

On February 28, a federal judge temporarily blocked the Trump Administration from enforcing a directive to halt payments of federal grants, loans and other assistance to an array of federal programs. Below is a summary of the directive and the action to date.

Overview

On January 27, the Office of Management and Budget (OMB) ordered a freeze of select federal funding, an unprecedented action that will have effects across the federal government. In a two-page [memo](#), OMB directs federal agencies to temporarily pause all activities to the obligation or disbursement of federal financial assistance or other agency activities in an attempt to review whether they apply to a slew of executive orders issued by the Administration during the first week. This includes, but is not limited to, “financial assistance for foreign aid, nongovernmental organizations, DEI, woke gender ideology, and the green new deal.” The temporary pause is intended to provide the Administration time to review agency programs and determine the “best uses of funding for those programs” as they relate to the President’s priorities. The memo outlines these priorities by pointing to the following executive actions taken by President Trump:

- Protecting the American People Against Invasion (Jan. 20, 2025)
- Reevaluating and Realigning United States Foreign Aid (Jan. 20, 2025),
- Putting America First in International Environmental Agreements (Jan. 20, 2025)
- Unleashing American Energy (Jan. 20, 2025)
- Ending Radical and Wasteful Government DEI Programs and Preferencing (Jan. 20, 2025)
- Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government (Jan. 20, 2025)
- Enforcing the Hyde Amendment (Jan. 24, 2025).

In implementing the executive order, OMB issued [guidance](#) and clarified that the pause does not apply “across-the-board,” but is rather expressly limited to programs, projects, and activities implicated by the President’s executive orders. Any program not implicated by the President’s Executive Orders is not subject to the pause.

According to the memo, the pause includes: 1) issuance of new awards; 2) disbursement of federal funds under all open awards; and 3) any other relevant agency actions that may be implicated by the executive orders until OMB has reviewed and provided guidance to the agency. In practice, this will likely apply to programs and spending authorized and appropriated under the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and other Biden-era spending bills. It also imposes a 90-day freeze on foreign aid. Companies receiving funding appropriated under the IRA or IIJA may see agencies pause their payments in response to the executive order as newly appointed agency heads conduct the review that this executive order prescribes.

However, a pause in payments may not mean that federal agencies will pause work or even permit a pause in work under agreements funded by the IRA or IIJA. A company's or organization's particular obligations will depend on the terms of their award. For instance, under a traditional procurement contract, contractors should generally continue performance absent a stop-work order received directly from the contracting officer.

The memo explicitly states that spending for Medicare and Social Security would not be impacted. In addition, OMB's follow-up memo clarifies that mandatory programs that provide direct benefits to individuals, including Medicaid and SNAP, will continue without pause, as well as "funds for small businesses, farmers, Pell grants, Head Start, rental assistance, and other similar programs."

With respect to IIJA and IRA, the Unleashing American Energy order from January 20 was clarified by a subsequent [OMB memo](#) indicating that the directive of section 7 of that EO applied only to funds supporting programs, projects, or activities that may be implicated by the policy established in Section 2 of the EO, which stated the following policy objectives—

- to encourage energy exploration and production on Federal lands and waters, including on the Outer Continental Shelf;
- to establish the US's position as the leading producer and processor of non-fuel minerals, including rare earth minerals;
- to protect the United States's economic and national security and military preparedness by ensuring that an abundant supply of reliable energy is readily accessible in every State and territory of the Nation;
- to ensure that all regulatory requirements related to energy are grounded in clearly applicable law;
- to eliminate the "electric vehicle (EV) mandate" and promote true consumer choice, which is essential for economic growth and innovation, by removing regulatory barriers to motor vehicle access; by ensuring a level regulatory playing field for consumer choice in vehicles; by terminating, where appropriate, state emissions waivers that function to limit sales of gasoline-powered automobiles; and by considering the elimination of unfair subsidies and other ill-conceived government-imposed market distortions that favor EVs over other technologies and effectively mandate their purchase by individuals, private businesses, and government entities alike by rendering other types of vehicles unaffordable;
- to safeguard the American people's freedom to choose from a variety of goods and appliances, including but not limited to lightbulbs, dishwashers, washing machines, gas stoves, water heaters, toilets, and shower heads, and to promote market competition and innovation within the manufacturing and appliance industries;
- to ensure that the global effects of a rule, regulation, or action shall, whenever evaluated, be reported separately from its domestic costs and benefits, in order to promote sound regulatory decision making and prioritize the interests of the American people;
- to guarantee that all executive departments and agencies (agencies) provide opportunity for public comment and rigorous, peer-reviewed scientific analysis; and

- to ensure that no Federal funding be employed in a manner contrary to the principles outlined in this section, unless required by law.

As an example of this, it was reported by the [Wall Street Journal](#) after the Executive Orders (prior to the recent OMB memo) that the Federal Highway Administration had shut down its computer system that helped state officials manage federal funds for road projects due to the executive order, but those systems were turned back on after the OMB memo clarifying the Unleashing American Energy order was issued.

Impoundment Control Act

While President's do have the power to pause spending subject to review, they are limited by the Impoundment Act of 1974. The Impoundment Act curbs a president's power to withhold Congressional spending; specifically, the law provides that presidents can only use the impoundment power by submitting requests to Congress about funds they don't want to disburse. Congress then must approve those requests within 45 days, otherwise the funds will be released.

The prevailing interpretation of the law prohibits presidents from unilaterally cancelling congressional funding, a viewpoint that to date has been backed by the courts. Legal experts have also weighed in to cite this funding freeze as a violation of the Impoundment Control Act, even though it is only temporary. In response, OMB's follow-up memo claims the pause of federal financial assistance is not an impoundment under the Impoundment Control Act, but rather a temporary pause to allow agencies time to ensure the financial assistance "conforms to the policies set out in the President's executive orders." Still, President Trump has publicly taken issue with this law and has claimed it is unconstitutional. Many see the funding freeze as the first step to a larger challenge of the law, which could likely be elevated to the Supreme Court.

It is important to note the Impoundment Act does not impact Congress' ability to rescind previously appropriated funds.

Congressional Response

Democrats quickly responded to OMB's announcement claiming the freeze is illegal, threatening court action, and warning Republicans about its impacts in their districts. In a Dear Colleague [letter](#), Democratic Leader Hakeem Jeffries (D-NY) announced House Democrats would hold an emergency meeting on January 29 to discuss a three-pronged approach: 1) an appropriations strategy; 2) a litigation strategy; and 3) a communications strategy. Leader Jeffries also instructed members to prepare to participate in a Day of Action this week while members are in their districts.

Senate Appropriations Committee Ranking Member Patty Murray (D-WA) and House Appropriations Committee Ranking Member Rosa DeLauro (D-CT) wrote a [letter](#) to OMB claiming OMB is working to "undermine the power of the purse, threaten our national security, and deny resources for states...and American families." The letter was also accompanied by [fact sheets](#) outlining the limitations of the

Executive Branch's power to override federal funding. Senator Murray has also called for a delay in the confirmation of Russ Vought to lead OMB until they are able to fully understand the freeze and its impacts.

In contrast, the majority of Republicans have thus far backed the Administration's actions, indicating their concerns regarding the flurry of spending the Biden Administration issued at the end of his term and comparing it to the spending freeze the Biden Administration issued in relation to the border wall in the early days of his presidency. However, Senator Collins told reporters on January 28 that "[t]here are a lot of federal programs that appear to be swept up in this order, and I think the administration needs to be more selective and look at a department at a time, for example, but make sure that important direct service programs are not affected."

Timeline

The temporary pause will become effective on January 28, 2025, at 5:00pm. This provides all federal agencies with approximately 24-hour notice. OMB has directed federal agencies to submit detailed information on any programs, projects, or activities subject to this pause by February 10.

OMB directed federal agencies to complete a spreadsheet, linked [here](#), by February 7 and return it to OMB. The spreadsheet targets programs within each agency's jurisdiction that are subject to review. For each program, OMB is seeking information regarding political appointees responsible for overseeing each program, any pending funding announcements, anticipated obligations or disbursements of funds through March 15, any statutory requirements mandating the obligation or disbursement of funds, and the estimated date of the next obligation or disbursement of funds. Agencies must also answer the below questions with regards to the programs in question:

- Does this program provide Federal funding to nongovernmental organizations supporting or providing services, either directly or indirectly, to removable or illegal aliens?
- Is this program a foreign assistance program, or provide funding or support activities overseas?
- Does this program provide funding that is implicated by the revocation and rescission of the U.S. International Climate Finance Plan?
- 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 Inflation Reducing Act of 2022; and the Infrastructure Investment and Jobs Act)?
- 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?
- Does this program promote gender ideology?
- Does this program promote or support in any way abortion or other related activities identified in the Hyde Amendment?

- If not covered in the preceding columns, 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 spreadsheet)?

The Senate is working towards confirmation of President Trump's nominee to lead OMB, Russ Vought, who will likely oversee this effort once installed. During his initial confirmation hearings, Vought has also held that President Trump did not violate the Impoundment Control Act with his early executive order halting some federal funding, suggesting that he is likely to back this action as well. Notably Vought is also one of the authors of Project 2025 which calls for government funding cuts at rapid scale.