

Publications

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Federal Grant Funding: A Thaw in the Freeze?

Last week was a roller coaster ride for health care providers and other recipients of federal grant funding. Here's a quick recap of everything that's happened since our last e-alert:

OMB Memo Rescinded – On January 29, the OMB issued a rescission of the memorandum (M-25-13) that contained the agency directive to review federal grant programs and the corresponding funding pause (the OMB Memo). Providers and other outside observers could be forgiven for making the assumption that this would be the end of the story for the time being.

The Story Continues – Shortly after the OMB rescinded the OMB Memo, communication from the White House, including posts on X from the Press Secretary, indicated that the rescission applied to the OMB Memo *only* and that the White House still intended to freeze federal funds and enforce the Executive Orders.

Normalcy? Returns – Thursday evening into Friday morning, Medicaid agencies reported irregularities in accessing funding portals and drawing down federal funds. We have heard from providers that access to their 330 PHS grant funds has been restored. At the same time, we have reports that some agencies (such as the National Science Foundation) are still reviewing grant programs for compliance with the Trump Administration's Executive Orders. For now, however, the status quo for grant funding seems largely to have been preserved.

The Legal Battle Continues – A coalition of Democratic Attorneys General filed a lawsuit in Rhode Island earlier this week to oppose the OMB Memo and associated funding freeze.¹ The judge in that case held a hearing to determine whether the legal challenge was moot, given the rescission of the OMB Memo. Citing communication from the press secretary, Judge McConnell indicated a willingness to still enter some kind of protective order related to the actions underlying the OMB Memo, even if the OMB Memo itself had been rescinded. Late afternoon on January 31, Judge McConnell issued a temporary restraining order in this case, which will last through a hearing and decision on the states' motion for a preliminary injunction.² On the morning of February 3, the DOJ responded with a notice of compliance outlining the Administration's response to the TRO.

What Now? – Whatever the final legal outcome from the Rhode Island case, it seems

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clear that the Executive Branch is intent on reviewing federal grant programs for compliance with its policy directives. We know, based on OMB's rescinded Memo, the initial list of programs on the Administration's radar. Subject to any final disposition in the AG suit, we expect additional action in the coming weeks and months with respect to these programs, and providers should be aware of the potential impact on their organizations up to and including the inability to access funds previously appropriated and awarded.

Attached to this e-alert is an Excel tool that identifies the grant programs identified in OMB's rescinded Memo. Providers and other grant recipients should use this tool to inventory their current grant funding streams, assess organizational risk moving forward and make plans in the event of future disruption.

[1] A copy of the states' request for a temporary restraining order is available here: <https://ag.ny.gov/sites/default/files/court-filings/new-york-et-al-v-trump-et-al-complaint-2025.pdf>.

[2] A copy of the preliminary injunction is available here: https://storage.courtlistener.com/recap/gov.uscourts.rid.58912/gov.uscourts.rid.58912.50.0_2.pdf.