

Proposed Temporary Pause of Federal Grant Programs

Overview

On January 27, 2025, the director of the President's Office of Management and Budget (OMB) issued a memorandum temporarily pausing federal financial assistance and requiring federal agencies to identify and review all federal financial assistance programs and supporting activities for consistency with the new administration's policies, outlined in several executive orders. The pause was to become effective on January 28 at 5:00 PM.

Before the pause could take effect, a federal court judge blocked its implementation until at least February 3.

There has been considerable uncertainty about the number of federal programs affected by the pause. The scope has been further refined throughout the course of today.

Summary

As clarified by OMB, the memorandum is directed at federal grants to determine whether they are consistent with the new administration's executive orders involving immigration, foreign aid, energy policy, diversity, equity, and inclusion programs and emergency health care. The memorandum also:

- By February 10, 2025, requires federal agencies to review their programs for consistency with the administration's priorities and submit detailed information on programs subject to the pause.
- Provides OMB the authority to grant exemptions from the pause on a case-by-case basis.

In clarifying statements, the administration has indicated the temporary pause will not affect individuals who receive direct assistance from the federal government, such as Social Security, Medicare, Medicaid, SNAP (Food Stamps), and student loans. In addition, the temporary pause will not affect funds for small businesses, farmers, Pell grants, Head Start, rental assistance, and other similar programs.

After excluding direct federal assistance to individuals, the state receives approximately \$13 billion annually in federal aid. Giving the evolution in federal guidance in terms of the scope of the pause, we do not have a reliable means of determining how much of the \$13 billion would be affected by the OMB memorandum.

Presidential Authority to Pause Spending

The Congressional Budget and Impoundment Control Act of 1974 (ICA) allows the President to request Congress rescind appropriated funds. If Congress does not approve the rescission within 45 days, the funds must be available for expenditure.

The ICA also allows the President to use a deferral to temporarily delay spending certain funds with the intent to spend them before their appropriation lapses. However, the deferral mechanism is limited to use for contingencies, efficiencies, or when specified by law.

The administration believes the temporary pause is not governed by the Impoundment Control Act. Several groups have filed suit or are in the process of filing suit to enjoin the pause in spending, claiming the pause is unlawful.