

Insights: Alerts

DOGE Is Reshaping Government Contracts, Grants, and Loans—Steps Recipients Must Take to Stay Ahead

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Written by Gunjan R. Talati, John C. F. Loving, Stephen M. Anstey

Executive Summary

Summer is still two months away, but for federal contractors, businesses, and state, local, and tribal governments that rely on federal grants and loans the DOGE (Department of Government Efficiency) days are already here. Last week, the Trump Administration issued possibly its broadest [executive order](#) yet, aimed at overhauling federal government spending practices. This order requires federal agencies to implement new systems and processes for justifying and facilitating the freezing of federal contracts and other funding. It also requires all agencies to review all federal contracts, grants, and loans and “terminate or modify (including through renegotiation) such [agreements] to reduce overall federal spending or reallocate spending to promote efficiency and advance the policies of [the] Administration.” Agencies are also directed to halt certain expenditures, such as non-essential travel and credit card use, and to ensure compliance with strict deadlines and reporting obligations.

This alert highlights key provisions, immediate agency requirements, and steps companies can take to prepare for these changes.

Key Provisions and Takeaways

Termination or Modification of Existing Contracts, Grants, and Loans:

As noted, each federal agency must review all contracts, grants, and loans administered by that agency within 30 days of the executive order's release. Upon review, agencies may terminate, amend, or renegotiate these contracts, grants, and loans to reduce overall federal expenditures, enhance efficiency, or realign spending to support the priorities and policies of the Trump Administration. The executive order states that the process will “prioritize the review of funds disbursed under covered contracts and grants to educational institutions and foreign entities for waste, fraud, and abuse.

- **Takeaway:** Because of the broad nature of this provision, any entity with a federal contract, grant award, or loan should review their agreements, contact agency officials where appropriate, and take necessary steps to protect their federal agreements from modification or termination. For secondary institutions and foreign entities, which have already been targeted by prior executive orders and funding cuts, it is crucial

to review grant agreements for termination and disbursement provisions and establish contingency plans to address potential funding disruptions. For more information regarding planning in the face of a possible grant termination, see our webinar on the subject [here](#).

Justifying all Expenses to DOGE:

All federal agencies must establish systems to document payment justifications for federal contracts, grants, loans, and other agency expenditures. These payment justifications will be subject to review by DOGE. Payments lacking sufficient justification may be paused. Importantly, unless specifically prohibited by law, these justifications will be made publicly available.

- **Takeaway:** Contractors, businesses, and local governments that rely on federal funds need to pay more attention than ever to adequately documenting and submitting detailed justifications for their expenses. This is a balancing act between providing information to justify expenses and safeguarding certain information. Because the information could be made public, companies must take care not to inadvertently reveal trade secrets or confidential business practices in an effort to justify legitimate government expenses.

Increased Reporting:

Agencies must now create monthly reports on payment justifications and contracting activities which will be submitted to the Administrator of DOGE.

- **Takeaway:** The information required for these monthly reports will almost certainly fall on the shoulders of federal contractors, who will likely now need to provide agencies with more information on an expedited basis. Contractors and other effected entities should begin planning for this by ensuring that all expenses are accurately documented and that internal accounting systems are modernized and up-to-date.

Cancellation of Credit Cards:

The executive order imposes a 30-day freeze on agency-held credit cards, with an exception only for “critical services such as disaster relief.” Thus, numerous types of agency credit cards, including a contracting officer's Government Purchase Card (“P-Card”) will likely be unusable for 30-days from the executive order (and potentially beyond).

- **Takeaway:** Media outlets are already reporting on the significant effects of this freeze. For example, contracting officers are often encouraged to use these credit cards for micro-purchases (purchases of \$10,000 or less). Contractors should prepare for the reality that short-term purchases may stop or decrease during this period. Contractors can discuss alternate options with their agency's contacts.

Conclusion

This executive order marks a significant shift in federal spending oversight and process, requiring immediate action from agencies as DOGE is further integrated into federal government operations. While many had assumed that the freezes and terminations of federal contracts, grants, and loans over the first few weeks of the

Administration represented the totality of such actions, the executive order indicates that those measures may have only been the beginning, with further impacts likely to expand over time.

Federal contractors, businesses, as well as state, local, and tribal governments that depend on federal grants and loans should proactively take measures to safeguard their agreements with the federal government and meet the requirements of the executive order. These steps should include collaborating with legal counsel to address heightened reporting and justification requirements and renegotiating agreements in response to agency directives. Additionally, companies should actively work to prevent the termination or harmful modification of their contracts, grants, or loans by engaging directly with Congress, the Administration, and relevant agency officials through lobbying efforts and other advocacy strategies.

For more information or assistance related to this Legal Alert, please contact one of the authors or a member of Kilpatrick's Government Contracting & Public Procurement Team.

Related People



Gunjan R. Talati

t 404.815.6503

gtalati@ktslaw.com



John C. F. Loving

t 202.508.5826

jloving@ktslaw.com



Stephen M. Anstey

t 202.824.1427

sanstey@ktslaw.com