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New White House Order Tightens Federal Grants; USVI Agencies Face Overhead Caps, Senior Review, and Easier Cancellations

A White House order adds senior review, favors lower indirect cost rates, inserts 'termination for convenience' into awards, tightens cash drawdowns, and sets content limits—changes USVI agencies, hospitals, schools, and nonprofits must prepare for.

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The White House. **By. GETTY IMAGES.**

U.S. VIRGIN ISLANDS — Federal agencies will face new rules for how they advertise, award, monitor, and—if needed—cancel discretionary grants under a White House directive issued last week. The changes could affect Virgin Islands government departments, hospitals, education institutions, and nonprofits that rely on federal awards, by reshaping application requirements, limiting overhead charges, and adding stronger termination clauses to future agreements.

Executive Order 14332, titled "Improving Oversight of Federal Grantmaking," orders each grant-awarding agency to name a senior appointee to review new funding notices and discretionary awards "to ensure that they are consistent with agency priorities and the national interest." Until that review process is in place, agencies are told not to issue new funding announcements without the appointee's approval, except where required by law. The order also calls for subject-matter expert input, interagency checks to avoid duplicate programs, simpler plain-language application forms, and pre-issuance discussions between grant panels or program offices and senior leadership.

The directive sets policy guardrails for what federal grants should and should not fund. It says awards must "demonstrably advance the President's policy priorities," and that agencies "shall not" use them to "fund, promote, encourage, subsidize, or facilitate" racial preferences; denial of "the sex binary in humans" or the idea that sex is "a chosen or mutable characteristic"; illegal immigration; or "any other initiatives that compromise public safety or promote anti-American values." It instructs officials to use their own judgment rather than "ministerially ratify" peer-review results, while making clear that peer review may still inform decisions.

Cost controls are a central theme. Agencies are told to prefer recipients "with lower indirect cost rates," to spread awards among a broader range of grantees, and to revise federal "Uniform Guidance" to streamline applications and "appropriately limit" use of grant dollars for facilities and administrative costs. For science grants, agencies should prioritize institutions committed to "Gold Standard Science," with clear benchmarks and an emphasis on rigor and reproducibility.

The order gives the Office of Management and Budget marching orders to require that discretionary grants allow "termination for convenience," including when an award "no longer advances agency priorities or the national interest." Within 30 days, agencies must report whether their current terms already include those provisions, how many active awards they have, and what share can be ended under such clauses. Agencies are further directed to revise existing grants "to permit immediate termination for convenience" where allowed by law, and to add the same clauses to all future awards and amendments.

Future agreements are also expected to tighten cash management. To the extent practicable and lawful, agencies are instructed to insert terms that bar grantees from drawing down general funds for specific projects without affirmative authorization, and to require written, specific justifications for each drawdown request.

The preamble of the order frames the changes as a response to what it calls "offensive waste of tax dollars," citing examples ranging from overseas cultural programs to research oversight and pandemic-era lab funding. "Every tax dollar the Government spends should improve American lives or advance American interests," the document states, adding that the federal government "holds tax revenue in trust for the American people."

Legal caveats are included. The order does not alter an agency's existing statutory authorities or OMB's budget functions, must be implemented consistent with law and available appropriations, and "does not create any right or benefit" enforceable in court. If any provision is held invalid, the remainder stands. Publication costs are assigned to OMB

In this USVI, the new order means local entities that pursue federal funds should expect plainer—but more closely scrutinized—funding notices; potential caps on overhead recovery;

additional leadership review before awards are issued; stronger termination clauses in new agreements (and possibly amended terms in existing ones); stricter documentation for cash drawdowns; and explicit content limits on how federal dollars may be used. Agencies and organizations in the territory that depend on discretionary grants will likely need to adjust grant planning, compliance, and budgeting to align with the new federal requirements.