



NSDA

NATIONAL SPECIAL DISTRICTS ASSOCIATION

Special Report

Impact of Executive Action on Federal Funding

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40 YEARS

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Special Report: Impact of Executive Action on Federal Funding

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Introduction

On January 27, 2025, the Office of Management and Budget (OMB) issued Memorandum M-25-13, directing federal agencies to temporarily halt the distribution of financial assistance, including grants, loans, and congressionally directed spending. This move was intended to realign federal funding with newly issued Executive Orders (EOs) from President Donald Trump while also eliminating Diversity, Equity, and Inclusion (DEI) and climate change policies from federally funded programs. The memo referenced the following EOs:

- [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](#)
- [Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government](#)

Although the OMB directive has since been withdrawn, it has generated widespread discussion about how executive actions might impact federal funding, particularly for special districts that rely on competitive grants and loan programs. To help navigate this evolving landscape, the National Special Districts Association (NSDA) Grants Program has compiled responses to frequently asked questions. As the administration continues to reassess federal programs to align with its policy goals, special districts should remain in close contact with federal agencies and carefully review their existing funding agreements.

NOTE: Congressionally directed spending—commonly known as earmarks—often operates similarly to grant funding once enacted and assigned to an agency. As such, any discussion of grant funding in this report also applies to earmark-related processes and procedures.

Questions Related to Navigating Policy and Priority Transitions

How do policy and priority transitions impact open grant solicitations?

Open grant solicitations may be rescinded, re-evaluated, and ultimately reissued to align with the priorities of a new administration. **This process is not uncommon and has occurred in previous transitions.** 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) on 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 of you 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.

Even if the OMB Memo has been rescinded, will elements of it still be considered enforced behind the scenes?

There is a possibility that some elements of the OMB memo may still be enforced. Most of these elements are related to priorities found within the President's EOs. When the OMB memo was originally released last week, a set of questions was also issued to the federal agencies asking them to consider several factors in their reviews of funding programs. While non-binding in nature, the questions, included below, provide insight into identifying administration priorities that could be flagged by federal agencies.

- **Does the program have any pending funding announcements?** This will help agencies decide to hold opening new funding announcements until they can adjust NOFOs to include the new administration policies and priorities.
- **Does the program have any anticipated obligations or disbursements of funds before 3/15/2025?** This helps agencies determine their current budget allocations until the existing Continuing Resolution (CR) expires for FY 2025 appropriations and funding.
- **Does the program have any statutory requirements mandating the obligations or disbursement of funds before 3/15/2025?** This helps agencies pinpoint any open funding announcements that must immediately change the NOFO to reflect the new administration priorities and policies but keep the grant deadlines. A good example of this was the Department of Transportation (USDOT) announcing an update to the RAISE/BUILD grant program NOFO but keeping the original deadline of January 30, 2025.
- **Provide the estimate date of the next obligation or disbursement of funds.** This helps agencies determine their budget allocation for the remaining of the existing FY 2025 CR and which obligations will continue to the next fiscal year budget cycle.
- **Does this program provide Federal funding to nongovernmental organizations supporting or providing services, either directly or indirectly, to removable or illegal aliens?** This helps agencies identify programmatic funding that may not align with [EO 14159–Protecting the American People Against Invasion](#) and several other immigration related EOs issued by the administration.
- **Is this program a foreign assistance program, or provide funding or support activities overseas?** This helps agencies identify programmatic funding that may not align with [EO–14169 Reevaluating and Realigning United States Foreign Aid](#).
- **Does this program provide funding that is implicated by the revocation and rescission of the U.S. International Climate Finance Plan?** This helps agencies identify programmatic funding that may not align with [EO 14162–Putting America First in International Environmental Agreements](#).
- **Does this program include activities that impose an undue burden on the identification, development, or use of domestic energy resources (including through funding under the IRA and IIJA)?** This helps agencies identify programmatic funding that may not align with [EO 14154--Unleashing American Energy](#).

- **Does this program provide funding that is implicated by the directive to end discriminatory programs, including illegal DEI and “diversity, equity, inclusion, and accessibility” (DEIA) mandates, policies, programs, preferences, and activities, under whatever name they appear, or other directives in the same EO, including those related to “environmental justice” programs or “equity-related” grants?** This helps agencies identify programmatic funding that may not align with [EO 14151– Ending Radical and Wasteful Government DEI Programs and Preferencing](#) and [Ending Illegal Discrimination and Restoring Merit-Based Opportunity](#).
- **Does this program promote gender ideology?** This helps agencies identify programmatic funding that may not align with [EO 14168– Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government](#) and other subsequent executive orders from this administration.
- **Does this program promote or support in any way abortion or other related activities identified in the Hyde Amendment?** This helps agencies identify programmatic funding that may not align with [EO–14182 Enforcing the Hyde Amendment](#).
- **If not covered in the preceding [questions], does this program support any activities that must not be supported based on executive orders issued on or after January 20, 2025 (including executive orders released following the dissemination of this [memo])?** Please see the TFG Special Report on Executive Actions from the Second Trump Administration for updated information regarding executive orders issued after January 20, 2025.

I am working on a grant or was planning to apply for a grant that has now been paused by the funding agency. What does that mean?

Some agencies have officially paused all funding for the moment to ensure that new administration priorities and policies are implemented within their funding announcements. We anticipate that programs that have a statutory requirement mandating the obligation or disbursement of funds will update their NOFOs first, followed by funding announcements that are regularly scheduled throughout the year. While we generally can anticipate the average timing of funding announcements, the final decision on when to open a solicitation is always made by the funding agency based on its preference. This is particularly very common during an administration transition. While we have seen some different federal agencies and departments pause funding, either for specific programs or generally across the board, we have also seen many programs open back up and/or be reposted.

Is there any update on agency disbursement of funds to awardees who are already under contract or have obligated contracts grant funds?

Grant funds are being released incrementally on an agency by agency and program by program basis. For example, some Department of Energy (DOE) programs are starting to obligate and disburse funds again after previously being halted under an earlier memo released by DOE.

What Can Districts 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 your 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.

Track Current Grant Programs

Work with your finance staff, controller, and grant management 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 you use 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.

Need Support or Have More Questions?

The grant experts of the NSDA Grants Program continue to closely monitor this evolving situation and are committed to helping special districts understand the federal funding landscape and adjust to the changing priorities. As always, our team is here to help you! If you have any questions about specific grants – whether on the pre-award or post-award side – we encourage you to connect with us during NSDA Office Hours or submit a project through the NSDA Project Idea Portal for advice on potential funding opportunities.



Schedule a meeting with our grant experts during [NSDA Grant Office Hours](#).



Seek guidance on potential funding sources through the [NSDA Project Idea Portal](#).



Access additional grant resources on the [NSDA Website](#).