2026 Governance Outlook

The Governance Project

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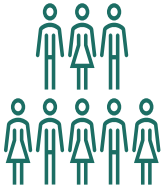
Disruptions to basic governance functions

Funding

- Impoundment and rescissions
- Extensive changes to grantmaking and contracting processes
- Targeting specific recipients of funds with delays and cancellations
- Attempted dismantling of certain agencies/offices



Personnel

- Large scale Reductions-In-Force (RIFs) and successful push for “voluntary” departures
- Politicization of hiring/firing, executive service, and assessment
- Use of unconventional hiring practices to skirt ethics rules

Data

- Reducing federal capacity to collect data and halting collection or reporting of some data
- Creating risks of tampering with integrity of data
- Improper data sharing
- Undermining data security

Oversight

- Removal of IGs and undermining independence
- Refusal to cooperate with oversight bodies
- Elimination of ethics guardrails

The Consequences…

1. Degraded service delivery
2. Coercion of states, local governments, nonprofits, and other entities
3. Corrosive uncertainty undermining existing federal relationships and long-term planning
4. Long-term erosion of capacity

Flow of funds were delayed, but few FY25 funds impounded by end of year

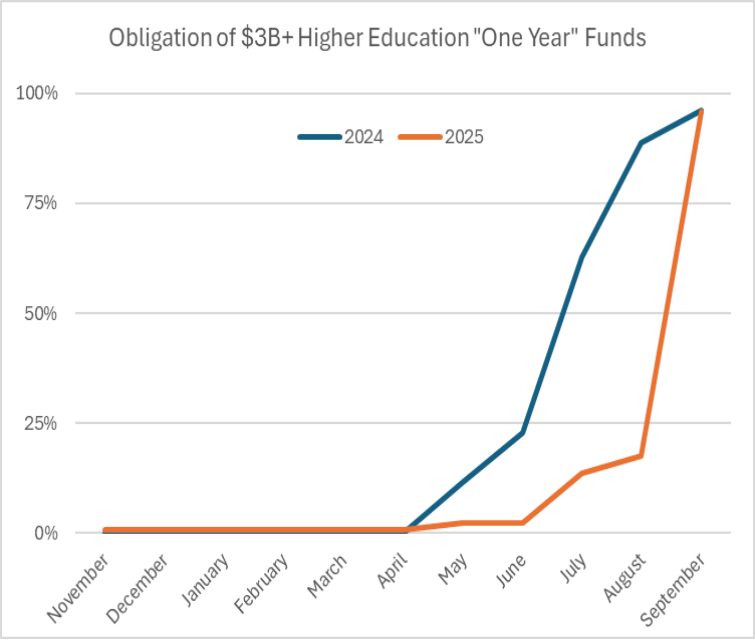
Through the summer, significant withholding of funding. As of July 2025 —

- Obligations ~3% ($26B) behind normal
- 20+ budget accounts were 20+ pp behind typical levels of commitments

But by end of year, expiration of funds was within norms —

- Even accounting for illegal "pocket rescission" of $800m in foreign aid and impoundment of $46m for MBDA

Disruption and interference still substantial



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Where pushback was effective in freeing funds

- **Lower court victories** – Ex. IMLS, DOE funding for clean energy projects
- **Creating negative political attention through the press** – Ex. Head Start
- **Generating concern from GOP Members of Congress** – Ex. NIH, ED funding for afterschool programs

Trump Cuts to Energy Projects in Blue States Were Unlawful, Judge Rules

The Energy Department canceled $7.5 billion in Biden-era energy spending, largely in Democratic-led states, during last year's government shutdown.

Central WA Head Start programs shut down without federal funding

On Friday, the nonprofit Inspire Development Centers notified staff and families that it would shut down several Head Start and Early Head Start classrooms, leaving about 400 children without educational and support services and 72 workers unemployed.

GOP senators urge Trump administration to reverse $6 billion education funding freeze

The letter is a rare rebuke by GOP senators of Trump's education policies.

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2026 appropriations

- **Overall funding levels closer to Senate bills** than deep cuts proposed by White House and House Republicans
- **Some targeted guardrails** improving reporting, transparency, or funding availability – e.g.,
  - Moving report language about specific program funding levels into law
  - Banning change of indirect cost rates for certain science programs
  - Explicitly requiring "staffing levels necessary" for certain programs
- **Failure to secure formal, broad-based protections**

Legal landscape entering 2026

SCOTUS

No wins that set precedent or limit future harm

Ongoing harm

Procedural rulings have hurt grantees by letting Admin withhold funding during pendency of cases

Lower courts

Success in the form of outright wins and Admin backing down when sued

Bottom line

Most avenues of attack on funding remain unconstrained

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How 2026 is similar to 2025 – and how it is different

SIMILARITIES

- Trump Administration has not been significantly limited by Congress or the courts
- Political constraints sometimes apply
- Administration is still trying to:
  - ➢ implement its budget outside of appropriations process
  - ➢ degrade capacity for disfavored agencies and programs
- President's Budget and EOs likely to remain roadmap for efforts

EVOLUTION

- Trump Administration is awarding new funds, with a smaller share of grants and contracts inherited from pre-2025
  - ➢ *Potential tools*: blacklisting and greylisting, politicization of award terms and processes, funds directed to allies for purposes contrary to congressional intent
- Increased targeting of perceived political opponents
  - ➢ *Potential tools*: funding delays; use of oversight to advance spurious claims of fraud or noncompliance
- Administration learning from successful pushback and legal challenges

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Areas for concern post-appropriations

- ***Question:*** **How will the Administration approach funds appropriated by Congress but <u>NOT</u> requested in the President's Budget – despite bipartisan agreement?**
- Even since the passage of bipartisan appropriations with guardrails, warning signs around execution of funding, including:
  - Slow pace of NOFOs, awards, and obligations
  - Ongoing hollowing out of workforce
  - Reorganizations and dismantling (ED, USDA)
  - Issues with apportionment and tight OMB control
- All of these steps *could* be consistent with fully spending all appropriated funds by year-end, and yet also yield significant disruption

New changes to grants and contracting infrastructure

- The Administration is seeking to **utilize SAM.gov to require certifications of compliance with EOs** and other policies related to DEI and immigration
  - SAM.gov is a government-wide system used by 220,000 recipients of and applicants for federal awards
- Agencies **updating uniform terms and conditions** to include compliance with EOs and vague policies
- Potential efforts to **change OMB's Uniform Guidance for Federal Awards**

This approach provides for a wider reach, could lead to pre-compliance or chilling effects, and allows for selective enforcement with real penalties (e.g., False Claims Act)

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Weaponizing "Fraud" Concerns

- The Administration is using spurious claims of fraud for a range of purposes – disrupting funding to "blue" states, **seeking to coerce on unrelated policy goals**
  - TANF, SSBG, CCDF freeze to five states on "suspicion" of fraud
  - Unprecedented use of Medicaid authorities related to withholding or deferring funds
- Move from recouping funds where evidence of fraud to **withholding funds based on risk, allowing for subjective assessment and enforcement**
  - New federal task force will recommend "any ways that federal funds may be withheld from jurisdictions that do not have adequate anti-fraud requirements"

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Implications

- **Risk of impoundment remains real**
  - *Unrealized threat of impoundment may also be used to achieve other Administration goals even if money is eventually spent*
- Administration appears **likely to seek to circumvent guardrails in place**, requiring ongoing vigilance
- Grantees need to be aware of **broader range of process changes** that could put them at risk, including through efforts to encourage **pre-compliance and selective enforcement**
- Advocates need to identify **strategies for raising bipartisan concern** as Administration actions become narrower and more targeted

Questions or comments?

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Thank You

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