

# Executive Order Seeks to Reshape Federal Grantmaking Policy and Oversight

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August 26, 2025 Daniel Ramish, Jonathan Shaffer, Jonathan Keller

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**PRACTICES** Government Contracts

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On Aug. 7, 2025, President Trump issued Executive Order 14332, titled “Improving Oversight of Federal Grantmaking.” The executive order marks a new direction for federal grantmaking policy and oversight. In recent months, the Trump administration has implemented significant changes to federal grants and assistance. This order consolidates, reinforces and calls for codifying the administration’s grant initiatives, including measures such as increasing senior political appointee involvement in funding opportunities and awards, standardizing and expanding federal agencies’ rights to unilaterally terminate grants, reducing indirect cost rates, and scrutinizing diversity, equity, and inclusion and similar programs. The executive order also introduces other notable changes in how federal grants will be awarded—and, potentially, to whom.

Executive Order 14332 is intended to ensure that federal grant spending more closely reflects the administration’s policy objectives, limit funding for activities deemed contrary to those objectives and increase accountability in the grant award and management process. Federal assistance recipients should expect heightened scrutiny and potentially significant shifts in funding opportunities and program requirements.

## Political Appointee Review

The EO calls for senior political appointees to provide new oversight for grant solicitations and awards in coordination with the Office of Management and Budget (OMB):

- Senior appointees or their designees will review and approve agency funding opportunity announcements and conduct pre-issuance reviews of discretionary awards to ensure consistency with applicable law, agency priorities and national interest, including conducting discussions with grant review panels or program offices.
- New measures will be instituted to ensure funding opportunity announcements include only requirements necessary for adequate evaluation, are in plain English, minimizing the need for legal or technical expertise in drafting an application, and eliminate redundancy between agencies.
- Agency heads are directed to designate one or more senior appointees to review awards annually for consistency with agency priorities and substantial progress, with “an accountability mechanism for officials responsible for selection and granting of the awards.”
- No new funding opportunity announcements may be issued until the review processes are established, unless prior approval is granted by the designated senior appointee.

## Considerations for Discretionary Awards

The order establishes new requirements for awarding discretionary grants to promote the Administration’s policies and to disfavor or eliminate awards contrary to those policies.

- Discretionary awards “must, where applicable, demonstrably advance the president’s policy priorities.”
- Discretionary awards are prohibited from funding, promoting, encouraging, subsidizing or facilitating: (A) racial preferences or other forms of racial discrimination by grant recipients (including “activities where race or intentional proxies for race will be used as selection criterion for employment or program participation”); (B) “denial by the grant recipient of the sex 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.”
- A new preference will apply for “institutions with lower indirect cost rates.” The National Institutes of Health (NIH)<sup>1</sup>, the National Science Foundation (NSF)<sup>2</sup>, the Department of Defense (DoD)<sup>3</sup>, and the Department of Energy (DOE)<sup>4</sup> took steps earlier this year to restrict federal research organizations’ reimbursement for indirect costs, generally instituting a 15 percent indirect cost rate cap. Plaintiff groups challenged the legality of the rate caps, and litigation is ongoing.<sup>5</sup> Now, indirect cost rates will receive new consideration in awards of discretionary grants under the EO.
- Applicants for awards pertaining to scientific research “should” commit to “Gold Standard Science,” and awards should include benchmarks measuring success and progress toward relevant goals.” This requirement builds on another recent Executive Order, EO 14303, Restoring Gold Standard Science (May 23, 2025), which defined “Gold Standard Science” as science conducted in a manner that is, among other things, reproducible, transparent, skeptical of its findings and assumptions, and without conflicts of interest.<sup>6</sup> The Administration touted EO 14303 as a measure to “rebuild public trust in science.”<sup>7</sup> However, some in the scientific community, such as the Union of Concerned Scientists, expressed concerns that EO 14303 gives political appointees control over science.<sup>8</sup>
- The EO calls for issuing awards to “a broad range of recipients rather than to a select group of repeat players” and, with respect to institutions of higher education, indicates that agencies should discount “historical reputation or perceived prestige” in favor of consideration of “an institution’s commitment to rigorous, reproducible scholarship.” These changes, together with new plain language and directives to simplify funding opportunity announcements, may potentially broaden access to federal assistance.

## Mandatory Termination for Convenience Clauses

OMB’s Uniform Guidance currently provides for funding agency rights to unilaterally terminate an award “to the extent authorized by law” if it “no longer effectuates the program goals or agency priorities.”<sup>9</sup> In the early months of the president’s second term, agencies have terminated an unprecedented number of grants. But termination rights must be specified in the terms and conditions of the award, and if the agency does not include a termination provision —intentionally or inadvertently —the agency will not have the right to terminate.<sup>10</sup>

- The EO calls for revisions to the Uniform Guidance termination provisions “to further clarify and require all discretionary grants to permit termination for convenience, including when the award no longer advances agency priorities or the national interest,” subject to certain discrete exceptions.
- Agencies are directed to review their standard grant terms and conditions within 30 days and report to the OMB Director whether they permit termination for convenience, including of awards that “no longer effectuate the program goals or agency priorities,” whether foreign assistance awards permit termination “based on the national interest,” and information about

the number of active awards and amount of funding obligated under awards with termination provisions.

- Agency heads are also directed, “to the maximum extent permitted by law,” to revise terms and conditions of existing discretionary awards to add convenience termination rights or “clarify” that convenience termination is permitted.
- Finally, the EO prescribes new controls over payments under federal awards. “To the extent practicable and consistent with applicable law,” the EO calls for agency heads to insert in future discretionary grants award terms that require affirmative authorization of the agency to draw down general grant funds for specific projects and require grantees to provide specific “written explanations or support” for each drawdown request.

## Takeaways for Federal Assistance Recipients

- The impact of the Order will depend on how it is implemented in the Uniform Guidance and agency grant and assistance regulations. The EO, however, contemplates substantial changes.
- Changes to evaluation and award processes may present challenges for many established recipients that depend on federal funding. Some recipients may need to make organizational changes to remain competitive for future awards.
- The new reviews required by the Order could extend award timelines, while the new drawdown controls may delay payments under awards.
- A key issue to watch is how OMB reconciles the new policies with statutory requirements when revising the Uniform Guidance.
- As with other Administration grant policies, affected parties are likely to bring legal actions challenging some of the EO provisions.

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<sup>1</sup> Supplemental Guidance to the 2024 NIH Grants Policy Statement: Indirect Cost Rates, Notice Number NOT-OD-25-068 (Feb. 7, 2025), <https://grants.nih.gov/grants/guide/notice-files/NOT-OD-25-068.html> (establishing standard 15% indirect cost rate across all NIH grants).

<sup>2</sup> NSF Policy Notice 25-034, Implementation of Standard 15% Indirect Cost Rate (May 2, 2025), <https://www.nsf.gov/policies/document/indirect-cost-rate>.

<sup>3</sup> Secretary of Defense Memorandum, Implementation of a 15% Indirect Cost Cap on Assistance Awards to Institutions of Higher Education (May 14, 2025), [https://www.cogr.edu/sites/default/files/Implementation\\_of\\_a\\_15\\_Percent\\_Indirect\\_Cost\\_Cap\\_on\\_Assistance\\_Awards\\_to\\_Institutions.pdf](https://www.cogr.edu/sites/default/files/Implementation_of_a_15_Percent_Indirect_Cost_Cap_on_Assistance_Awards_to_Institutions.pdf).

<sup>4</sup> DOE Policy Flash, PF 2025-22, Adjusting Department of Energy Grant Policy for Institutions of Higher Education (IHE) (Apr. 11, 2025), <https://www.energy.gov/management/pf-2025-22-adjusting-department-energy-grant-policy-institutions-higher-education-ihe>. DOE went further than the other agencies, restricting indirect rates for *all awards* to state and local governments, non-profit organizations, and for-profit organizations, not just research. See Department of Energy Press Release, Energy Department Aligns Award Criteria for For-profit, Non-profit Organizations, and State and Local Governments, Saving \$935 Million Annually (May 8, 2025), <https://www.energy.gov/articles/energy-department-aligns-award-criteria-profit-non-profit-organizations-and-state-and>.

<sup>5</sup> See J. Shaffer & D. Ramish, Federal Grant Practice § 2:26 (2025 ed.).

<sup>6</sup> EO 14303 (Sec. 3) calls for the Director of Science and Technology Policy (OSTP Director) to issue guidance for agencies for scientific activities, to ensure federal science is, among other things, conducted in a manner that is reproducible, transparent, communicative of error and uncertainty, subject to unbiased peer review, and free from conflicts of interest. Senior political

appointees are designated (in Sec. 7) as responsible for evaluating alleged violations of the standards and “other applicable agency policies governing the generation, use, interpretation, and communication of scientific information.”

<sup>7</sup> Fact Sheet: President Donald J. Trump is Restoring Gold Standard Science in America (May 23, 2025), <https://www.whitehouse.gov/fact-sheets/2025/05/fact-sheet-president-donald-j-trump-is-restoring-gold-standard-science-in-america/>.

<sup>8</sup> Union of Concerned Scientists, *Trump’s Executive Order Puts Science Under the Thumb of Politics* (May 29, 2025), <https://blog.ucs.org/jules-barbati-dajches/trumps-executive-order-puts-science-under-the-thumb-of-politics/>.

<sup>9</sup> 2 C.F.R. 200.340(a)(4). OMB added unilateral termination rights to the Uniform Guidance during President Trump’s first term. Guidance for Grants and Agreements, 85 Fed. Reg. 49,506 (Aug. 13, 2020); *see also* J. Shaffer & D. Ramish, *Federal Grant Practice* § 44:15 (2025 ed.).

<sup>10</sup> 2 C.F.R. 200.340(b).

<sup>11</sup> Exceptions include agreements furthering international trade agreements, certain awards incentivizing domestic semiconductor manufacturing, research, and development authorized by the fiscal year 2021 National Defense Authorization Act and the CHIPS Act of 2022, and grants to state and local governments to build out broadband infrastructure under division F of the Infrastructure Investment and Jobs Act.