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Understanding Federal Agency Grant Disbursement, Payment Processes, and “Freezes”

This In Focus describes how federal agencies administer grant program funding, including the statutory authorities, regulatory provisions, and grant program guidance that informs the grant payment disbursement process. It also discusses the process by which federal grant recipients request payments under a grant award, federal agency “freezes” of payment systems, and factors that may affect the disbursement timeline for both new and existing grant awards.

Federal Grant Funding Process

There are several steps in the grant funding process. These include the appropriation of funding by Congress, apportionment of those funds by the Office of Management and Budget (OMB) to federal agencies, allocation of funds by federal agencies to specific programs or purposes, and the obligation of funds to individual grant awards.

Step 1: Appropriations

The initial step of grant funding occurs when Congress appropriates funding to congressionally authorized grant programs through enactment of appropriation bills. The appropriation may include provisions that specify the use of the funds and the amount of time for which the funding is available for obligation. The authority for a federal agency to administer grant program funding, as well as provisions relating to program administration provisions (i.e., eligible recipients and eligible use of the funds) is often contained in separate program-specific authorizing legislation. In the absence of a current authorizing statute for a grant program, the appropriation of funding for the program provides authority to the federal agency to administer the grant program.

Step 2: Apportionment

Once Congress has appropriated funds to federal agencies for specific purposes, OMB apportions funds to each agency and specifies the timeframe during which those funds are available for obligation. OMB also ensures consistency with statutory requirements.

Step 3: Allotment

Once the federal agency receives the apportioned funds, the agency allots funding among grant programs and makes decisions about grant applications that may result in awards being made to grant recipients. In some cases, the apportioned funding is split among several different grant programs by the federal agency. The process for awarding funds generally begins after those funds have been allotted.

Step 4: Obligation

The process for awarding grant funds varies by program. In most cases, the federal agency will publish a Notice of

Funding Opportunity (NOFO) in the Federal Register, select projects for further review, and obligate funding to successful grant applicants.

The information contained in a NOFO varies by grant program. In general, a NOFO includes:

- reference to the authorization for the program;
- how much funding is available;
- grant program goals;
- eligible applicants;
- eligible use of the funds;
- application requirements;
- application review and scoring criteria;
- performance and financial reporting requirements; and
- additional terms and conditions attached to the funding.

Once the NOFO is published, the federal agency typically begins accepting grant program applications. During the preaward process, these applications are reviewed to assess the eligibility both of the applicant and the use of funds proposed in the grant application to ensure the proposed project is in compliance with the program’s statutory and regulatory requirements. Once a selected grant application is deemed to have met all of the eligibility requirements, the federal agency awards funds through obligation.

As noted by GAO, an obligation is “some action that

When are Grant Funds Obligated?

According to 31 U.S.C. §1501, an obligation is recorded when there is documentary evidence of:

(a)(5) a grant or subsidy payable –

(A) from appropriations made for payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or under formulas prescribed by law;

(B) under an agreement authorized by law; or

(C) under plans approved consistent with and authorized by law.

creates a legal liability or definite commitment on the part of the government.” Generally, grant funding is considered obligated when a grant agreement or cooperative agreement is executed by the federal agency and the primary grant recipient. Because a variety of transactions can constitute an obligation, GAO has further noted that qualifying transactions are:

analyzed on a case-by-case basis the nature of the particular transaction at issue to determine whether an obligation has been incurred. (GAO-06-382SP Appropriations Law, Vol. II, p. 7-3)

The grant agreement or cooperative agreement sets out the terms and conditions attached to the award. This includes, among other things, the amount of funding approved to be expended, a description and scope of work for the project, an approved budget, the financial and performance reporting requirements for the grant recipient, and the period of performance in which funds must be expended.

Until there is a transaction that constitutes a legally binding commitment that would require an outlay by the U.S. Treasury, such as an executed grant agreement, federal agencies or awardees may refer to awards as a “conditional obligation.” Notably, awards with “conditional obligations” may or may not result in an actual obligation and subsequent payment. The grantee can only begin expending funds and requesting payment from the federal government once a grant agreement or cooperative agreement has been fully executed (but not prior to).

Step 5: Disbursement of Grant Funds

Most federal grants are distributed based on a reimbursement process: the grantee expends their own funds and then requests repayment from the federal government for those expenditures. This is commonly called a “draw-down request” since the grantee is drawing from the approved award amount to cover expenses they have incurred related to the grant project. Federal agencies use payment management systems (PMSs) to process draw-down requests. There are seven primary PMSs used by federal agencies to pay grant recipients:

- **Automated Standard Application for Payments:** A shared service provider used by more than one federal agency.
- **Award Cash Management Service:** National Science Foundation.
- **Delphi iSupplier:** U.S. Department of Transportation.
- **G5:** U.S. Department of Education.
- **Integrated Disbursement & Information System:** U.S. Department of Housing and Urban Development.
- **Payment Management System:** A shared service provider used by more than one federal agency.
- **Wide Area Workflow:** U.S. Department of Defense.

“Freezing” Federal Funds

The concept of “freezing” federal funds generally refers to any delay in processing payment requests through the PMSs. There are several circumstances in which a federal agency may pause processing of draw-down requests. The most common instances involve agency activities related to administrative review.

Federal Agency Grant Administrative Review

Federal agencies may pause processing payments through the PMSs at a payment management system level, a programmatic level, or an individual grant awardee level.

Payment management system-level pauses may occur when a federal agency initiates a review of the documentation requirements, automated system data collection fields, or other system-wide processes. Pauses at the PMS level are generally temporary unless significant system upgrades or changes are found to be necessary. For example, a recent proposed PMS-level pause proposed by OMB stated that, “federal agencies must temporarily pause all activities related to obligation or disbursement of all Federal financial assistance, and other relevant agency activities that may be implicated by the executive orders.” (OMB Memorandum for Heads of Executive Departments and agencies, M-25-13, January 27, 2025).

Programmatic-level pauses may involve administrative activities related to changes in the statutory or regulatory provisions for the grant program. For example, if an agency proposes new caps on certain allowable costs for awarded funding, the agency may temporarily pause processing draw-down requests in the PMS to make adjustments to the data fields in the automated system. Programmatic pauses generally are temporary as well since the federal agency would eventually need to reactivate the PMS, or implement a manual draw-down process for all grantees under the program, in order to process the draw-down requests pursuant to the grant closeout requirements set forth in OMB guidance provided in 2 CFR, §200.344, Closeout.

Pauses at the **individual grant award level** may occur when federal agencies identify potential issues with individual grantees. For instance, a federal agency may identify certain high-risk grantees who need additional monitoring or those that require manual review of the draw-down requests due to fraud, waste, and abuse concerns. Consequently, the federal agency may suspend a grantee’s access to the automated system in favor of the manual draw-down process. Award-level payment pauses can be temporary in nature, or may be in place throughout the period of performance for a grantee.

Pausing payments processed through the PMSs does not necessarily change the terms and conditions of the grant or cooperative agreement. However, during the administrative pause, a federal agency may evaluate existing agreements to determine whether the terms and conditions for individual awards should be modified, or if the agreement should be terminated.

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