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Federal Government Freezes Grant/Loan Disbursements – What It Means for Nonprofits

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On January 27, 2025, the United States Office of Management and Budget (OMB) issued a pause, set to go into effect at 5 p.m. on January 28, to all “federal financial assistance programs and supporting activities.” The order is sweeping in its scope, suggesting that it applies to approximately \$3 trillion of annual federal spending, including:

1. Grants, cooperative agreements, non-cash contributions or donations of property (including surplus property), direct appropriations, food commodities, and other financial assistance; and
2. Loans, loan guarantees, interest subsidies, and insurance.

The pause will affect, “to the extent permissible under applicable law...all activities related to obligation or disbursement of all federal financial assistance.” The pause also applies to activities related to open Notice of Funding Opportunity. The pause is set to last at least until February 10, 2025, when agencies must submit to the OMB detailed information on the programs and activities subject to the pause. While the order does allow for exemptions in certain circumstances, those are not spelled out. Moreover, agencies are directed to withdraw announcements and cancel awards “that are in conflict of administration policies.”

What this means to you

The scope of the order is broad but unclear at this point; the exemptions are equally unclear at this time. It is likely that in the next few days, agencies will not disburse funds as they determine the scope of the order, and the pause on

disbursements and awards could extend significantly past **February 10**. Suits have already been filed to enjoin the pause; but for the moment, nonprofits who depend on grant disbursements should anticipate that there may be significant delays in their funding or prepare to argue to the agencies why their grants are exempt.

Although the impacts on each specific federal agency and financial assistance program are yet to be determined, recipients of government grant and loan programs can take certain steps to prepare for uncertainty, stop work orders, or cessation of funding, and should consider taking the following actions:

1. Collecting cost information through at least January 28, 2025, and beginning to prepare any allowable costs for reimbursement for work that has already been formed;
2. If issued a stop work order or a notice that funding has been cut off, cease operations to the extent practicable and take reasonable steps to mitigate ongoing costs during any funding suspension;
3. Collect and maintaining records of all costs incurred and/or mitigated during any pause in funding;
4. Review subcontractor and subrecipient agreements and take appropriate action to timely and properly notify subcontractors or subrecipients of any pauses in operations.

Recipients of federal financial assistance should consult with counsel on any specific and detailed concerns they may have regarding the impact of this pause on their operations.

Husch Blackwell's blog post provides key insights into the immediate impacts you need to know.

Contact us

If you have questions regarding how the pause impacts your nonprofit, please contact Robert Romashko, Jordan Ault, Michael Schrier, Steven Neeley, or your Husch Blackwell attorney.