

Executive Order on Federal Grantmaking: What You Need to Know

Guidance Document

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In case you missed it: Big changes to federal grantmaking

On August 7, 2025, President Trump signed the [*"Improving Oversight of Federal Grantmaking" Executive Order \(EO\)*](#). "This EO fundamentally reshapes how federal grants are awarded, managed, and terminated. Every nonprofit, university, research center, or community-based organization receiving federal funds is now operating in a riskier and more uncertain environment.

Why this Order matters

This Executive Order directs agencies to implement immediate procedural changes while directing OMB to revise the Uniform Guidance through traditional notice-and-comment rulemaking. The EO repeatedly notes implementation must be "consistent with applicable law" and "subject to the availability of appropriations."

As [analysis from Holland & Knight](#) notes: "The Order instructs the director of the Office of Management and Budget (OMB) to revise the Uniform Grant Guidance (2 C.F.R. Part 200) and other relevant guidance to streamline application requirements and require all discretionary grants to permit termination for convenience, among other changes. For grant recipients, these changes represent a significant shift in both the expectations and risks associated with pursuing and managing federal funding."

Importantly, Holland & Knight also note that "the Order does not only impact future grants, but potentially existing awards as well. The Order directs agencies to 'take steps to revise the terms and conditions of existing discretionary grants to permit immediate termination for convenience, or clarify that such termination is permitted.' Such an amendment would have a significant impact on existing grants recipients."

However, in practice, political appointees across agencies are likely already following these approaches in reviewing awards. While the formal regulatory framework may take time to change, the political environment for federal grantmaking has shifted immediately.

The new grant landscape

Political oversight at the core

All discretionary grants must now be reviewed and approved by senior political appointees or their designees. This ensures awards explicitly advance the administration's policy priorities. Peer review panels may still exist, but their recommendations are advisory only — political appointees have the final word.

Strict content restrictions

Federal funds can no longer be used for awards that fund, promote, encourage, subsidize, or facilitate:

- Racial preferences or any race-based decision-making
- Denying the human sex binary or treating sex as a "mutable" trait
- Services aiding illegal immigration
- Any activities deemed to compromise public safety or promote anti-American values

Indirect cost squeeze: OMB is ordered to limit the share of discretionary funds that can cover administrative or facility costs. Preference goes to institutions with lower indirect rates. For universities and hospitals with high negotiated rates, this could mean significantly less federal funding available for core operational functions.

Termination-for-Convenience clauses: All federal discretionary awards must now allow for termination if they stop advancing agency priorities or the national interest. Agencies must retrofit existing grants with these provisions where possible.

**Specifically for foreign assistance awards, agencies must first review whether current foreign assistance grants already allow termination for "national interest." Then, to the extent legally possible, they must add such clauses to existing awards and require them in all future awards. Most foreign assistance grants will now be terminable if they no longer serve U.S. priorities or the national interest.*

Broader distribution: Fewer repeat winners. Agencies must diversify recipients rather than fund the "usual suspects." Awards should balance near-term, measurable results and longer-term, breakthrough research potential.

"Gold Standard Science" mandate: For research-driven grants, applicants must commit to rigorous, reproducible methods. Awards must set clear benchmarks for progress. Agencies are instructed to prioritize track record in reproducibility over prestige.

Tighter control of drawdowns: Future grants will include clauses preventing grantees from drawing funds without explicit agency authorization and requirements for written, specific justification with each drawdown request.

The new reality: A riskier partnership

Taken together, these reforms shift risk away from the government and onto grantees. In practice, this means:

- Political intervention at every stage of funding
- Termination risk baked into every award, for reasons as broad as "national interest"

- Less coverage of indirect costs (e.g., salaries for crucial administrative and operational roles, central IT services, general insurance and audits, etc.), forcing grantees to subsidize federal programs
- More compliance and reporting burdens on recipients

The federal government has never been a simple funding partner, but under these rules, it is a riskier one than ever before.

Humentum's recommendations: Strategic options for grantees

If you continue with Federal funding:

- Don't fall into the "low indirect rate" trap: comparing organizations' indirect rates as criteria is misguided because it's the calculus behind them that matters. Some organizations include certain cost categories as indirect that others bill directly
- Frame projects tightly to administration priorities
- Plan for interruption: build reserves or backup funding options
- Demonstrate reproducibility if proposing scientific research

We can help you understand how [to properly calculate and justify your indirect costs](#).

Remember: administrative costs create the infrastructure for safeguarding, risk mitigation, and financial controls — all of which are USG priorities. Our [cost recovery research](#) shows why focusing on rate percentages alone misses the bigger picture.

(Download the free [Cost Recovery Good Practice Checklist](#) and the [Total Cost Recovery Reconciliation Template](#))

If you diversify your funding portfolio:

- Strengthen non-federal revenue streams (foundations, corporate, etc.)
- Consider developing fee-for-service models to offset federal unpredictability
- Invest in your organization's resilience by dedicating resources to develop a comprehensive financial sustainability strategy and conduct a strategic review to sharpen organizational focus and impact.

We can help with [revenue diversification strategies](#), [fee-for-service model development](#), and [financial sustainability planning](#).

Resources to download:

- [List of Restricted Donors](#)
- [Financial Sustainability Action Plan](#)
- [Essential financial planning templates for your NGO](#)

Federal grantmaking is now:

- More political
- Less predictable
- Tougher on overhead
- Stricter on science
- Easier for agencies to cut off

Organizations that will thrive under the US Government (USG) changes are those that adapt quickly, align strategically, and build resilience beyond USG funding. Whether you stay with federal funding or diversify away from it, Humentum has the resources and expertise to help you navigate this new landscape.

For specific guidance on navigating these changes, [contact Humentum's team](#). We're here to help you build resilience in this evolving funding environment.



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