed with a planned bidding process should be examined on a case-by-case basis. As noted above, in general, the administration cannot rescind funds that have already been awarded. However, activities related to DEI and climate change may no longer be eligible. We recommend reaching out to your specific program contact to determine the best next steps.

What should we do if we have received a grant award?

Many communities have grant funded programs in place right now, either through competitive grants, loan programs, or earmarks, or those driven by formula or pass-through mechanisms. We encourage you to take proactive steps to continue with your programmatic activities. Most grant funded programs require quarterly or semi-annually reimbursements or drawdowns. The following steps will help ensure that you remain in compliance with your federal and pass-through grant funding.

- **Review grant agreements and compliance requirements in your grant award letter.** This helps to ensure that grants align with the existing requirements like reporting deadlines and expenditure usage. If your grant has specific program or project elements that include the performance metrics for DEI activities (like Community Benefits Plans, programs and activities involving or relating to DEI objectives and principles, and/or Justice40 requirements, conditions, or principles) you should have already received notification from your federal funding agency on how to proceed. If not, we recommend you proactively contact the agency for guidance.
- **Ensure that your organization remains in compliance with grant agreements.** Remember to maintain communication with both internal and external stakeholders and maintain compliance with approved timelines and budgets. Continue your reporting and program schedule even if you currently

do not have direct contact with federal program managers. If there is a reporting deadline between now and February 10, 2025, continue to submit your reports on time.

- **Stay informed on policy changes.** Always stay up to date on any changes for your grant programs. Ensure that you follow directions from program managers or any communication from the funding agency. Regularly check funding agency websites for updates.
- **Engage with new stakeholders.** You can take this time to determine who new decision makers are/will be at your grant funding agencies and make a list of the new agency contacts. Prepare to contact these people in a few weeks or do so now if necessary. Remember that grant program officers and grant program managers will sometimes change during administration transitions, but new personnel will continue managing your project.
- **Expect increased scrutiny in your grant reporting.** Expect oversight efforts to increase with the administration changeover, especially with the emphasis on government efficiency. Make sure your record keeping is perfect and make sure audits are up to date and in process with your budget cycle, including comprehensive financial and program documentation for all programs regardless of which phase they are in. As always, *document everything* and stay in compliance.
- **Evaluate funding and project priorities.** Take this time to evaluate new funding opportunities and assess how the new administration's priorities align with program/project goals for your organization. Position your departments to pursue funding opportunities that match the updated agenda, including new or developing areas or focuses.

What Can We Do Now?

Remaining proactive with your federal funding portfolio will ensure continued grant compliance. Many actions that you can take now are very similar to preparing for your annual single audit. The updated Uniform Guidance released on October 1, 2024, requires all organizations that have expended over \$1 million in federal funds in your last fiscal year to have a single audit. The single audit also requires an organization to prepare a Statement of Expenditures from Federal Awards (SEFA). Your SEFA can help guide you to determine which federal awards are active for your organization. If you have expended less than \$1 million in federal funds over the last fiscal year, it is important to develop a list of projects for tracking, which hopefully will not be a huge lift for local staff.

Track Current Grant Programs

Work with your staff to create a list of active federal awards. Consider creating a status table for each award to determine where each award is in the grant process. Statuses should include negotiation, obligated, primary or sub-recipient, and cash type (reimbursable or advanced). Note whether the program provides direct staffing and whether the award has any indirect costs and sub-recipients.

Check All Applicable Platform Registrations

There are many different online platforms that are used in grant submission and grant administration. Please make sure to check your platform registrations to make sure you are up to date on all online services for your grant needs.

Common Grant Writing Platforms:

- SAM.gov - for entity registration and validation to access federal platforms and receive federal funding
- Grants.gov - for most federal grant submissions
- JustGrants - for most federal grant submissions for the Department of Justice

Common Grant Management Platforms

- ASAP.gov - for budget and programmatic reporting and fund reimbursement or drawdowns
- GrantSolutions - for budget and programmatic reporting, fund reimbursement or drawdowns, and project closeouts
- HUD DRGR - for budget and programmatic reporting and fund reimbursement or drawdowns for HUD disaster relief grants
- IDIS HUD - for budget and programmatic reporting and fund reimbursement or drawdowns for non-disaster relief HUD grant
- FEMA.go - for budget and programmatic reporting and fund reimbursement or drawdowns for all FEMA related grants including disaster relief grants

Review Grant Activities

As mentioned above, take time to review grant agreements and compliance requirements in the grant award letters. Highlight any activities that may be impacted by the existing EOs, such as those associated with DEI, electric vehicle charging, climate change, and Justice40 initiatives. We recommend not proceeding with these activities until you have verified programmatic requirements with your grant program officer.

Communicate With Your Grant Program Officer

Your Grant Program Officer is the key decision maker for all program activities associated with your grant program activities. These individuals will assist you with any required changes that are necessary to remain in compliance with your award. Currently, many grant program officers are taking longer than usual to respond. Do your due diligence in reviewing grant activities and request validation of activities that may seem non-compliant with the new administration's policies and priorities. You may be required to create grant program amendments and/or grant budget amendments to continue with your funded activities.

NATaT's Commitment

NATaT will continue to closely monitor this evolving situation and remains committed to delivering the most relevant updates to help you understand the state of the federal funding landscape and the process for accessing those funds. Please be on the lookout for additional resources to help you track these updates in real time. We will issue weekly updates to this report as new information emerges.

Definitions

Impoundment – Impoundment refers to the delay or withholding by the President of funds previously approved by Congress. These funds may have been appropriated by Congress but not yet apportioned by the OMB.

Appropriation – Appropriation refers to the process by Congress of allocating funding for specific programs and agencies within the federal government.

Rescission – Rescission refers to a formal request from the OMB to Congress to cancel certain budget authority, typically reflecting policy disagreements between the Executive and Legislative branches.

Obligated Funds - A federal obligation of funds is a legal commitment to disburse funds immediately or at a later date as a result of a series of actions. This commitment occurs when the federal government approves a project and executes the project agreement, essentially promising to pay for the federal share of a project's eligible cost.