

New Executive Order Calls for Reforming Federal Grant Oversight

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WHAT: On August 7, 2025, President Trump released an Executive Order (EO), "Improving Oversight Of Federal Grantmaking." Citing a study from 2024 that claimed more than a quarter of the new National Science Foundation (NSF) grants went to diversity, equity, and inclusion, the EO seeks to "improve the process of Federal grantmaking while ending offensive waste of tax dollars."

The EO requires each agency head to designate a senior appointee to be responsible for creating a process to review new funding opportunity announcements and discretionary grants to ensure they are consistent with "agency priorities and the national interest." Going forward, agencies are prohibited from issuing new funding opportunity announcements without receiving approval from one or more senior appointees or their designees who will review and approve funding opportunity announcements and discretionary awards using principles established in the EO.

WHEN: Within 30 days of the EO's release on August 7, 2025, each agency head is required to review the agency's standard grant terms and conditions and submit a report to the Director of the Office of Management and Budget (OMB) detailing: 1) whether the terms permit a termination for convenience by the agency if the award no longer effectuates the Executive branch's goals and policies; 2) whether the terms for discretionary foreign assistance awards permit termination based on the national interest; and 3) the total number of active discretionary awards at the agency and the approximate percentage of funding under those awards that include termination provisions that allow for termination if the award no longer effectuates the Administration's goals. The EO also requires agency heads to insert in future discretionary grant agreements terms and

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conditions that: 1) prohibit recipients from directly drawing general grant funds for specific projects without the affirmative authorization of the agency; and 2) require grantees to provide written explanations or support for requests for each drawdown.

WHAT IT MEANS FOR INDUSTRY: The EO likely will have a significant impact on the disbursement of federal grants, especially those that are discretionary. Notably, the EO does not purport to apply only to future grantmaking; the EO directs agencies—to the maximum extent permitted by law—to revise the terms and conditions of **existing** discretionary grants to “permit immediate termination for convenience, or clarify that such termination is permitted, including if the award no longer advances agency priorities or the national interest.” Agencies may also try to add these termination-related terms via grant amendments based on the EO’s direction that “Agency heads shall take action to incorporate these new terms and conditions into **all** future amendments to grant awards.” The EO also requires codification of this policy beyond individual grant agreements, charging the OMB Director with revising the Uniform Guidance and other relevant guidance to incorporate the requirement that all discretionary grants permit termination for convenience. Additionally, the EO directs OMB to update such guidance to streamline application requirements and limit the use of discretionary grant funds for costs related to facilities and administration.

The EO requires senior appointees to review each new funding opportunity announcement and discretionary awards in accordance with specified principles:

- Discretionary awards must, where applicable, demonstrably advance the President’s policy priorities.
- Discretionary awards shall not be used to fund, promote, encourage, subsidize, or facilitate: (A) racial preferences or other forms of racial discrimination by the grant recipient, including activities where race or intentional proxies for race will be used as a selection criterion for employment or program participation; (B) denial by the grant recipient that sex is binary in humans or the notion that sex is a chosen or mutable characteristic; (C) illegal immigration; or (D) any other initiatives that “compromise public safety or promote anti-American values.”
- All else being equal, preference for discretionary awards should be given to institutions with lower indirect cost rates.
- Discretionary grants should be given to a broad range of recipients rather than to “a select group of repeat players.”
- Applicants should commit to complying with Administration policies, procedures, and guidance respecting Gold Standard Science.
- Discretionary awards should include clear benchmarks for measuring success and progress towards relevant goals and, as relevant for awards pertaining to scientific research, a commitment to achieving “Gold Standard Science,” which the Administration defined and mandated that agencies implement in EO 14303, “Restoring Gold Standard Science.”
- To the extent institutional affiliation is considered in making discretionary awards, agencies should prioritize an institution’s commitment to rigorous, reproducible scholarship over its historical reputation or perceived prestige.

As such, those who have traditionally relied on federal grants for work that aligns with civil rights, racial equity, gender equity, or immigration may face barriers in obtaining and accessing federal grant funds. Applicants and recipients of federal grants should review the terms of their grants thoroughly in consultation with their legal counsel and should document alignment with the current Executive branch's policies. They should also review legal challenges that may emerge over grant terminations or criteria for funding that create disparate impacts in violation of the Constitution's Equal Protection Clause.

Wiley's Government Contracts Practice has extensive experience helping clients navigate evolving law and policy in this area. We are continuing to monitor developments from the Administration and are ready to help our clients navigate these changes.

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