Primer: Democratic Accountability for Taxpayer-Funded Federal Grants

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Summary

The federal government now distributes more than $1 trillion in taxpayer funds annually across thousands of programs and recipients through a grant system so sprawling, complex, and insulated from public scrutiny that it has increasingly escaped democratic accountability. The Trump administration has identified significant deficiencies throughout the grant lifecycle, from program design through post-award oversight, consistent with the Government Accountability Office's (GAO) findings of longstanding challenges in federal grant management.[1] The Biden administration exploited that dysfunction, systematically redirecting federal grants toward ideological priorities—several of which federal courts later struck down as unconstitutional[2]—while allowing significant waste, fraud, and abuse to flourish.

President Donald Trump has now proposed the most serious overhaul of federal grantmaking in a generation, restoring accountability to officials answerable to the American people and creating a framework for lasting change.

What Are the Proposed Reforms?

Following an August 2025 executive order "to improve the process of Federal grantmaking while ending offensive waste of tax dollars,"[3] the Office of Management and Budget (OMB) proposed a major modernization of the system's governing guidelines.[4] The proposal, which updates Title 2 of the Code of Federal Regulations (2 C.F.R., reflects the President's view that "every tax dollar the Government spends should improve American lives or advance American interests," which he believes "often does not happen."[5]

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[1] Office of Management and Budget, "Regulation for Federal Financial Assistance," 91 Fed. Reg. 32,198, 32,202 (May 29, 2026) (proposed rule) (hereinafter "OMB Proposed Rule"); U.S. Government Accountability Office, *Grants Management: Observations on Challenges with Access, Use, and Oversight*, GAO-23-106797 (May 2, 2023).

[2] Congressional Research Service, "Equal Protection and Race- or Sex-Conscious Government Action: Case Developments," LSB11226 (Sept. 12, 2024), available at https://www.congress.gov/crs-product/LSB11226.

[3] Exec. Order No. 14,332, "Improving Oversight of Federal Grantmaking," 90 FR 38929 (Aug. 7, 2025).

[4] OMB Proposed Rule, *supra* note 1.

[5] Exec. Order No. 14,332, *supra* note 3.

Specifically, 2 C.F.R. covers grants and agreements. The core component of these regulations is known as the "Uniform Guidance," which can be found in part 200.[6] This section outlines the administration, cost principles, audit requirements, and grant dispersal criteria both before and after an award is provided.

As the federal assistance system has grown in size, complexity, and cost, stronger oversight tools have become more than mere administrative preferences; they are essential constitutional safeguards for the lawful stewardship of taxpayer resources. To that end, the Trump administration's proposed framework shifts federal grant management from advisory guidance—subject to selective adoption by individual agencies—to binding regulations. This structural upgrade serves the proposal's "overarching goal" of maximizing "transparency, accountability, and oversight" across all federal grantmaking while aggressively "prevent[ing] wasteful spending and misuse or mismanagement" of taxpayer funds.[7] Importantly, the overhaul also includes a targeted reduction in administrative burdens on recipients because the goal is not more bureaucracy but better results for the American people.

Why Is Reform Needed?

The case for reform begins with a hard truth: The federal grantmaking system is broken, and the Biden administration's abuses made it worse.

As the GAO has documented, longstanding challenges in federal grants management have exposed significant gaps in the government's ability to track, evaluate, and safeguard taxpayer funds.[8] These failures create opportunities for mission drift, political manipulation, and misuse of public resources.

Against that backdrop of systemic dysfunction, the Biden administration spent four years hijacking federal grants to advance a sweeping ideological agenda. President Biden's first-day executive order directed federal agencies and OMB to implement an "ambitious whole-of-government" equity agenda, declaring its affirmative advancement the "responsibility of the whole of our Government."[9]

Even *The New York Times* observed at the time that no part of Biden's agenda was as "ambitious" as his equity edict, which had the potential to "radically realign the distribution of federal money and benefits."[10]

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[6] 2 C.F.R., Subtitle A, Chapter II, pt. 200.
[7] OMB Proposed Rule, *supra* note 1, at 32,199.
[8] GAO, *Grants Management*, *supra* note 1.
[9] Exec. Order No. 13,985, "Advancing Racial Equity and Support for Underserved Communities Through the Federal Government," 86 Fed. Reg. 7,009 (Jan. 25, 2021).
[10] The New York Times, "Biden's Push for Equity in Government Hits Legal and Political Roadblocks" (June 26, 2021), available at https://www.nytimes.com/2021/06/26/us/politics/biden-racial-equity.html.

Subsequently, federal agencies were directed to incorporate equity and other administration priorities throughout the grantmaking process, stretching programs beyond their statutory purposes. The predictable results were visible across the system. Under Biden's watch, taxpayer-funded grants supported:

- Drag shows in Ecuador, critical race theory training for doctoral candidates, and transgender-sex-education programs[11]
- National Science Foundation awards to educators who promoted Marxism, class warfare propaganda, and other anti-American ideologies[12]
- High-profile fraud within various assistance programs administered in Minnesota[13]
- Services for illegal immigrants provided through misused FEMA funds[14]
- Misuse of PEPFAR funds, including attempts to promote abortion and gender ideology, as well as substantial overhead expenditures and contractor payments rather than direct humanitarian aid[15]

The issue wasn't merely the causes favored by the Biden administration. The problem went deeper: It was a systemic failure to ensure that taxpayer dollars were spent in accordance with statutory purposes and public priorities. The administration's notorious $42.5 billion broadband program—which failed to connect a single person to the internet after several years of implementation—became a symbol of the broader failure.[16]

President Trump's proposed reforms are best understood as a necessary correction to this untenable status quo.

Whose Judgment Should Guide Grant Decisions?

Although critics have portrayed these reforms as an unprecedented expansion of presidential power, OMB has long exercised statutory authority over government-wide federal financial

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[11] Exec. Order No. 14,332, *supra* note 3.
[12] *Id.*
[13] OMB Proposed Rule, *supra* note 1, at 32,200 (citing White House Fact Sheet, "President Donald J. Trump Establishes New Department of Justice Division for National Fraud Enforcement" (Jan. 8, 2026), available at https://www.whitehouse.gov/fact-sheets/2026/01/fact-sheet-president-donald-j-trump-establishes-new-department-of-justice-division-for-national-fraud-enforcement/).
[14] *Id.* (citing DHS Office of Inspector General, "FEMA Should Increase Oversight to Prevent Misuse of Humanitarian Relief Funds," Department of Homeland Security OIG-23-20 (March 28, 2023), available at https://www.oig.dhs.gov/sites/default/files/assets/2023-03/OIG-23-20-Mar23.pdf).
[15] *Id.* (citing Max Primorac, "PEPFAR: From AIDS Relief to Leftwing Funding Apparatus," Heritage Foundation (Aug. 11, 2025), available at https://www.heritage.org/global-politics/report/pepfar-aids-relief-leftwing-funding-apparatus).
[16] OMB Proposed Rule, *supra* note 1, at 32,202 (citing National Telecommunications and Information Administration, "Fact Sheet: Ending Biden's Broadband Burdens" (June 6, 2025)).

management policies and grant administration standards through public rulemaking.[17] The current Uniform Guidance was first consolidated and issued by the Obama administration in 2013 and has been revised by successive administrations, most recently in 2020 and 2024.[18] Periodic adjustments to these standards are a well-established feature of the executive branch's federal grant management responsibilities.

More fundamentally, placing accountability with senior appointees does not politicize grantmaking—it democratizes it. In a constitutional republic, major decisions about the allocation of taxpayer resources should be made by officials who answer to elected leadership and through that leadership to the American people. Anonymous career bureaucrats making billion-dollar discretionary decisions without meaningful oversight are not a feature of representative government. Instead, they represent an accountability vacuum that the Biden administration exploited to advance priorities Congress never authorized.

Restoring democratic accountability, however, does not require dismantling the existing grant system or displacing expert input. Agencies will continue to administer programs authorized by Congress, and peer review will remain an important advisory tool. The reforms instead ensure that federal grantmaking remains faithful to statutory purposes and accountable to the American people.

<u>What Will the Reform Accomplish?</u>

The proposed reforms make specific, enforceable, government-wide changes across the entire spectrum of federal grantmaking. Taken together, they represent the most comprehensive effort in decades to bring democratic accountability and lawful stewardship to a system that has operated largely outside meaningful public view. Perhaps most important, they reclassify the governing framework from informal guidance—which future administrations could quietly revise or ignore—into binding federal regulations, which require public notice-and-comment rulemaking to change.[19] This ensures that the accountability reforms secured today cannot be quietly undone by the next administration through informal administrative action. Some of the most significant reform measures include the following:[20]

- **Merit-Based Awards and Constitutional Accountability:**[21] Requires that discretionary awards be made on the basis of merit, consistent with applicable law, agency priorities, and the national interest. By replacing ideological litmus tests with transparent, merit-based criteria, the reform strengthens public confidence in the integrity of federal

[17] See, e.g., 31 U.S.C. § 503; see also 2 C.F.R. Part 200.
[18] *See generally* OMB Proposed Rule, *supra* note 1, Section B ("Objective 2: Clarification of Regulatory Structure").
[19] The proposal would convert OMB's existing "Uniform Guidance" into the "Uniform Grants Regulation," codifying the framework as binding regulations and subjecting future revisions to the Administrative Procedure Act's notice-and-comment requirements.
[20] *See generally* OMB Proposed Rule, supra note 1, Section A.5.
[21] *See generally* OMB Proposed Rule, *supra* note 1, proposed §§ 200.202, 200.204–200.205.

grantmaking. It establishes a new pre-issuance review requiring designated senior appointees rather than anonymous bureaucrats to sign off on discretionary awards while preserving advisory peer review and the continued consideration of expert input. The reform ensures that responsibility for major funding decisions rests with officials accountable through the constitutional chain of command and ultimately to the American people at the ballot box.

- **Lawful Use of Taxpayer Funds:**[22] Requires agencies and recipients to administer programs in a manner consistent with congressionally authorized and legally permissible objectives, including restrictions on activities that conflict with constitutional equal protection principles, civil rights protections, or other legal requirements. This safeguard seeks to ensure that taxpayer dollars are spent to carry out lawful program objectives rather than ideological priorities untethered from statutory purposes. It effectively reverses the Biden-era practice of weighting applications based on demonstrated commitment to diversity, equity, and inclusion (DEI) and other identity-based preferences.

- **Higher Standards for Grant Recipients:**[23] Strengthens conflict-of-interest requirements, mandatory disclosure obligations, and risk assessments of applicants. Increases scrutiny of organizations with histories of fraud, poor financial management, or compliance failures before additional funds are awarded. As a result, scarce taxpayer resources will be directed to responsible stewards rather than repeat offenders.

- **Transparency and Oversight of Federal Spending:**[24] Eliminates fixed-amount awards and other funding mechanisms that limit financial transparency, requires greater justification before payments are issued, expands fraud-prevention screening, and strengthens reporting requirements for subawards and pass-through funding. Together, these reforms make it easier to track where federal dollars ultimately go and how they are spent. Taxpayers, agencies, and oversight bodies gain greater visibility into the flow of public funds.

- **Authority to Stop Wasteful Spending:**[25] Clarifies agencies' authority to suspend or terminate discretionary awards that fail to advance program goals, no longer serve agency priorities, or are otherwise determined not to be in the federal government's interest. Federal grants are not entitlements. Agencies regain clear authority to cancel awards that no longer serve their statutory purpose or the national interest, ensuring that taxpayer dollars serve lawful and effective public purposes.

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[22] *See generally* OMB Proposed Rule, *supra* note 1, proposed §§ 200.202, 200.218–200.220, 200.300.
[23] *See generally* OMB Proposed Rule, *supra* note 1, proposed §§ 200.112–200.113, 200.206.
[24] *See generally* OMB Proposed Rule, *supra* note 1, proposed §§ 200.201, 200.305, 200.329-200.333.
[25] *See generally* OMB Proposed Rule, *supra* note 1, proposed § 200.340.

- **Clearer Limits on Allowable Spending:**[26] Refines cost principles to more clearly distinguish allowable from unallowable expenditures, reducing ambiguity and strengthening enforcement against improper spending. This reform provides clearer guardrails for recipients while making it easier to identify and recover misspent funds.

Taken together, these reforms restore federal grantmaking to its proper constitutional foundations. They ensure that taxpayer dollars are spent in accordance with the law, that major funding decisions are made by officials accountable to elected leadership, and that the American people can once again expect transparency, stewardship, and results in the management of taxpayer funds.

The practical impact is that the reforms to 2 C.F.R. prohibit grants that push destructive ideologies and practices such as DEI, radical gender ideology, and child sex mutilation and then use taxpayer resources to supercharge their expansion throughout civil society. These reforms will ensure that faith-based organizations do not face agency discrimination and will eliminate onerous Green New Deal requirements from federal grantmaking criteria.

Critics' Selective Outrage

The loudest critics of these reforms are the same people who spent four years cheering as the Biden administration turned federal grants into an instrument of ideological transformation. Their sudden concern for the integrity of grantmaking warrants scrutiny, as OMB Director Russ Vought recently noted after the updates to 2 C.F.R. were rolled out.[27] Consider the specifics: Progressive groups have gone so far as to label the Trump administration's restrictions on gender ideology promotion as "fascism,"[28] though they were silent when Biden imposed his own ideological conditions.

Meanwhile, leading Democrats and media outlets have decried the Trump administration's reforms as a "dystopian move" that would "destroy what remains of merit-based review"[29] and impose "political tests on billions in federal grants."[30] Yet those critics raised no objection when the Biden administration steered grants based on ideological conformity rather than merit, even after *The New York Times* observed that Biden's equity agenda had the potential to "radically realign the distribution of federal money and benefits."[31]

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[26] *See generally* OMB Proposed Rule, *supra* note 1, Subpart E, proposed §§ 200.400–200.476.
[27] OMB Director Russ Vought (June 13, 2026). X Post.
[28] TIME, "How the Trump Administration Plans to Politicize Federal Grants" (June 3, 2026), available at https://time.com/article/2026/06/03/federal-grants-omb-proposal-trump-review-anti-american/.
[29] *Id.* (citing Rep. Zoe Lofgren (D-CA), Ranking Member, House Science, Space and Technology Committee, May 29, 2026)
[30] The New York Times, "White House Seeks to Impose Political Test on Billions in Federal Grants" (June 2, 2026), available at https://www.nytimes.com/2026/06/02/us/politics/trump-budget-grants-omb-vought.html.
[31] The New York Times, "Biden's Push for Equity in Government Hits Legal and Political Roadblocks" (June 26, 2021), available at https://www.nytimes.com/2021/06/26/us/politics/biden-racial-equity.html.

This hypocrisy exposes critics' real objection: They oppose reforms that prevent future administrations from repeating Biden-era abuses.

These double standards confirm why permanent, binding reforms are essential. By locking these safeguards into formal regulation, the proposal protects taxpayers from future ideological abuses and regulatory gamesmanship, regardless of which party holds power.

Conclusion

President Trump's proposed reforms represent a long-overdue restoration of democratic accountability to a federal grantmaking system that has grown increasingly insulated from meaningful public oversight. Without this overhaul, federal grantmaking will remain vulnerable to the same ideological excesses, mission creep, and abuses of authority that have eroded public trust in recent years.

The American people deserve to know who is spending their money, how it is being spent, and who will be held responsible when things go wrong. These reforms restore that chain of accountability and place it firmly where it belongs: with officials answerable to elected leadership and, ultimately, to the American people themselves.