

# Publications

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## Navigating the Grantmaking Maze: A New Federal Oversight Framework

In a significant move to reshape the landscape of federal grantmaking, the recently issued Executive Order, “Improving Oversight of Federal Grantmaking,” is poised to transform how federal agencies administer grants. With the stated purpose of enhancing efficiency and alignment with national priorities, the order reshapes how grants are awarded, reviewed and terminated, introducing new oversight and creating heightened uncertainty for recipients. As federal grant recipients and contractors brace for these changes, understanding the implications of this order is crucial.

### New Provisions

The order seeks to tighten oversight of federal grantmaking to ensure that taxpayer dollars are used effectively and in line with national interests by implementing the following measures:

- **Senior Political Appointee Oversight:** Agency heads must designate a senior political appointee to review and approve all new funding opportunity announcements (FOAs) and discretionary grant awards to ensure that interagency efforts and priorities align with White House policy priorities and the “national interest.” Such appointees may take peer review recommendations on an advisory basis, but shall not be “ministerially ratified, routinely deferred to, or otherwise treated as de facto binding by senior appointees or their designees.” This authority applies to both new grants and renewals.
- **Mandatory Reporting by Sept. 6, 2025 (30 Days from Issuance):** Agency heads must review their standard terms and conditions for all discretionary awards and submit a report to the Office of Management and Budget (OMB) detailing:
  - Whether those terms allow termination for convenience if an award no longer achieves program or agency goals;
  - Whether discretionary foreign assistance awards permit termination based on national interest; and
  - The number of active discretionary awards and the percentage that include such termination clauses.
- **Grant Term Adjustments and Retroactive Termination Clauses:** Agencies must

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revise both new and existing discretionary grants to include explicit termination for convenience provisions.

- **Simplification and OMB Uniform Guidance Revision:** Grant announcements must be drafted in plain language to reduce the need for costly legal or technical assistance. The OMB director is also tasked with revising the Uniform Guidance to streamline application requirements and allow for the termination of misaligned grants.
- **Substantive Policy Restrictions and Preference in Grant Selection:** The order prohibits funding for activities that promote racial preferences, deny the sex binary, support illegal immigration or compromise public safety.
- **How Grant Applications are Analyzed:** Agencies are directed to favor awarding grants to institutions with lower indirect cost rates and to a broad range of recipients in lieu of recurring grantees. Universities and large research institutions with high overhead rates could potentially lose competitive advantages and may need to seek alternative funding for administrative and facility expenses. Additionally, “[r]esearch grants should be awarded to a mix of recipients likely to produce immediately demonstrable results and recipients with the potential for potentially longer-term, breakthrough results, in a manner consistent with the funding opportunity announcement.”
- **“Gold Standard Science”:** Applicants must follow the Administration’s “Gold Standard Science” in their policies, procedures and guidance, with preference given to institutions with a proven track record of implementing “Gold Standard Science.”<sup>[1]</sup>
- **Benchmarks to Determine Success:** The order mandates including clear benchmarks to measure success in discretionary awards and prioritizes institutions committed to rigorous, reproducible scholarship.

## Implications for Federal Grant Recipients

1. **Recipients should be prepared for increased oversight and review of their grants — particularly for those not aligned with administration or agency priorities.** This is likely to delay determinations and disbursements. Mandating the inclusion of termination for convenience clauses in all grants — and especially retroactively for existing grants — further destabilizes the grant landscape, as grants may now be terminated at any point and at an agency's convenience.
2. **A change in agency leadership could possibly lead to a rescission of grant awards.** Allowing agencies to terminate a discretionary award for convenience if it “no longer effectuates the program goals or agency priorities” or if the agency “determines that the remaining portion of the Federal award will not accomplish the purposes for which the Federal award was made” creates an immediate issue for grantees in evaluating the impact to their existing grants.

Most agencies do not have the legal right to unilaterally modify the terms of federal grants in the way that they do for other types of government contracts and agreements — so it is unclear how agencies will accomplish their new mandate to incorporate a termination for convenience clause into existing grants.

Agencies could potentially approach this mandate by revising their standard grant terms and conditions form and making acceptance of these updated terms a mandatory condition of any future grant modification; accepting these new terms would constitute contractual “consideration” for the change.

If the government uses this tactic, grantees whose grants are fully funded and who can avoid any schedule changes or modification requests for the life of the grant, may be able to avoid having termination for convenience added to their existing grants. Grantees attempting this strategy should vigilantly monitor their subrecipients' performance to

minimize the risk of undesirable change requests. Grantees should also still ensure that the language in their subawards agreements permits the grantee to unilaterally incorporate a termination for convenience clause — and any other potential future government-driven updates — to protect the grantee from a scenario where their grant funds are terminated but they are unable to similarly terminate their subrecipient. With the continued oversight and right to terminate these grants, organizations must also ensure funds are deployed in a manner consistent with the new guidance. As has been a common theme this year, organizational alignment is key.

3. **Nonprofit organizations and universities — specifically those with DEI initiatives, gender inclusion programs, immigration advocacy or politically sensitive research — should consider how these new requirements interplay with their charitable purposes and activities.** Such organizations should review and monitor their public facing materials, including programs, applications, websites and Forms 990, in light of continued increased scrutiny.

Additionally, the order mirrors recent guidance from Attorney General Pam Bondi emphasizing that programs cannot solely be neutral to a class on their face, but rather, must also be implemented in a neutral manner. This could potentially impact nonprofit organizations and universities that have facially neutral criteria for a scholarship or grant program, but which target specific geographic areas or institutions because of their racial or ethnic composition.[2]

Finally, it is more important than ever for nonprofits and universities to review revenue streams and pursue diverse and alternative sources of funding, whether that includes state funding, fundraising, capital campaigns, institutional donors or corporate sponsorships. Depending on the nature of such fundraising, organizations should be sure to review their corporate structures for unrelated business activities and income.

As these changes unfold, grant recipients must be proactive in: (1) identifying grants that could potentially be impacted, (2) working with legal counsel to better understand current termination provisions and (3) engaging with agency contacts to inform agency submissions to OMB.

Our Government Contracts and Nonprofit Organizations teams will continue to monitor these developments. If your business may be impacted by this order, please feel free to reach out to the authors to discuss next steps.

[1] See, Executive Order 14303 (May 23, 2025).  
<https://www.federalregister.gov/documents/2025/05/29/2025-09802/restoring-gold-standard-science>

[2] <https://www.justice.gov/ag/media/1409486/dl?inline>