Get Ready to Feel the Chill: Federal Funding Freeze Looms Large

January 28, 2025

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Yesterday, the White House Office of Management and Budget (OMB) issued M-25-13 to all Federal Agencies and Department Heads, calling for an immediate freeze on all federal financial assistance. Beyond ceasing "all activities related to obligation or disbursement of all Federal financial assistance," this pause, which **was slated to go into effect at 5:00 p.m. today**, would also block the issuance of all new federal grants and loans.

Why?

The Trump Administration expects that this immediate pause on Federal funding is necessary to "permit time to review agency programs and determine the best uses of the funding for those programs consistent with the law and the President's priorities."

More specifically, the Administration is focused on aligning Federal spending with the President's priorities, consistent with the series of executive orders (EOs) issued in the first days of the new Administration. Those EOs included *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).

Who?

At present, the scope of those impacted is unclear. According to the memorandum, the pause applies to "financial assistance for foreign aid, nongovernmental organizations, DEI, woke gender ideology, and the green new deal," along with other relevant agency activities. In other words, Federally funded programs and activities, which arguably conflict with Trump Administration priorities, are slated for impact. The full range of those impacted is yet troublingly unclear.

It is perhaps easier to identify those entities and individuals who, unambiguously, have been spared financial impact. This list, minimally, includes programs providing direct benefits to individuals (e.g., Medicare, Medicaid, Social Security, and SNAP). Thus, it appears that persons receiving individual assistance are unaffected. Additionally, a clarifying communication issued earlier today by Madison Biedermann, Deputy Assistant Secretary for Communication Strategy, indicates that "**the pause does not apply to Title I, IDEA, or other formula grants, nor does it apply to Federal Pell Grants and Direct Loans under the Title IV, HEA. The Department is working with OMB to identify other programs that are not covered by the memo**." Further guidance issued today indicates that funds for small businesses, farmers, rental assistance, and other similar programs will not be paused.

Programs and agencies concerned with whether their offerings implicate President Trump's EOs are invited to consult OMB to attempt to avoid payment interruptions.

When?

The pause has been characterized as “temporary” in duration, but no end date has been identified as yet. In the interim, another significant date is February 10, 2025, the deadline for all agencies to submit to OMB for consideration “detailed information on any program, projects, or activities subject to this pause.” OMB has reserved the discretion to grant exceptions, allowing Federal agencies to issue new awards or take other actions on a case-by-case basis.

What next?

New Jersey State Attorney General Matthew Platkin was expected to seek an injunction today in an effort to block the impeding freeze. With roughly $3 trillion hanging in the balance, it was ultimately **Judge Loren AliKhan of the D.C. District Court who “paused” the Trump Administration's freeze, moments before it was slated to go into effect, postponing review of the matter until February 3, 2025.**

New Jersey appears still to be in the process of formulating its response in the event the funding freeze is permitted to go forward. It is anticipated that Governor Murphy will publicly address the issue in the coming hours or days. Thereafter, State agencies, such as the New Jersey Department of Education, are expected to give more detailed responses consistent with directives from local Administration.