



January 30, 2025

Overview of Funding for Federal Financial Assistance Programs

On January 27, 2025, the Trump Administration issued a [memorandum](#) directing all federal agencies to temporarily pause the obligation or disbursement of federal financial assistance. This directive was [further detailed](#) in an Office of Management and Budget (OMB) memorandum issued the same day, which was scheduled to take effect on January 28, 2025, at 5:00 p.m. ET.

The memorandum, authored by Acting OMB Director Matthew Vaeth, mandates a comprehensive review of federal financial assistance programs to ensure alignment with the administration's policy priorities. These priorities include executive orders and policies relating to foreign aid, governmental efficiency, American energy independence, and initiatives involving diversity, equity, and inclusion.¹

On January 28, 2025, OMB issued a [follow-up memorandum](#) clarifying that the pause does not apply across the board. Programs providing direct benefits to individuals, including student loans, Supplemental Nutrition Assistance Program (SNAP) benefits, Social Security, Medicaid, and Medicare, are not affected. Additionally, funding for small businesses, farmers, Pell grants, Head Start, and rental assistance remains unaffected. Agencies uncertain about program implications should consult OMB for guidance.

Minutes before the memorandum was to take effect, U.S. District Judge Loren L. AliKhan issued a temporary order blocking the directive. This ruling maintains the status quo for existing programs while further litigation proceeds. The temporary block was scheduled to remain in effect until February 3, 2025, at 5:00 p.m. ET.

In a more stunning turn of events, the Trump administration on Wednesday afternoon rescinded its sweeping freeze of federal assistance. The funding freeze sparked considerable chaos across the country as states, agencies and organizations that depend on federal money scrambled to understand the impact to billions in federal assistance to a suite of programs.

The memo's rescission does not rule out a new memo from the White House budget office on another spending freeze, with administration officials arguing that such an action falls within the power of the

¹ This memorandum requires Federal agencies to identify and review all Federal financial assistance programs and supporting activities consistent with the President's policies and requirements. During the initial days of his Administration, President Donald J. Trump issued a series of executive orders designed to protect the American people and safeguard valuable taxpayer resources, including *Protecting the American People Against Invasion* (Jan. 20, 2025), *Reevaluating and Realigning United States Foreign Aid* (Jan. 20, 2025), *Putting America First in International Environmental Agreements* (Jan. 20, 2025), *Unleashing American Energy* (Jan. 20, 2025), *Ending Radical and Wasteful Government DEI Programs and Preferencing* (Jan. 20, 2025), *Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government* (Jan. 20, 2025), and *Enforcing the Hyde Amendment* (Jan. 24, 2025).



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executive branch. The Wednesday memo, which was only two sentences, offered no specifics about why the Office of Management and Budget so quickly decided to rescind its original directive, saying only that any questions about implementing the president's executive orders should be directed to each agency's general counsel.

Scope of the pause

The directive instructed agencies to halt:

1. The issuance of new awards.
2. The disbursement of federal funds under existing awards.
3. Activities associated with open Notice of Funding Opportunities (NOFOs), including merit review panels.
4. Any other agency actions that may be implicated by the executive orders, to the extent permissible by law.

Federal financial assistance is broadly defined to include grants, loans, loan guarantees, cooperative agreements, non-cash contributions, donations of property, direct appropriations, interest subsidies, insurance, and food commodities. However, direct payments to individuals, such as Social Security and Medicare benefits, are exempt.

Exceptions and waivers

Certain agency actions not implicated by the executive orders are exempt, including closeout of federal awards and recording obligations expressly required by law. Additionally, OMB has established a waiver process for agencies to request case-by-case exceptions. Agencies must identify legally mandated actions or deadlines for assistance programs affected by the pause and report them to OMB for potential waiver consideration.

Agency obligations

Federal agencies were to submit a detailed report to OMB by February 10, 2025, outlining:

1. All obligations or disbursements affected by the pause.
2. A designated senior political appointee responsible for compliance with administration priorities.
3. A review of pending financial assistance announcements to ensure alignment with these priorities.
4. Any necessary modifications, withdrawals, or cancellations of conflicting awards, as permitted by law.

OMB directed agencies to respond to a series of questions regarding their funding plans through March 15, 2025, to ensure compliance with administration priorities.



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Legal and legislative considerations

Despite the course reversal by the Administration, there is still ongoing debate over whether this funding freeze constitutes an unlawful impoundment of congressionally appropriated funds. OMB has asserted that the temporary pause is a routine administrative measure to align federal spending with new policy directives, rather than a violation of the Impoundment Control Act. However, congressional leaders have expressed concerns over the legality of the administration's actions. Senate and House Appropriations Committee leaders have already challenged the freeze, arguing that it undermines Congress's constitutional power over federal spending.

Potential impact on NECA contractors

The pause on federal financial assistance, should it ever go into effect, could significantly impact NECA contractors involved in federally funded projects, particularly those engaged in infrastructure, energy, and public works initiatives. With the suspension of new awards and the disbursement of existing funds, project timelines, workforce allocations, and financial planning may be disrupted. Many infrastructure projects rely on timely disbursement of federal financial assistance, and NECA is concerned about how any disruption could result in project delays, workforce impacts, and cash flow challenges. This uncertainty extends to state and local government projects reliant on federal funding, which could see delays in contract awards and project execution.

Clearly, the situation remains fluid. The [Unleashing American Energy Executive Order](#), issued on January 20, 2025, similarly paused specific energy-related funds, but [an OMB clarification \(M-25-11\)](#) the following day allowed certain programs, such as highway construction funds, to resume. It is possible that further guidance from OMB could exempt additional federal programs from the freeze.

Another key concern is that the memorandum does not distinguish between obligated and unobligated funds. Recipients of obligated funds (funding already committed under legally binding agreements) have a stronger legal claim to receive payments, while unobligated funds could face rescission or redirection.

Next steps for NECA members

Contractors should prepare for potential delays in disbursements and evaluate cash flow strategies to mitigate short-term financial strain. It is also critical for contractors to adhere strictly to award and loan agreement terms, as any compliance issues could provide grounds for contract cancellation.

NECA urges members to take the following steps:

1. Monitor project funding closely and communicate with relevant federal agencies and respective contracting officers about disbursement schedules.
2. Assess the impact of potential delays on project timelines and workforce planning.
3. Maintain compliance with all federal contract and grant conditions to avoid risk of funding revocation.



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Next steps and ongoing updates

NECA Government Affairs and Labor Relations are actively monitoring developments and advocating for clarity on how this pause will impact federally funded construction projects. We are actively engaging with federal agencies and congressional offices to secure timely updates on potential exemptions and funding releases for NECA contractors and will continue to track these developments and provide updates as additional information becomes available.

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