

## Employment Law

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# States Sue Over Trump Dismantling of Small Federal Agencies (1)

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- States sue over agency closures, reductions
- Accuse Trump of illegally closing statutorily-mandated programs

A coalition of 21 states sued the Trump administration over its decision to lay off staff and reduce the functions of seven federal agencies, including those that facilitate labor mediation, support library programs, and promote growth of small businesses.

The states filed their lawsuit in US District Court for the District of Rhode Island Friday, alleging the administration is flouting the law after Trump directed the shuttering and shrinking of several small agencies in a March 14 executive order.

The Federal Mediation and Conciliation Service was reduced from 200 employees to 15 by the executive order, the complaint said. The Institute of Museum and Library Services had to place 85% of its staff on administrative leave and the Minority Business Development Agency is left with just five employees.

The March 14 directive violated the Administrative Procedure Act and the US Constitution in bypassing Congress to effectively shutter the agencies and programs they conduct, according to the complaint.

“One option that our Constitution does not give the President is to shutter the agencies himself, in defiance of the administrative procedures that Congress required to be followed, the appropriations that Congress ordered to be spent, and the separation of powers that every officer of our government has sworn to uphold,” the complaint said.

It’s the latest in a string of lawsuits lodged against the president by states’ attorneys general over his executive actions. Similar state coalitions have sued in recent weeks over the creation of Trump’s Department of Government Efficiency and the firing of thousands of newly-hired employees in the federal government.

In Friday’s lawsuit, the states said they have benefited from services provided by the seven agencies. In the case of FMCS, some states require their public sector bargaining disputes to go through agency-selected arbitrators, meaning they rely on the service’s programs.

“Losing these services will place additional financial and logistical burdens on State agencies,” the complaint said. “Without FMCS assistance in ongoing negotiations, parties will need to use much more costly private arbitrators, or risk strikes or other work stoppages.

In a statement Friday, the Michigan attorney general's office said the state received 75% of its library funding from IMLS in 2024. The loss of the agency would cause "considerable" harm, she said.

The states asked the court to set aside the agency's layoffs and program closures and prevent them from going forward.

The case is State of Rhode Island v. Trump, D.R.I., No. 1:25-cv-00128, complaint filed 4/4/25.

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