



To: Interested Parties
From: Democracy Forward and Progressive State Leaders Committee
Re: **The First 45 Days: The Legal Response to the Trump Administration’s Attacks on Essential Funding, Harming People and Communities**
Current: March 12, 2025

The Trump administration has repeatedly sought to weaponize federal funding, freezing essential funds, and halting grants of all types, harming people and communities across the country. Only seven days in, the administration issued a sweeping [memo](#) freezing, without notice or discretion, “all federal financial assistance.” Democracy Forward and Democratic state Attorneys General (AGs) acted quickly by filing lawsuits on behalf of non-profit organizations, public health leaders, small businesses, and states and their residents within less than 24 hours of the memos release. In response to these suits, brought by Democracy Forward and state AGs, federal courts ruled on multiple occasions to halt the freeze.

This memo describes how Democracy Forward, state AGs, and related plaintiffs and partners used legal tools to block the administration’s January 2025 sudden, callous, and unlawful freeze on essential federal funding, which is the lifeblood of critical services to people and communities. The success blocking Trump’s attempted freeze of federal grants and funding demonstrates the power of the courts, advocates, communities, state leaders, and unified, quick action to slow and stop the Trump administration’s attempted abuses of power. This memo will continue to be updated as the situation warrants.

The Memo that Froze “All Federal Financial Assistance”

On January 27, a memo issued by the Office of Management and Budget, directing a freeze on funding for “all federal financial assistance” surfaced in media reporting. Citing vague and politically charged reasons, the memo’s freeze was set to take effect less than 24 hours later, on January 28, at 5 PM. This memo created chaos and confusion across the country as it threatened a broad array of programs serving millions of Americans.

In practice, the memo purported to eradicate essentially all federal grant programs. The only stated basis for this memo was the then-Acting Director’s belief that “[f]inancial assistance should be dedicated to advancing Administration priorities” and that “[t]he use of Federal resources to advance Marxist equity, transgenderism, and green new deal social engineering policies is a waste of taxpayer dollars that does not improve the day-to-day lives of those we serve.”

This memo—devoid of any legal basis or the barest rationale—was to have a devastating impact on hundreds of thousands of grant recipients who depend on the inflow of grant money (money

already obligated and already awarded) to fulfill their missions, pay their employees, pay their rent—and, indeed, improve the day-to-day lives of the many people they work so hard to serve.

This memo [sent shockwaves](#) across the country. Organizations and state agencies providing critical services knew that loss of funding would cause:

- Medicaid providers to [go out of business](#);
- Preschools in the Head Start program to be [unable to pay staff](#);
- Disaster aid to Los Angeles to respond to wildfires and North Carolina to recover from Hurricane Helene [to be disrupted](#);
- Seniors served by Meals on Wheels to [go without food](#);
- Funding for municipalities like Prichard, Alabama to fix its [leaking drinking water system](#) to be in jeopardy;
- Funding for children’s health services [to be at risk](#);
- And so much more.

The First Legal Challenge

Within hours of becoming aware of the memo, on January 28 Democracy Forward [filed the first lawsuit challenging](#) it on behalf of the National Council of Nonprofits, the American Public Health Association, Main Street Alliance and SAGE.

This lawsuit alleged violations of the Administrative Procedure Act, including being arbitrary and capricious, contrary to the First Amendment, and in excess of statutory authority. Among other aspects, the memo failed to explain the source of OMB’s purported legal authority to gut every grant program in the federal government; it failed to consider the reliance interest of the many grant recipients, including those to whom money had already been promised; and it announced a policy of targeting grant recipients based on those recipients’ exercise of their First Amendment rights and for reasons having no bearing on their eligibility to receive federal funds. This lawsuit sought a temporary restraining order to halt the memo from coming into effect.

On the afternoon of January 28, a federal court held a hearing on this matter. In response to Democracy Forward’s legal challenge, the U.S. District Court for the District of Columbia [issued an administrative stay, blocking the memo](#) minutes before the freeze was to take effect, **marking one of the first legal wins against the Trump administration.** The stay was implemented to allow the court to thoroughly review the plaintiff’s motion for a temporary restraining order.

That same afternoon, a coalition of 23 state Attorneys General [also challenged the memo](#) in the U.S. District Court for Rhode Island. The AGs argued that the administration’s actions in halting

funding already allocated to state programs violated the Administrative Procedures Act, the Constitutional requirements of separation of powers, and the spending and appropriation clauses, and ran afoul of the major questions doctrine. The federal court [swiftly responded](#) with repeated [rulings](#) requiring restoration of [funds](#) for critical state programming.

Trump Administration Responds: Purportedly Rescinds Memo, Harms Continue

After the administrative stay was issued in the challenge brought by Democracy Forward, the Trump administration purported to [rescind its memo](#), with White House Press Secretary Karoline Leavitt [addressing the matter in a White House Press Briefing and via Twitter / X](#).

Despite the court ordering a stay on the funding freeze and the Trump administration's purported rescission of the memo, evidence showed that the effects of the funding freeze continued. As detailed in [a legal filing on January 31, 2025](#), this includes:

- Federal awards to a community health center with more than half-a-dozen clinics in a rural state were frozen – if not restored in 14 days, the center would have had to close clinics and lay off staff, its dental centers would have been "debilitated," and patients at the clinic and local hospitals would have lost care. Losing physicians at the clinic would also have negatively impacted two nearby critical-access hospitals, as the center's physicians staff the emergency rooms.
- Some tribes were unable to log in to DOJ and HUD grant portals – and would have had to lay off victims services employees within the week if they were not able to resolve the issue.
- Another tribe did not receive its funds from the Tribal Assistance for Needy Families Program, which would have resulted in furloughing employees and disrupting daily services like child safety, sanitation, health care, and housing assistance.
- A small business owner and member of plaintiff Main Street Alliance was locked out of her business funding and would have been required to lay off her entire staff and "cease to exist" without access to funds.
- Another member of Main Street Alliance whose daycare center serves low-income families would have needed to stop caring for children with subsidized tuition payments and ultimately close within two months without access to its federal funding programs.
- A nonprofit member of plaintiff National Council of Nonprofits experienced a funding freeze of just nineteen hours that required it to start shuttering vital programs for the people experiencing homelessness that it serves – including a program that helps people obtain birth certificates and ID cards.
- A member of plaintiff American Public Health Association who chairs a small nonprofit that provides services to expecting parents (including wellness visits, transportation to

local doctors, and providing car seats and formula) said his organization would not be able to make payroll or provide care if federal grants were not restored.

- A member of the West Virginia Nonprofit Association who focuses on addressing homelessness and providing services to more than 7,000 people per month experienced the funding freeze, had to stop providing certain services, and commented, “It is devastating to think what the loss of this funding could mean to the people we need to serve ... where they will get not just housing, but food, healthcare, etc.”
- As of January 28, all funding from the Departments of Labor and Health and Human Services was inaccessible to the state of Arizona, according to a legal filing from state attorneys general.
- Colorado was unable to access payments on open federal awards the state uses for services from agencies like the Colorado Department of Homeland Security and Emergency Management, according to the same filing from state attorneys general.

In addition, four hours after the Court ordered an administrative stay, the National Science Foundation appears to have [sent an email](#) to staff instructing them to continue carrying out the freeze on open awards. The National Science Foundation’s online payment system was also down, [freezing researchers’ salaries](#). As a result, scientists risked failing to pay rent, mortgages, and credit card bills.

Winning Court Orders | Temporary Restraining Order, Preliminary Injunction

On January 31, the federal judge overseeing the case brought by the state AGs granted a [temporary restraining order](#) prohibiting the administration from pausing, freezing, impeding, or otherwise preventing states from accessing federal funds that Congress has already approved. The judge called out the administration’s attempts to obfuscate their actions by rescinding the original OMB memo while still maintaining the funding freeze, noting in the order that the “decision to pause appropriated federal funds ‘remains in full force and effect.’”

In parallel, just days after the court issued an administrative stay in response to Democracy Forward’s legal action, it granted a [temporary restraining order](#) — citing specifically the harm already done to programs and organizations across the country whose funds had already been frozen. The opinion noted that the Trump administration’s excuse that any frozen funds were a “coincidence” was an explanation that “ignores both logic and fact.”

Despite the clear and unambiguous terms of the temporary restraining order issued to the state AGs, the administration nonetheless continued to withhold funds from grantees. The plaintiff states filed for an enforcement action on February 7. Programs as wide ranging as Climate Pollution Reduction Grants in California, to research grants for dementia care, to Head Start programs in Michigan and Vermont remained unable to continue work due to lack of access to allocated funding. The court granted the [enforcement action](#) on February 10, ordering the administration to release and resume all funding.

On February 25, 2025 Democracy Forward [secured a preliminary injunction](#) to block the attempted freeze for the duration of the litigation. The court’s opinion stated: “Defendants cannot pretend that the nationwide chaos and paralysis from two weeks ago is some distant memory with no bearing on this case... Plaintiffs have marshalled significant evidence indicating that the funding freeze would be economically catastrophic—and in some circumstances, fatal— to their members.”

The state AGs soon thereafter also were [awarded a preliminary injunction](#) on March 6, 2025. The court grounded its decision in fundamental Constitutional principles of separation of powers and Congressional spending authority. The opening lines of the order note that, “The Executive’s categorical freeze of appropriated and obligated funds fundamentally undermines the distinct constitutional roles of each branch of our government.... [T]he Executive’s discretion to impose its own policy preferences on appropriated funds can be exercised only if it is authorized by the congressionally approved appropriations statutes.”

Seeking to Clarify the Scope of Court Order

These courtroom wins helped stave off devastating harm to communities—but the challenges for people and communities continue. In response to the preliminary injunction, the administration has sought to carve out a segment of “open awards”—those that have been awarded even if disbursements haven’t begun. This segment of awards includes **\$3.6 billion in Continuum of Care awards from HUD that were awarded on January 17, 2025**. [Reporting states](#) that this also includes \$5 million in HUD grant funding for Montgomery County, Pennsylvania, where if funding is not received Continuum of Care marshaling programs that assist with rent, domestic violence protection, eviction prevention, outreach to people who are homeless, and preventing at-risk children from being left on the streets will no longer be able to operate.

On March 4, Democracy Forward filed a [motion to clarify the scope of the preliminary injunction](#), asking the court to make clear that its ruling about “open awards” includes this segment. (Additional context is available in this [declaration](#).)

Suing to Compel Compliance with Transparency Laws and Funding Statutes

In early January Democracy Forward [announced](#) that it launched a series of federal and state public records investigations to uncover information the public has the right to know about the administration’s activities. On February 28, Democracy Forward [filed suit](#) to compel the release of documents related to the administration’s sweeping and unlawful effort to freeze financial assistance. This lawsuit seeks transparency on how the administration made its decision to abruptly pause critical federal funding, what justification if any it relied upon, and who was involved in implementing this reckless policy. This is part of our broader effort to hold the administration accountable to the American people for its attempts to evade scrutiny as it seeks to dismantle public programs.

Democracy Forward and state AGs have continued to respond to other arbitrary and unlawful federal funding cuts that often operate as an end run around existing court orders to sustain funding. For instance, 22 state AGs [filed suit](#) against the administration's attempts to cut cost-sharing agreements for National Institutes of Health (NIH) grantees, putting at risk billions of dollars of critical research on illnesses like Alzheimer's, diabetes, and cancer. The administration disregarded both the language of the grants that had been negotiated with individual institutions, and the statutory directive that the NIH had no authority to change the terms of grants without renegotiating each one. A court granted a [preliminary injunction](#) on March 5, ensuring that research and patient care will continue during litigation.

Democracy Forward and its partners through Democracy 2025 continue to hear directly from grantees, beneficiaries, and their networks, at the same time that state AGs collect similar information from their constituents. Additional information is available on democracy2025.org and those facing threats to their federal funding can connect via a [funding specific intake form](#) available via a portal on that site.

Looking Ahead

Our wins in these cases to date are a reminder that just six weeks into the administration the courts are the frontline and democracy is not a spectator sport. We will continue to use every legal tool available to protect these services and programs that millions of people in communities across the country rely on.

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Democracy Forward: *Democracy Forward is a national legal organization that advances democracy and social progress through litigation, policy, public education, and regulatory engagement. For more information, please visit www.democracyforward.org. For more information, contact: Megan Uzzell, Democracy Forward Director of Impact and External Engagement (megan@democracyforward.org) or Nikki McKinney, Senior Advisor for Policy and Public Affairs, nmckinney@democracyforward.org.*

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