



NONPROFITS: FINANCE

Gov't Overreach At 18 Months

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From Day One of the second Trump administration, the president and his cabinet allies have been on a scorched-earth rampage to reduce the size of the federal government through drastic agency downsizing as well as huge cuts in federal grants and contracts.

The philosophical underpinnings of this strategy were published in the 900-page [Project 2025](#) manifesto, reflecting long-term conservative dogma that the best government is a small one. And if the federal budget is bloated, it must have been caused by widespread fraud, abuse, and mismanagement by the prior occupants of the White House.

From the beginning, a fiction was floated by this current administration that any budget trimming would be thoughtful and fair. That was never true.

The earliest official pronouncements about budget matters were the executive orders released on Inauguration Day, and in the next few days. They were largely unintelligible screeds of brand-new “public policy” that reversed decades of public consensus. A week later came the notorious [OMB Memorandum M-25-13: Temporary Pause of Agency Grant, Loan, and Other Financial Assistance Programs](#) (January 27, 2025). It unlawfully weaponized the president’s EOs in an orgy of across-the-board budget “pauses” that have wreaked havoc across America and most particularly in the charitable-nonprofit sector.

Funding Freezes

According to [OMB Memorandum M-25-13](#), the government is obliged to “[identify and review all Federal financial assistance programs](#) and supporting activities consistent with the President’s policies and requirements.”



There were no such reviews. Indeed, the single day or so that would have been allocated to perform this review would not be enough time to commence – much less complete – a reasonable or comprehensive evaluation of a particular project or budget item.

What did proceed, though, were announcements of broad-stroke budget freezes or “pauses.” Despite provisional injunctive relief in place, there continue to be some additional freeze announcements from time to time.

Over the past few days, the national media have carried a number of eye-popping “news” stories on finance topics. See, for instance: *Trump Administration Admits Canceling Grants to States That Did Not Vote for Him* (July 24, 2026) Tony Romm and Brad Plumer, *The New York Times*; and *Congress Budgeted Billions for Big Transit Projects. Trump Isn’t Spending It* (July 27, 2026) Emily Badger and Alicia Parlapiano, *The New York Times*.

It’s fair to suppose that the average American might be alarmed or concerned by these sordid revelations. But to us in the charitable community, it would surely not register as “new” or surprising. After all, we’ve closely observed (and experienced) our own federal government “shocking and awing” us on a daily basis since January 20, 2025.

What We’re Up Against

It’s quite clear – now, at the 18-month point of this dystopian reality – that this administration had planned all along to drastically shrink the size and influence of our society and also of our sector in particular. The end-goal for the almost 1.5 million 501(c)(3) organizations is either to cower them into submission to the president’s new “agenda,” or to choke off the financial lifeline of federal funding, or both.

See, for example, a recent item from the National Council of Nonprofits’s May 12, 2026, issue of *Nonprofit Champion*: *New Study Highlights Impact of Trump Administration Actions on Nonprofits* [“A new study released today by The Center for Effective Philanthropy (CEP) reveals that nonprofit leaders report unprecedented challenges since January 2025, when the Trump administration began a series of actions targeting nonprofits. Those actions include the attempted federal funding freeze in early 2025, DOGE’s review and termination of grants, executive orders targeting specific issues and program areas, federal investigations of nonprofits, and threats to revoke their tax-exempt status, among others.”]

See, similarly: *Trump’s War on Nonprofits Will Make Us All Less Safe* (June 10, 2025) Erica Bryant, *vera.org* [“Nonprofits have long done essential work to keep communities safe, but Trump has established a clear playbook to coerce and control them: strip their federal funding, investigate and intimidate them, and threaten their charitable tax status.”]

The Game Plan

From the start – on Inauguration Day – the writing was on the wall. Officials would dribble out detailed executive orders, one after another, packed with brand-new policies and procedures to follow.



Many of these documents would include concepts in sharp contrast with prevailing public sentiment that had developed over decades. The government did not aim to gently persuade; instead, these documents would encourage specific and immediate actions, all the while carrying a sense of menace just under the surface.

It's certainly permissible for a new administration to adopt different policies than before, and to impose additional conditions and requirements for obtaining federal grant funds or other benefits. But there are limits, as Andrew Hanson explained in *Harvard Law & Policy Review* (December 1, 2016): *"Economic Dragooning": Limiting Trump's Ability to Punish Sanctuary Cities*.

"To cancel all federal funding to cities, which could mean billions of dollars in some" cases, "seems to be more akin to the impermissible 'economic dragooning' that leaves cities 'with no real option but to acquiesce,' in contrast with the 'relatively mild encouragement' that the Court has found to be permissible."

"Dragooning?" That's not a term you hear every day. What, exactly, is its origin and meaning?

It's the "forcing or coercing someone into doing something they do not want to do, through pressure, bullying, or harsh measures. It comes from the historical practice of using mounted soldiers called 'dragoons' to persecute or force civilian compliance."

Over these past 18 months, the nation's Democratic attorneys general have been planning together and mobilizing to forcefully push back against the unprecedented federal overreach.

They have prepared, filed, and prosecuted at least 63 impressive (and, in many cases, successful) federal lawsuits on a wide swath of issues that come up in the presidential executive orders. There is an excellent resource: the Washington Attorney General's Federal Litigation Tracker. It describes – with hyperlinks – each lawsuit since Inauguration Day 2025 in which Washington State is a party plaintiff with at least one other jurisdiction, combining to sue the Trump administration.

Updated regularly, there are 67 listings. The latest is *State of Illinois et al v. FEMA et al*, [25 plaintiffs] Case 1:26-cv-00485, District Court of the District of Rhode Island, Complaint for Declaratory and Injunctive Relief, filed July 23, 2026. The summary description of the issue is: "DHS and FEMA embarked on an unprecedented campaign to leverage the billions of dollars in federal funding that they administer to coerce States into adopting the Administration's preferred policies" beginning with "conditioning the receipt of all federal funds they administer on cooperation with federal civil immigration enforcement."

The July 23, 2026, Complaint represents not the first time that this particular dispute has made its way to the courthouse. Twice before, judges have told FEMA and DHS that they "cannot unlawfully condition emergency-preparedness grant money on states enforcing federal immigration rules." Why? Because this type of pressure is "unconstitutional 'economic dragooning.'"

Abundant Lawsuits

The Washington Attorney General's Federal Litigation Tracker is an important resource for evaluating and understanding what is being done around the country to push back against the federal overreach. But it's not the only such compilation.



Trying to get a reasonable handle on the huge mountain of lawsuits against the Trump administration grows more daunting each month. Within those huge piles, though, are some notable successes including appellate rulings that invalidate certain of the executive orders.

See, for example, these resources:

- [Civil Rights Litigation Clearinghouse](#)
- [Health Care Litigation Tracker](#)
- [Just Security Litigation Tracker](#)
- [The New York Times: Tracking the Lawsuits](#)

Conclusion

In the next post in this series, we'll cover important developments in the litigation begun in late January 2025 to oppose *OMB Memorandum M-25-13*. There are two separate but related lawsuits: [*National Council of Nonprofits et al v. OMB et al*](#), awaiting a decision in the Circuit Court of Appeals for the District of Columbia; and a win in [*State of New York v. Trump*](#), First Circuit Court of Appeal, March 16, 2026, Opinion.

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