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The Most Sweeping Federal Grant Overhaul in a Generation: What Every Award Recipient Needs to Know

On May 29, 2026, the Office of Management and Budget (OMB), joined by virtually every federal grant-making agency, published a [proposed rule](#) in the Federal Register that would fundamentally rewrite the government-wide framework for administering federal grants, cooperative agreements, and other forms of financial assistance. Formally titled “Regulation for Federal Financial Assistance,” the more than 400-page proposal represents the most ambitious overhaul of federal grant rules since the Uniform Guidance was established in 2013. If finalized as proposed, the rule will take effect October 1, 2026 — the start of federal fiscal year 2027 — and will govern all new awards and amendments from that date forward.

The stakes could not be higher. Universities, research institutions, hospital systems, nonprofits, state and local governments, and private-sector entities that collectively depend on hundreds of billions of dollars in annual federal grant awards face significant compliance, financial, and operational disruption. Organizations should treat the July 13, 2026, comment deadline as an urgent action item and begin internal preparation now.

What Is Changing: The Structural Shift

The proposed rule makes one overarching structural change that underlies all others: it converts the Uniform Guidance from advisory guidance into binding federal regulation, renaming it the “Uniform Grants Regulation.” Under the current framework, OMB publishes guidance that each agency separately adopts into its own regulations — a process that gives agencies flexibility and provides grantees a measure of insulation from rapid policy change. The proposed rule eliminates that buffer. Future OMB amendments will take effect government-wide on a single date without separate agency rulemakings, giving OMB a faster and more centralized

rulemaking lever than it has ever held over the grants system.

Simultaneously, the rule embeds a series of Trump administration executive order priorities directly into the binding regulatory text, converting what had been ad hoc policy directives into durable, enforceable grant conditions.

Most Consequential Changes to Existing Rules

The proposed rule modifies virtually every phase of the award lifecycle. The following changes to existing grant rules are among the most significant:

- **Pre-Issuance Political Review (§ 200.205):** Peer review of grant proposals is demoted from decision-making authority to advisory status. Agency heads must designate senior political appointees to conduct pre-issuance reviews of all discretionary awards and confirm that proposals “advance the President’s policy priorities.” This is a fundamental departure from the post-World War II model of merit-based, expert-driven funding decisions.
- **Expanded Pre-Award Risk Review (§ 200.206):** Pre-award risk assessments are broadened to include applicants’ professional and extracurricular affiliations, compliance with foreign gift reporting under the Higher Education Act, and any affiliations that may “undermine national security or public safety” — categories far beyond the financial and performance history that risk reviews have traditionally examined.
- **Expanded and Easier Termination Authority (§ 200.340):** Agencies may now terminate awards “for convenience” whenever a project is deemed no longer consistent with agency priorities or the national interest — mirroring the termination-for-convenience standard used in federal procurement contracts. The right to appeal such terminations is eliminated. Exceptions apply only to statutory formula grants, block grants, disaster recovery awards, and certain infrastructure and trade-agreement grants.

- **Elimination of Fixed-Amount Awards (§§ 200.201, 200.333):** Lump-sum grant instruments — which have allowed recipients to manage outcomes rather than tracking every cost dollar — are eliminated unless specifically authorized by federal statute. All awards must shift to cost-reimbursable models with full financial reporting obligations.
- **Narrowed Allowable Costs:** The proposed rule significantly restricts what can be charged to a federal award. Publication charges and open-access fees (§ 200.461), conference attendance (§ 200.432), journal subscriptions (§ 200.454), advertising and public relations (§ 200.421), and fundraising and investment management costs (§ 200.442) are all subject to prior agency approval or made unallowable outright. Each of these has historically been treated as a routine, reimbursable cost of doing federally funded work.
- **Conflict of Interest and Mandatory Disclosure Reforms (§§ 200.112–200.113):** Recipients must disclose whether personnel who worked on a proposal or will support an award were employed by the awarding agency within the prior two years. Offices of Inspector General must now transmit mandatory fraud disclosures to the U.S. Attorney’s Office for the District of Columbia within 10 days of receipt — a significant escalation of the enforcement referral timeline.
- **Domestic Records Storage Requirement (§ 200.336):** All grant recipients must store electronic performance and financial records domestically, a new geographic constraint with significant implications for institutions with internationally distributed IT systems.
- **Strengthened SAM.gov Subaward Reporting (§§ 200.329–200.332):** Pass-through entities face expanded [SAM.gov](#) subaward reporting obligations, and noncompliance is now explicitly a ground for award termination. Recipients may not treat transfers to affiliates, subsidiaries, or related organizations as internal allocations exempt from subrecipient classification.

Major New Provisions

In addition to changes to existing rules, the proposed regulation introduces several wholly new requirements and prohibitions:

- **DEI, Gender Ideology, and Abortion Prohibitions (§§ 200.300(b), 200.477):** Federal awards may not be used to fund, promote, or facilitate DEI or DEIA programs that violate federal anti-discrimination laws, “gender ideology” as defined by the administration, gender transition assistance for individuals under age 19, or elective abortions. These prohibitions attach as cross-cutting conditions to all federal awards.
- **Foreign Collaboration Ban (§ 200.220):** A sweeping new prohibition bars use of any federal funds — including indirect costs allocable to such work — for collaboration with “covered foreign countries” (China, Russia, Iran, and Cuba) and their affiliated entities. This extends the narrow NASA-specific Wolf Amendment to every federal grant program, and covers research, travel, technical assistance, and data-sharing.
- **Prohibition on Disparate-Impact Liability Activities (§ 200.218):** Recipients may not use federal funds to promote disparate-impact liability theories based on protected characteristics, with a narrow exception for internal statistical research not used in connection with the award.
- **Viewpoint-Neutrality Requirement for Public Entities (§ 200.219):** Public entities receiving federal funds must provide viewpoint-neutral access to their facilities and services for events and expressive activities — regardless of whether those events are federally funded.

Counties, public universities, and other governmental grantees acting as pass-through entities must also ensure subrecipient compliance.

- **E-Verify for All Grant Recipients (§ 200.303(f)):** Employment-eligibility verification through DHS’s E-Verify system — previously required only of federal contractors — is extended to all grant recipients and subrecipients for employees and contractors performing work under a federal award.

- **Treasury's Do Not Pay System Required Before Drawdowns:** Recipients (other than states) must use the Treasury's Do Not Pay system before any federal payment is issued, adding a new pre-payment vetting step to the drawdown process.
- **Buy American/Domestic Procurement Preference:** Grant terms and conditions must include provisions maximizing the purchase of domestic products, and current language encouraging international procurement for cost savings is removed.
- **National Interest Exception to Grants.gov Posting:** Agency heads may bypass public posting on [Grants.gov](https://www.grants.gov) when public notice is deemed a national security risk or contrary to the national interest — a broad carve-out that extends well beyond traditional classified programs.

What This Means for Your Organization

Taken together, these changes represent a fundamental reorientation of the federal grant system — from one centered on expert-driven merit review and flexible program management, to one emphasizing centralized political oversight, rigid cost controls, and swift enforcement. For grant-dependent organizations, the risks are immediate and concrete: awards may be terminated mid-project with no right of appeal; competitively selected research may be blocked by political review; budgets built on historically allowable costs may suddenly be out of compliance; and international research partnerships may require immediate restructuring or alternative funding.

The compressed rulemaking timeline — a 45-day comment period and an October 1, 2026, effective date — makes rapid response essential. This is not a rule to monitor from a distance.

What You Should Do Now

- **Submit comments by July 13, 2026.** The comment period is the primary legal mechanism to shape the final rule. Comments submitted to [Regulations.gov](https://www.regulations.gov) under Docket OMB-

2026-0034 should be specific and operational — quantifying how particular provisions would affect real programs, timelines, and budgets. Consider coordinating with peer institutions and trade associations for greater impact.

- **Audit your award portfolio.** Identify all active grants that may be vulnerable to termination under a “national interest” standard, all fixed-amount awards that would need renegotiation, and all budget line items affected by the proposed cost allowability changes.
- **Review foreign collaboration arrangements.** Map every active international partnership, subcontract, or data-sharing arrangement involving China, Russia, Iran, or Cuba — and assess whether those activities can be restructured or must be funded with non-federal dollars.
- **Assess DEI program exposure.** Review all programs, training, hiring practices, and award-funded activities to identify components that could be characterized as DEI, gender ideology, or disparate-impact under the proposed definitions.
- **Convene a cross-functional response team.** General counsel, sponsored programs, research administration, human resources, finance, and compliance must assess these proposals together. The implications span every institutional function.
- **Update subaward templates and pass-through protocols.** Pass-through entities must be prepared to flow down the new national policy requirements, E-Verify obligations, SAM.gov reporting standards, and viewpoint-neutrality conditions to all subrecipients.
- **Monitor the rulemaking calendar closely.** OMB has signaled it intends to issue a final rule before October 1, 2026. Organizations should track the Federal Register, prepare rapid-response compliance protocols, and — where appropriate — consult legal counsel about the rule’s enforceability and any litigation developments.

Organizations that receive, administer, or rely on federal financial assistance should not wait for the final rule to begin assessing their exposure. If your institution may be affected by these proposed

changes, contact the authors or any attorney with FBT Gibbons' [Government Contracting](#) team for help preparing effective comments and evaluating program-specific risks.

This article is provided for general informational purposes only and does not constitute legal advice. Recipients of federal financial assistance should consult qualified legal counsel regarding the specific implications of these proposed rules for their programs and operations.

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