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New Executive Order Increases Oversight of Award and Performance of Federal Grants

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An executive order (EO) issued August 7, 2025, Improving Oversight of Federal Grantmaking, announced significant changes in the way federal grants are awarded and administered. The Trump administration's bases for the proposed overhaul, as described in the EO, include concern over whether certain federal grants are truly advancing the public interest, whether oversight in grants administration is sufficient to ensure their efficacy and perceived shortcomings in the grant review process. The administration issued the EO "to strengthen oversight and coordination of, and to streamline, agency grantmaking to address these problems, prevent them from recurring, and ensure greater accountability for use of public funds more broadly."

The EO directs each executive branch agency to create a process to review all funding opportunity announcements and discretionary grants "to ensure that they are consistent with agency priorities and the national interest." Among other requirements, this process must include review and approval of new funding opportunities by senior appointees (or their designees), consultation with subject-matter experts as appropriate for the subject of the grants, an assessment of whether the opportunity announcements and related forms include only those requirements deemed necessary to the evaluation and "written in plain language with a goal of minimizing the need for legal or technical expertise in drafting an application," and coordination between agencies to reduce redundancy. Discretionary grants also must be reviewed annually for continued consistency with agency priorities and meaningful progress. Senior appointees and their designees must use their independent judgment in the review process rather than "ministerially ratify or routinely defer to the recommendations of others."

Additionally, the EO identifies the following factors that senior appointees and their designees must take into consideration in their reviews:

- Discretionary awards must, where applicable, demonstrably advance the president's policy priorities.
- Discretionary awards shall not be used to fund, promote, encourage, subsidize or facilitate:
    - Racial preferences or other forms of racial discrimination by the grant recipient, including activities where race or intentional proxies for race will be used as a selection criterion for employment or program participation.
    - Racial preferences or other forms of racial discrimination by the grant recipient, including activities where race or intentional proxies for race will be used as a selection criterion for employment or program participation.
    - Illegal immigration.
    - Any other initiatives that compromise public safety or promote anti-American values.

Finally, the EO requires the director of the Office of Management and Budget (OMB) to make certain revisions to the uniform guidance applicable to federal grants codified at 2 CFR Part 200. These revisions entail streamlining application requirements and ensuring all discretionary grants permit the government to terminate the award for convenience. Regarding the latter, each agency head must prepare a report for the director of OMB within 30 days of the EO confirming whether the agency's standard grant terms and conditions allow terminations for convenience (if not, they must be revised to do so) and providing specific data regarding the agency's active discretionary awards. Terms permitting termination for convenience, including if the award is no longer in the national interest or aligned with agency priorities, are required for all future grant awards and amendments.

The new review process, once implemented, may bring certain welcome changes for potential grant recipients. Minimizing, where possible, extraneous application requirements and ensuring forms are written in plain language is likely to decrease the costs associated with preparing an application and make grants more accessible to smaller and earlier-stage companies with fewer internal and external resources available to navigate unnecessary complexity. An added layer of reviews and additional factors that must be considered could, however, slow the process down and result in fewer funding and grant opportunities. The focus on grant terms permitting terminations for convenience in the EO also may signal increased pressure – now and in the future – on funding agencies to more liberally exercise termination rights. Current grant recipients and potential

applicants should carefully monitor for changes in the uniform guidance and agency terms and conditions resulting from the EO.

Cooley special counsel Erin Estevez also contributed to this alert.

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