Brownstein

"Regulation for Federal Financial Assistance" Proposed Rule Summary

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I. Overview

On May 29, 2026, the Office of Management and Budget ("OMB"), together with 41 federal grant-making offices and agencies, published a proposed rule titled Regulation for Federal Financial Assistance (the "Proposed Rule") that would substantially revise 2 C.F.R. subtitle A and part 200, the governmentwide framework governing grants, cooperative agreements and other forms of federal financial assistance. OMB states that the proposal is intended to improve transparency, accountability and oversight; clarify that subtitle A operates as an OMB regulation rather than guidance; and reduce recipient burden.

As a practical matter, however, the Proposed Rule would do more than make targeted technical revisions. It would convert subtitle A from "Uniform Guidance" into a directly binding OMB regulation, centralize future governmentwide grant rule changes at OMB, and revise the baseline rules governing how awards are structured, administered, monitored and, where applicable, suspended or terminated. The proposal would also add or revise a number of operational requirements affecting recipient eligibility screening, pass-through entity oversight, payment documentation, internal controls, workforce verification, procurement and selected cost principles.

Several features of the Proposed Rule are likely to have especially broad practical significance across sectors. First, the proposal would expand federal oversight before and after award through revised merit and risk review, mandatory Do Not Pay screening, payment-justification requirements, and more prescriptive pass-through monitoring obligations, including subaward reporting and a new "reputational harm" concept tied to potential termination outcomes. Second, it would narrow or eliminate several tools and cost categories on which recipients and subrecipients commonly rely, including fixed amount awards and subawards, certain membership and subscription costs, publication costs absent statutory or case-specific approval, and conference costs absent express agency approval in award terms and conditions.

Third, the Proposed Rule would broaden the government's mid-award intervention tools by standardizing additional termination grounds, adding a temporary suspension mechanism, and requiring more detailed unwind and cost-mitigation steps following suspension or termination. Fourth, the proposal would impose new compliance obligations that extend beyond grants administration alone, including mandatory participation in the Department of Homeland Security's ("DHS") E-Verify program for employees and contractors hired in or performing work in the United States under a federal award, as well as changes affecting procurement, contracting, recordkeeping and internal governance.

The Proposed Rule would also introduce significant substantive limitations in certain policy and research-related areas. These include new restrictions tied to foreign collaboration and research-award eligibility, Section 117-related risk review, and additional national-policy requirements that

would be incorporated into award terms and conditions and enforced through the part 200 framework. For many recipients, subrecipients and vendors, the cumulative effect would be less a single compliance change than a broader shift in the operating environment for federal financial assistance, with implications for award design, staffing, subaward structures, drawdown practices, contracting and routine cost charging.

Accordingly, the Proposed Rule is best understood as a comprehensive revision to the governmentwide grant-management baseline. The sections below summarize the principal changes by topic and highlight the operational and compliance considerations most likely to matter for recipients, subrecipients, pass-through entities, contractors and other stakeholders assessing the proposal.

II. Next Steps

Comments on the Proposed Rule are due July 13, 2026, and OMB has indicated that it intends to issue a final rule effective Oct. 1, 2026, so that a single set of governmentwide requirements would apply to fiscal year 2027 awards. Given that timeline, recipients, pass-through entities, vendors and other stakeholders may wish to use the comment period to identify provisions that raise significant implementation, clarity or cost concerns and to prioritize areas where additional definition, transition time or procedural safeguards may be warranted.

In particular, stakeholders may wish to evaluate the proposal's effects on award stability, foreign-collaboration and research practices, pass-through entity administration, workforce-verification processes, drawdown and payment systems, procurement and contracting terms, and the allowability of commonly charged operating costs. Organizations may also wish to assess which issues are best addressed through formal comments, which require internal implementation planning in the event the rule is finalized substantially as proposed, and which may require coordination across grants, legal, finance, human resources, procurement, compliance and program offices.

Stakeholders may also wish to distinguish between provisions that impose new national-policy restrictions and provisions that revise the underlying mechanics of grant administration. In particular, the DEI-, gender-ideology- and disparate-impact-related provisions in §§ 200.300 and 200.218 are analytically distinct from the rule's structural and operational changes, such as revisions to subtitle A's legal status, pass-through monitoring, payment controls, E-Verify, procurement and termination authority.

That distinction may matter for both comment strategy and external engagement. For stakeholders seeking targeted revisions, it may be most effective to focus first on the national-policy provisions, which are less necessary to the rule's stated goals of transparency, accountability and oversight and more readily severable from the broader grant-management framework. By contrast, comments on the non-DEI provisions may be strongest where they focus on implementation burdens, legal clarity, transition timing, procedural safeguards and effects on award administration rather than on wholesale opposition to the rule's core oversight architecture.

In addition to the comment period, litigation is likely to arise in parallel with or following this rulemaking process. At this stage, public discussion has focused on comments and impact analysis, and there does not yet appear to be an active case that directly challenges the Proposed Rule itself.

However, recent challenges to grant-related executive actions and funding terminations in public health and other sectors suggest that if a final rule closely tracks this proposal, some stakeholders are likely to explore litigation.

Separately, some concerns may also be addressed through congressional engagement. In the near term, the most realistic avenue is the appropriations process rather than broader oversight. Congress retains broad authority over whether and how federal funds may be used, and appropriations riders have historically been used to prohibit agencies from using funds to promulgate, implement or enforce particular regulatory actions.

With regard to broader committee oversight of the rule, this is likely to be limited absent a change in chamber control. That said, Democratic members have already begun to signal how they may approach the issue if they gain additional oversight leverage after the November elections. In June 2026, more than 100 House Democrats sent a letter to Russ Vought, director of OMB, expressing concerns about the proposed rule they called "disastrous and likely unlawful," which they argued would "destroy" the peer review grantmaking process. This followed another letter sent by Democrats on the Energy and Commerce Committee to National Institutes of Health ("NIH") leadership expressing concern that the OMB proposed rule would increase political control over grantmaking, weaken expert review and affect NIH funding decisions. The letters do not themselves create a near-term vehicle for changing the rule under the current Congress, but are relevant because they illustrate the kind of oversight theory that could become more important if one or both chambers change hands.

Brownstein will continue to monitor major developments and below is a detailed summary of the rule for those who are interested in learning more.

III. Structural Changes to Title 2 and the Rulemaking Framework

A threshold point is that the Proposed Rule would recast subtitle A of title 2 as an OMB regulation with binding force in its own right, rather than guidance that agencies separately operationalize through follow-on rulemakings. OMB proposes to use "Uniform Grants Regulation" or "UGR" as a plain-language label for part 200, while retaining the formal part 200 heading and the existing title 2 structure in which subtitle A contains OMB governmentwide rules and subtitle B contains agency adoption or supplement provisions. OMB's stated rationale is that the current "guidance, not regulation" construct has created confusion about how and when OMB amendments become effective, even though most agencies have generally treated OMB's subtitle A amendments as operative once issued. If finalized, OMB amendments would become effective governmentwide when OMB's own final rule becomes effective, without requiring dozens of duplicative agency rulemakings after the initial adoption step is complete.

That structural change is important for clients because it alters the practical mechanics of future compliance monitoring and comment strategy. Recipients that historically focused on agency-specific implementation documents will need to monitor OMB rulemaking directly, and they will have less reason to expect later agency-level notice-and-comment processes to provide additional time or tailoring once OMB finalizes future subtitle A amendments. The Proposed Rule also adds new part 1 provisions on OMB and agency responsibilities, alternative implementation by certain agencies with limited rulemaking authority, maintenance of subtitle A through Federal Register rulemaking and severability. Those provisions are not merely housekeeping, because they reinforce OMB's claim to centralized authority over future governmentwide grant-management changes and

will likely shape how agencies and recipients address future conflicts between part 200 and program-specific rules.

This structural shift is the mechanism that makes many of the proposal's other changes more consequential because future OMB amendments would apply governmentwide without the delay or tailoring associated with separate agency rulemakings.

IV. Baseline Administrative Revisions Before Award (§ 200.1)

The Proposed Rule includes several baseline revisions that would apply before any substantive programmatic decision is made. OMB would revise § 200.1 to update multiple definitions, remove the definitions for "fixed amount awards" and "protected personally identifiable information," and revise the compliance-supplement definition so that it no longer assumes annual issuance. OMB would further revise §§ 200.101 and 200.102 to distinguish statutory conflicts from non-statutory conflicts with agency regulations, to specify that subpart F and § 200.340 govern over conflicting non-statutory agency regulations, and to highlight circumstances requiring OMB approval for agency exceptions. In addition, § 200.111 would be revised to require that federal financial assistance announcements, applications and award information be in English and denominated in U.S. dollars.

OMB would also revise § 200.112 to require recipients and subrecipients to disclose, "for informational purposes," whether employees who worked on the application or are expected to work on the resulting award were employed by the awarding federal agency during the preceding two years. The preamble indicates OMB intends this requirement to provide a governmentwide rule for addressing potential revolving-door conflicts. Separately, § 200.113 would require an Office of Inspector General to transmit mandatory disclosures received under that section to the U.S. Attorney's Office for the District of Columbia within 10 calendar days. These provisions increase the transparency and enforcement stakes of the front-end application process and suggest OMB seeks more formal visibility into revolving-door concerns and more rapid referral of potential fraud or misconduct. They will likely be relevant to large research institutions and health systems that regularly hire former federal personnel and maintain mature disclosure programs, as those entities may need to update proposal certifications, conflict questionnaires and escalation protocols. Even where a provision appears procedural, it can affect how agencies evaluate integrity, how recipients document compliance and how quickly matters are escalated when issues arise.

V. Elimination of Fixed Amount Awards and Subawards (§§ 200.201, 200.333)

Proposed Change: OMB proposes to eliminate fixed amount awards and fixed amount subawards as the governmentwide default. The Proposed Rule would revise § 200.201(b) to eliminate the use of fixed amount awards "unless otherwise authorized by Federal statute" and would replace § 200.333 with a categorical statement that "fixed amount subawards are not permitted." OMB's stated rationale emphasizes inconsistent implementation and insufficient transparency, accountability and oversight compared to other award types. The Department of State separately proposes authority to continue using fixed amount awards for Foreign Assistance and Public Diplomacy programs under proposed § 600.201, and OMB states the change is not intended to affect existing fixed amount awards or subawards issued before the Proposed Rule's effective date.

Current § 200.333 permits fixed amount subawards up to $500,000 with prior written approval from the federal agency, and it ties the requirements back to § 200.201. OMB states that the existing framework has been implemented inconsistently across programs, agencies and recipients. As a matter of market practice, pass-through entities have used this structure to support simplified downstream funding models, including milestone-based workforce training delivery, community health interventions and local partnership programs.

VI. Pass-Through Monitoring: Subaward Reporting, Related-Entity Classification, and "Reputational Harm" (§§ 200.329, 200.331, 200.332)

Proposed Change: OMB proposes several significant changes to pass-through entity obligations under §§ 200.329, 200.331 and 200.332. First, pass-through entities would be required to report subawards to SAM.gov no later than the end of the month following the month in which the subaward was issued, and recipients must confirm in performance reports that all subawards issued during a reporting period have been reported. Second, proposed § 200.331(c) would clarify that pass-through entities may not treat payments of federal funds to affiliates, subsidiaries or other related entities as internal transfers exempt from subrecipient/contractor classification; such transfers must be evaluated and treated as either subawards or contracts as appropriate. Third, proposed § 200.332(i) would require pass-through entities to ensure each subrecipient complies with subaward terms and "does not take actions that could significantly damage the reputation" of the pass-through entity, the federal agency or the federal government. The Proposed Rule further provides that if the pass-through entity determines such actions occurred, it must consult with the federal agency on whether the subaward should be terminated under § 200.340, and if the federal agency determines significant reputational harm has occurred, it may direct termination of the subaward or terminate the prime award.

These changes collectively represent a meaningful expansion of pass-through monitoring beyond classic financial and program compliance into SAM.gov reporting enforcement, related-party accountability, and a broader reputational and public trust domain that is inherently more subjective. The reputational harm provision effectively creates a new pathway for discretionary award leverage because reputational concerns can become a stated basis for federal direction to terminate downstream arrangements or even the prime award. Notably, the Proposed Rule does not define what constitutes "significant" reputational damage or provide examples, leaving substantial uncertainty for pass-through entities attempting to comply with this monitoring obligation. Federal agencies would also be responsible for providing oversight regarding subrecipient reporting in SAM.gov and taking corrective action if recipients are not in compliance. Failure to report subawards on SAM.gov is now expressly identified as a potential basis for termination under proposed § 200.340(a)(1).

VII. Procurement and Contracting Revisions Often Overlooked in the Proposal (§§ 200.318, 200.320, 200.321, 200.322)

The Proposed Rule also contains several procurement-related revisions that may be highly relevant for recipients and vendors. OMB proposes to revise § 200.318 to strengthen accountability for time-and-materials contracts by requiring documentation supporting material costs and pricing those costs consistently with market rates. OMB also proposes to revise § 200.320 to strongly discourage the use of cost-reimbursement contracts, require recipients using those contracts to

notify the awarding agency and maintain a written justification in their files, and preserve federal agency discretion to require prior approval for such contracts through award terms and conditions. In § 200.321, OMB proposes to streamline the small-business contracting rule, and in § 200.322 OMB proposes to shift from the current broader aspirational domestic-preference language to a framework directing agencies, to the greatest extent practicable and consistent with law, to include award terms and conditions that maximize the use of goods, products and materials produced in the United States. These changes could materially affect lower-tier contracting, supply-chain planning, pricing support and award-specific procurement controls.

VIII. Clarifications and Constraints in Prior Approvals and Related Pre-Award Documents (§ 200.308)

Proposed Change: OMB proposes to revise § 200.308 to clarify and limit when federal agencies can impose certain prior approvals, emphasizing that agencies should not require prior approval beyond what is listed in part 200 unless doing so is authorized by statute or by an OMB-approved information collection. This revision could reduce the number of award-specific conditions that are effectively embedded in agency policy rather than in the uniform regulation. At the same time, the Proposed Rule expressly adds memberships and related costs under § 200.454 to the governmentwide prior-approval list, and some agencies, such as the Department of Labor, propose supplemental prior-approval requirements. The net effect is that while the Proposed Rule may constrain agencies from adding new prior approvals in some areas, it also embeds new mandatory prior approvals in areas OMB considers high-risk or non-core.

IX. Pre-Award Conflict and Integrity Disclosures (§§ 200.112-200.113)

Proposed Change: OMB also proposes targeted changes to the front-end disclosure framework. Proposed § 200.112 would require recipients and subrecipients to disclose whether any employees who worked on the application or are expected to work on award activities were employed by the awarding federal agency during the two years before the application, although OMB states that this disclosure is informational and does not by itself establish a conflict of interest. Proposed § 200.113 would preserve the existing prompt-disclosure requirement for certain fraud and false-claims matters and would require disclosures received by an agency Office of Inspector General to be transmitted to the U.S. Attorney's Office for the District of Columbia within 10 calendar days of receipt. Commenters may wish to address whether those disclosure requirements are appropriately tailored and operationally clear.

X. Removal of GAO/COSO References and New E-Verify Duties (§ 200.303)

Proposed Change: Under current § 200.303, recipients and subrecipients must establish and maintain effective internal control over the federal award, and the regulation currently states those internal controls "should align" with Government Accountability Office's ("GAO") "Standards for Internal Control in the Federal Government" or the Committee of Sponsoring Organizations of the Treadway Commission's ("COSO") "Internal Control-Integrated Framework." OMB proposes to delete the "should align" language, asserting that GAO is a legislative branch entity and COSO is private, and that tying binding award obligations to external dynamic standards is inconsistent with executive-branch notice-and-comment rulemaking. OMB emphasizes that recipients may still consider GAO or COSO frameworks as reference points but would not be required to adopt them.

This change could reduce audit disputes where auditors have treated GAO/COSO alignment as effectively mandatory, but it also increases ambiguity about what qualifies as "effective" controls absent those benchmarks.

The most consequential change to § 200.303 is proposed paragraph (f), which would require all recipients and subrecipients to participate in DHS's E-Verify program to confirm employment eligibility of employees and contractors hired in or performing work in the United States under a federal award. OMB states that the federal government has applied E-Verify to federal contractors for more than 15 years under 48 C.F.R. subpart 22.18 and is now extending it to federal financial assistance programs based on its governmentwide financial management authorities. OMB also states it is not altering DHS program exceptions or limitations and does not propose applying the program to activities unrelated to federal awards. The amendatory text further provides that upon receipt of an FNC through E-Verify, the recipient or subrecipient must notify the federal agency or pass-through entity, provide the FNC case verification number, confirm appropriate action consistent with E-Verify requirements, and that failure to take appropriate action may result in termination of the award. The Proposed Rule does not clearly specify whether the mandate reaches graduate students on research assistantships, visiting scholars or stipend-supported trainees, or how it interacts with employment-verification systems already in place, creating scope ambiguity that recipients should address these scope questions in comments.

Current § 200.303 does not impose an E-Verify requirement; it focuses on internal controls, compliance monitoring and cybersecurity, and references GAO/COSO frameworks. The Proposed Rule would add § 200.303(f), requiring recipients and subrecipients to participate in E-Verify for employees and contractors hired in or performing work in the United States under a federal award, and it would impose specific notification and response duties upon an FNC. This change is significant for contractors because recipients may require contractor participation as a contractual condition to ensure recipient compliance, even where the contractor is not otherwise required to use E-Verify under procurement rules. The requirement also creates supply-chain friction because E-Verify compliance can be operationally difficult for small vendors, staffing agencies and organizations with complex employment structures.

For public comment, stakeholders may wish to request clarity on scope, including the meaning of "contractors hired in or performing work" under an award, treatment of subcontractors, and treatment of employees who support award work indirectly or intermittently. Commenters might also seek clarification on the meaning of "appropriate actions" consistent with E-Verify requirements in this grants context, and how agencies should treat good-faith compliance efforts where DHS program processes are complex. Because OMB ties this change to federal contractor practice and immigration law obligations, commenters may also suggest alignment with Federal Acquisition Regulation ("FAR") concepts such as "employee assigned to the contract" and with existing exceptions or waiver structures. Finally, because the provision can become a termination trigger, comments may focus on proportionality and procedural protections before termination is imposed based on E-Verify compliance failures.

XI. Do Not Pay Checks and Payment Justifications (§§ 200.303(g) and 200.305)

Proposed Change: OMB proposes § 200.303(g) to require states, as recipients, to conduct pre-payment verification checks before disbursing federal funds, including via the Treasury

Department's Do Not Pay system or alternative screening processes that protect against improper payments. OMB stresses this requirement does not require adoption of specific payment systems or technologies and does not replace program-specific eligibility checks. The Proposed Rule ties this to the Payment Integrity Information Act and to Do Not Pay's governmentwide role, framing it as a strengthening of internal controls over federal funds. This will likely increase operational burden for states administering benefits and other high-volume programs because it adds an explicit governmentwide pre-payment screening obligation beyond program-specific screening regimes.

Separately, OMB proposes to add § 200.305(a)(1) requiring federal agencies themselves to review Do Not Pay data sources before disbursing any federal payment under part 200 to verify recipient eligibility and prevent improper payments, citing 31 U.S.C. § 3354 (the Payment Integrity Information Act). OMB also proposes at § 200.305(c) a requirement that payment requests from recipients (other than states) and subrecipients include brief written justifications describing the purpose of the payment and the specific award-related work it supports. OMB states this requirement will be implemented "as appropriate information systems become available," suggesting phased implementation. OMB ties this change to Executive Order 14222 (the Department of Government Efficiency Cost Efficiency Initiative). These changes will affect recipients by increasing documentation requirements for drawdowns and potentially slowing payment flows as agencies implement new screening and documentation steps. For pass-through entities and subrecipients, the practical concern is that drawdown systems and internal cash management may need redesign, particularly for entities that rely on advances to manage payroll and vendor payments.

XII. Records, Cybersecurity, and Confidential Business Information (§ 200.303(e))

Proposed Change: OMB proposes to clarify in § 200.303(e) that "confidential business information" is among the categories of information that recipients and subrecipients must safeguard through reasonable cybersecurity and other measures. This addition is notable because it explicitly extends internal control safeguarding beyond protected personally identifiable information and "sensitive" information designated by agencies, and it may give agencies and auditors a clearer basis to test whether recipients adequately protect proprietary vendor and business data used in funded programs. The Proposed Rule also indicates OMB's intent to ensure the regulatory scheme provides meaningful protection for confidential business information in the award context. Vendors contracting with recipients should monitor whether agencies begin to require more stringent cybersecurity certifications and incident reporting through award terms and flowdowns.

Separately, OMB proposes various record-related revisions, including encouraging domestic storage of award records to mitigate access issues. OMB proposes to expand cybersecurity-related safeguarding obligations to include confidential business information, encourage domestic storage of electronic award records, and clarify that recipients may limit public access to confidential business information; separate FOIA-related procedures also appear elsewhere in the proposal, including § 200.213. For recipients with international operations or cloud architectures that store data across borders, these provisions can create compliance tension between global IT practices and expectations of U.S. government access and jurisdiction. These issues are particularly significant for research institutions and globally active health systems, where cross-border collaboration and data exchange are common.

XIII. Expansion of Termination Bases (§ 200.340)

Proposed Change: The Proposed Rule's treatment of termination and suspension is one of the most consequential aspects of the rule. OMB proposes to revise § 200.340 so that, to the maximum extent authorized by law, agencies and pass-through entities must include four standard termination grounds in all federal awards unless an exception applies: (1) for noncompliance by the recipient or subrecipient; (2) at the discretion of the federal agency or pass-through entity when termination is in the interest of the agency, including when an award no longer effectuates program goals, federal agency priorities or the national interest; (3) by mutual agreement of the parties; and (4) upon notification by the recipient or subrecipient. The discretionary-termination provision generally applies to discretionary awards but not to statutory entitlements such as formula awards, block grants or disaster-recovery grants. OMB also contemplates a fifth, award-specific termination ground under § 200.340(a)(5) that agencies or pass-through entities may define in award terms if consistent with authorizing law, and it adds new temporary-suspension authority modeled on procurement stop-work concepts. The Proposed Rule then narrows the set of procedures that must accompany discretionary actions by emphasizing notice and cost treatment rather than hearing rights, while making clear that agencies may, but need not, offer some discretionary administrative review process.

Under current § 200.340, a federal award may be terminated for noncompliance, by mutual agreement, upon recipient notice or pursuant to award terms and conditions, including "to the extent authorized by law, if an award no longer effectuates the program goals or agency priorities." Current § 200.340 also requires the federal agency or pass-through entity to clearly and unambiguously specify termination provisions in award terms and conditions, and it imposes SAM.gov reporting obligations for certain federal terminations. OMB's proposal does not eliminate these concepts; instead, it seeks to standardize and broaden them by requiring, with limited exceptions, that awards include four standard termination bases, including a revised discretionary termination basis. OMB characterizes this as a clarification similar to existing authority and akin to the longstanding procurement "termination for convenience" model.

The proposed discretionary termination basis would allow termination, to the extent permitted by law, when the federal agency or pass-through entity determines termination is in its interest, and it expressly includes cases where an award no longer effectuates program goals, agency priorities or the national interest as they exist at the time of termination. OMB also states the list of discretionary termination reasons is not intended to be exhaustive and contemplates that agencies may add supplemental reasons, such as "public interest," through § 200.340(a)(5). OMB further indicates it may revise the final standard from "in the interest of the agency or pass-through entity" to "in the interest of the Federal agency" if clarity demands, while emphasizing pass-through terminations should remain consistent with federal program interests. For recipients, this represents a meaningful expansion in practical leverage because it transforms discretionary termination from a sometimes-award-specific clause into a mandated, standardized governmentwide tool for discretionary programs.

OMB also proposes to add a temporary suspension authority at § 200.340(e), described as a written order to stop work for a period not exceeding 90 days unless the parties mutually agree to an extension, similar to FAR work stoppage provisions. The suspension order must direct the recipient to temporarily stop all or part of the activities under the award, specify the effective date, scope and expected duration of the suspension, and direct the recipient to take all reasonable steps to minimize the incurrence of costs allocable to activities covered by the order during the

suspension period. OMB acknowledges suspensions can create administrative and financial challenges for recipients and requires agencies to consider and seek to resolve any budgetary or schedule impacts resulting from the order if the suspension is canceled or expires. OMB frames suspension as a tool sometimes necessary to protect the federal interest and to ensure agencies and pass-through entities have "necessary resources" to provide effective oversight. OMB also ties both discretionary termination and suspension to Executive Order 14332 and emphasizes their general applicability to discretionary awards, with statutory entitlements as the primary categorical exception. Award stability is therefore a central practical concern for long-duration projects, including multiyear research, major workforce initiatives and complex health and infrastructure programs, where reliance interests and up-front commitments are significant.

The baseline is that current § 200.340 already allows termination "pursuant to the terms and conditions of the Federal award," including, to the extent authorized by law, if an award no longer effectuates program goals or agency priorities. The Proposed Rule meaningfully expands discretionary cancellation authority in practice by requiring standardized inclusion of four termination grounds across most awards and by adding a broadened discretionary termination basis tied to the "interest" of the federal agency (and potentially the pass-through entity) and to the national interest at the time of termination. The proposal also adds a new temporary suspension/stop-work mechanism, which increases the government's ability to pause performance without immediate termination and can function as a significant leverage tool even if termination does not occur. OMB's rationale is that up-front screening and monitoring do not eliminate the need for mid-award termination and that such discretion is consistent with the stewardship role of politically accountable leadership and analogous procurement mechanisms.

The practical effect of the proposal is that recipients should treat discretionary awards as more contingent on shifting program priorities and leadership direction, even absent recipient noncompliance, and should manage reliance interests accordingly in staffing, contracting and project sequencing. That said, OMB also states that the discretionary termination and suspension provisions apply only to the maximum extent authorized by law and acknowledges categorical limits for statutory entitlements and other programs where legislation constrains or forecloses discretionary termination. The proposal would require written termination notices and, for discretionary terminations, a brief statement of reasons. It would also require recipients to stop work, avoid new obligations and, to the extent authorized by law, terminate related subawards and contracts for the terminated portion of the award. Proposed § 200.342 further clarifies that agencies must provide an opportunity to object when initiating remedies for noncompliance, but that agencies are not required to provide objections, hearings or appeals for termination decisions other than termination for noncompliance. Proposed § 200.343 would also require recipients to make reasonable efforts to discontinue, cancel, mitigate or otherwise reduce financial obligations after suspension or termination and to provide documentation of those efforts on request. For commenters, the key questions therefore include not only the breadth of "interest" and "national interest," but also the adequacy of statutory carveouts, the handling of downstream unwind obligations and the treatment of termination costs.

XIV. Notice Content, Stop-Work Instructions, and Downstream Contract/Subaward Unwind Risk (§ 200.341)

Proposed Change: OMB proposes to revise § 200.341 to add specific notice content requirements for discretionary terminations. Under § 200.341(c), discretionary-termination notices must include: (1) a brief summary of the reason or reasons for finding that termination is in the interest of the

federal agency or pass-through entity, which may apply to an individual award or class of awards and need not be a detailed or exhaustive analysis; (2) instructions to the recipient or subrecipient to stop work, make no additional financial obligations and, to the extent authorized by law, terminate all subawards and contracts related to the terminated portion of the federal award; and (3) an opportunity for the recipient or subrecipient to submit a written statement of termination costs within a reasonable time period (such as 30 or 60 days), which must include: costs, financial obligations, expenditures, claims and commitments the recipient believes are relevant; documentation in support; information on whether commitments are cancelable; and a certification signed by an authorized official that the statement is true, complete and accurate. OMB justifies the notice requirement as a means to ensure agencies provide a reasoned explanation consistent with law, including for potential judicial review in the U.S. Court of Federal Claims. OMB also proposes in § 200.343 to require recipients to make all reasonable efforts to discontinue, cancel, mitigate or otherwise reduce financial obligations and to provide documentation of those efforts upon request, while giving agencies discretion under § 200.343(b) to consider allowing additional termination costs after weighing them against competing policy concerns such as responsible stewardship of federal funds, program goals, federal agency priorities or the national interest.

For recipients and pass-through entities, this has immediate practical implications for contracting and subawarding strategy because termination notices could compel rapid unwind of vendor agreements and subawards, potentially causing disputes over termination for convenience clauses, settlement costs and allowability of wind-down expenses. For vendors, this poses a material commercial risk: even where a vendor has performed appropriately, the recipient may be forced to terminate the contract to comply with award termination instructions, shifting risk allocation to contract terms and state law. For organizations with large vendor ecosystems, recipients will likely need to revisit template terms, including flowdowns that support rapid termination, documentation for allowable termination costs, and dispute resolution mechanisms aligned with federal award requirements.

XV. Statutory Limits and the Scope of "Discretionary Awards"

OMB states the discretionary termination and suspension provisions are generally applicable to discretionary awards and not to awards where legislation establishes an entitlement to funds, such as block grants, statutory formula awards or disaster recovery grants. OMB also acknowledges that other statutory requirements may impose limits on application of these provisions in certain circumstances and strongly encourages agencies to consult OMB if applicability questions arise. Federal agencies must seek approval from OMB prior to allowing any class exceptions not otherwise required by statute or recognized in § 200.340(b)(2). OMB further notes that the discretionary termination provision may only be exercised "to the maximum extent authorized by law," and that statutory limits control if a program statute entitles recipients to funding or prohibits termination in specific circumstances. This statutory caveat is critical, but it still leaves substantial uncertainty for recipients because many programs exist on a spectrum between discretionary and entitlement-like, particularly where continuation funding is expected but not strictly guaranteed.

Comments may request clearer definitions or illustrative examples of what OMB considers "discretionary" in this context and clarification of how agencies should treat continuation awards, renewals and incremental funding increments. Comments may also seek clearer procedural guardrails for class-wide terminations and suspensions, including whether agencies must consider reliance interests, transition time and partial termination options before issuing stop-work instructions. Notably, under proposed § 200.342, agencies are not required to allow for objections,

hearings or appeals related to terminations except for termination for noncompliance. OMB reasons that administrative hearing procedures "would have less purpose or need for terminations based on the discretionary reasons of the Federal agency" because "recipients would not generally be in the best position to present facts or information related to the agency's priorities as they exist at the time the termination decision is made." Because OMB analogizes these mechanisms to FAR termination-for-convenience and stop-work clauses, commenters may argue that grants require different balancing given the nature of recipient reliance and the public service mission of many award-funded activities. These issues are especially salient for health systems and workforce programs where abrupt stoppage can affect patient care capacity, trainee pipelines and service continuity.

XVI. Agency Cooperation in Private Causes of Action (§ 200.339)

Proposed § 200.339 would continue to authorize a range of remedies for noncompliance and would add a new provision addressing private causes of action. Under proposed § 200.339(b), a federal agency could, if applicable and consistent with law and regulation, cooperate with individuals or organizations pursuing private causes of action or civil remedies based on a recipient's or subrecipient's noncompliance, provided the agency determines that such cooperation is in the interest of the United States. The proposal does not require agencies to assist private litigants in every case, but it would create an express regulatory basis for discretionary cooperation in some matters. Commenters may wish to address the scope of that discretion and whether additional guardrails or clarifications would be appropriate.

XVII. Memberships and Subscriptions (§ 200.454)

Current § 200.454 allows costs for memberships in business, technical and professional organizations; subscriptions to business, professional and technical periodicals; and membership in civic or community organizations, while disallowing country clubs and organizations whose primary purpose is lobbying. The Proposed Rule would rewrite § 200.454 to allow membership costs only if necessary to fulfill award requirements and only with prior written approval of the federal agency. The Proposed Rule would also make costs associated with subscriptions to business, professional, academic and technical periodicals categorically unallowable. OMB would also expressly prohibit costs for membership in lobbying or issue advocacy organizations and cross-reference § 200.450.

This revision would be disruptive because subscriptions are often embedded in program operations, research, clinical quality improvement and workforce training, and institutions routinely allocate those costs across activities, including federally funded work. It would also create a nontrivial administrative challenge because recipients would need to establish new allocation and charging controls to prevent subscription costs from being charged directly or indirectly to awards, including through cost pools. For vendors selling subscription products to grant-funded institutions, the likely market response is greater pressure to recharacterize subscription-like offerings as deliverable-based services that are "necessary to fulfill award requirements," an approach that may not be feasible or desirable depending on product design. For pass-through entities, this change may also complicate subaward budgeting and monitoring because subrecipients' indirect cost pools may contain membership- and subscription-related activities that would now need to be segregated.

Current § 200.454 allows subscriptions, and current § 200.461 broadly allows publication costs including article processing charges (APCs) and open-access fees, which support common grant-

funded operational models in research and technical fields. The Proposed Rule would make subscription costs categorically unallowable and publication costs unallowable absent statute or advance agency approval, which would likely shift these costs off awards and into institutional overhead or other non-federal funding sources. Vendors should anticipate that recipients may resist charging subscriptions and publication costs to awards and may request alternative pricing structures or deliverable-based arrangements that can be framed as necessary award requirements. Recipients should anticipate increased scrutiny in budgeting and in audit resolution if these costs are charged without explicit approval.

A major practical ambiguity is how the rule will treat costs that blend "subscription-like" access with direct services, such as platform-based analytics, electronic health record modules, or research database access packaged with support services. Another is whether agencies will be willing to grant routine advance approvals for publication costs in research-heavy programs, or whether approvals will become inconsistent and create inequities among recipients. Vendors and recipients may also comment on the statement that general public access requirements do not authorize publication costs, because many programs have dissemination expectations that operate functionally like requirements even if not statutory.

XVIII. Publication and Printing Costs (§ 200.461)

Proposed Change: Current § 200.461 provides that publication costs for electronic and print media are allowable and that page charges, APCs and similar open access fees for professional journal publications and other peer-reviewed publications resulting from a federal award are allowable if the publications report federally supported work and charges are levied impartially. The current rule also expressly allows recipients to charge publication or sharing costs during closeout if the costs were not incurred during the period of performance, subject to being charged to the final budget period absent other specification. The Proposed Rule would reverse this approach by making publication costs (including APCs and open-access fees) unallowable except for publication costs specifically required by federal statute or approved in advance by the federal agency on a case-by-case basis; however, the Proposed Rule would preserve the ability to charge otherwise allowable publication or sharing-of-results costs during closeout in the final budget period unless the agency specifies otherwise. The Proposed Rule would continue to treat printing costs, including distribution and general handling, as allowable.

OMB's stated rationale is that "promotion" should not become an independent basis for allowing advertising and public relations costs that are governed by § 200.421, and that publication costs are often discretionary and may serve institutional, professional or reputational interests rather than program objectives. OMB also frames this as a stewardship and uniformity measure to reduce inconsistent charging practices and the risk that federal funds are used for activities ancillary to program performance. The proposal also explicitly states that a general requirement to make results publicly available must not be construed as authorizing publication costs, which is a particularly significant statement for sectors where public access norms and expectations are common even when not statutory. This provision will therefore be especially consequential for research institutions and academic medical centers, where publication is often a core means of dissemination and where APCs are routine in many fields.

XIX. Advertising and Public Relations (§ 200.421) and Lobbying Restrictions (§ 200.450)

Proposed Change: OMB proposes to make advertising and public relations costs broadly unallowable under § 200.421, with limited enumerated exceptions, and the proposed amendatory text explicitly reaches direct and indirect charging and other allocation methodologies. The only exceptions would be for costs specifically required by federal statute or advertising costs solely for procurement, disposal of scrap or surplus materials, or program outreach and other specific purposes necessary to meet award requirements. Separately, OMB proposes to revise § 200.450 to add new lobbying-related restrictions, including expressly prohibiting: funding for voter registration campaigns or drives; issue advocacy or public messaging promoting or opposing social, political or public policy positions unrelated to the statutory objectives or performance requirements of the award; and attempts to influence state executive-branch action on matters unrelated to award objectives. These provisions will be especially significant for workforce programs, community outreach initiatives and public health or education programs that rely on recruitment and outreach communications to engage participants. The compliance burden arises because recipients must distinguish allowable "program outreach" or award-required communications from unallowable general public relations, promotion or issue messaging, often in real time.

Because current § 200.421 already contains a structured approach to allowable advertising and public relations costs, commenters may wish to focus on whether the proposed prohibitions are sufficiently aligned with how modern outreach is conducted, including digital campaigns and mixed-purpose communications. Another comment theme is whether overly broad interpretations could deter recipients from communicating program results and impact, which can be integral to program accountability and replication of promising practices. For organizations that partner with subcontractors and communications vendors, these rules would require more precise contracting scopes and invoicing detail to avoid inadvertently charging unallowable costs. This area also carries heightened enforcement risk because advertising and lobbying restrictions are frequently tested in audits and can lead to disallowances and other remedies.

XX. National Policy Restrictions: DEI, Gender Ideology, and Disparate-Impact Liability (§§ 200.218 and 200.300)

Proposed Change: OMB proposes to codify four substantive national policy restrictions enforceable as terms and conditions of federal awards, with violations potentially constituting material breach. The restrictions would be added primarily through revisions to § 200.300 (Statutory and National Policy Requirements) and new § 200.218.

First, the "Unlawful DEI Provision" at § 200.300(b)(1) would prohibit federal awards from being used to fund, promote, encourage, subsidize or facilitate "diversity, equity, and inclusion" (DEI) or "diversity, equity, inclusion, and accessibility" (DEIA) policies, principles or practices that violate any applicable federal anti-discrimination laws. This includes racial preferences or other forms of racial discrimination used by the recipient or subrecipient, including activities where race or intentional proxies for race are used as a selection criterion for employment or program participation. OMB cites the Supreme Court's decision in Students for Fair Admissions, Inc. v. President and Fellows of Harvard College as the legal foundation and frames the provision as

clarifying that awards may not be used to support activities involving disparate treatment based on protected characteristics under applicable law.

Second, the "Gender Ideology Provision" at § 200.300(b)(2) would prohibit federal awards from being used to fund or promote "gender ideology" as defined in Executive Order 14168. The provision would prohibit support for theories or ideologies that deny the biological reality of sex or the sex binary in humans, or endorse or advocate for the notion that sex is a chosen or mutable characteristic. Third, the "Protecting Children Provision" at § 200.300(b)(3) would prohibit the use of federal funds for the "transition" of a child under 19 years of age from one sex to another, including "chemical and surgical mutilation" as defined in Executive Order 14187.

Fourth, new § 200.218 would establish the "Disparate-Impact Provision," prohibiting agencies, pass-through entities, recipients and subrecipients from using federal awards to "promote or support" theories of disparate-impact liability. Under the Proposed Rule, disparate-impact liability means a theory under which a facially neutral policy or practice gives rise to an automatic or near-insurmountable presumption of unlawful discrimination based on federally protected characteristics where there are any differences or disparities in outcomes among different groups. The provision would bar supporting disparate-impact studies, disparate-impact litigation or award activities based on assumed disparate-impact risk, unless expressly required by law. A narrow exception is preserved for internal statistical or demographic analysis only if federal award funds are not used for the analysis and the results are not applied to award activities. The preamble states this limitation extends to both direct and indirect costs allocable to such activities.

These provisions would be significant for hospitals, universities, academic medical centers and other large institutions that use demographic or outcomes data in compliance, quality-improvement, hiring, admissions, research or program-administration settings. The disparate-impact provision is especially consequential for scientific research because examining why a disease, an environmental exposure or an educational outcome differs across populations is foundational to fields such as health-disparities research, environmental epidemiology and education research. A study documenting that maternal mortality is higher among a particular population or that an environmental hazard concentrates in certain communities, relies on exactly the analytical frameworks the provision targets and could be characterized as "promoting" disparate-impact theory even where no liability claim is involved. Undefined terms compound the uncertainty: "intentional proxies for race," for example, leaves open whether common research and program variables such as socioeconomic status, geography or first-generation status fall within scope. Commenters may wish to address the scope of these provisions, including how they apply to lawful activities, whether they would chill legitimate data collection and analysis, how "intentional proxies for race" would be defined and applied, and whether the provisions provide adequate clarity for compliance purposes. OMB acknowledges that it is changing existing policy but states these changes are warranted and solicits comment on whether additional elaboration would be helpful to recipients in meeting their obligations.

XXI. Domestic-First Research Model and Foreign Collaboration Restrictions (§§ 200.202(e), and 200.220)

Proposed Change: OMB proposes significant new restrictions on research awards involving foreign entities and international collaborations. Under proposed § 200.202(e), research and development awards would generally be required to go to entities organized under the laws of the United States,

a state or tribal government, "to the extent permitted by law." Direct awards to foreign entities would be limited to cases where (1) expressly authorized by federal statute, or (2) a senior appointee has determined that a compelling interest exists for the agency's mission, the administration's priorities and for the United States. Nothing in § 200.202(e) prohibits the participation of foreign entities as subrecipients or contractors under a research and development award made to an eligible U.S. entity. When designing research and development programs and evaluating applications, agencies must apply a "domestic-first framework" under which international elements may be included only if the agency determines they are justified, consistent with program objectives and in the national interest of the United States. For purposes of § 200.202(e), international elements may include performance of activities under the federal award outside of the United States or by a foreign entity. Agencies should consider the following factors when determining whether an international element is warranted: (i) the extent to which the proposed international element is necessary to achieve the scientific or technical objectives of the project and is integral to the scientific rationale of the program; (ii) the extent to which the international element provides access to unique expertise, facilities, data, study populations, environmental conditions or other resources that are not reasonably available within the United States; (iii) the likelihood that the proposed international element will enhance the scientific enterprise of the United States, including through the development of new knowledge, methodologies, technologies or collaborative networks that can be applied domestically; and (iv) the adequacy of the facilities, equipment, personnel and administrative capacity at the international site, or of any foreign entities that would perform work, to carry out the proposed scope of work under the federal award at a level comparable to that of a domestic recipient performing similar activities. This "domestic-first" framework represents a fundamental shift in research award policy.

The Proposed Rule also encourages multiyear awards. Under § 200.202(f), when consistent with program objectives and subject to restrictions in law, federal agencies are encouraged to design federal programs to allow for multiyear awards with budget periods longer than one year, rather than issuing separate notices of funding opportunities on an annual basis. Such awards must comply with applicable funding limitations and must not be administered in a manner that would violate the Antideficiency Act. Additionally, § 200.202(g) requires federal agencies that issue federal financial assistance for scientific research to categorize those awards as basic research, applied research and experimental development consistent with the definitions in OMB Circular A-11. This categorization must be communicated to the recipient and included in the terms and conditions of the federal award.

New § 200.220 would prohibit the obligation or expenditure of federal funds to support certain "covered foreign collaborations" involving "covered foreign countries" or "covered foreign entities." Under § 200.220(d)(1), "covered foreign country" means any country designated by statute, executive order or other federal law as: (i) a foreign adversary; (ii) a country of particular concern; or (iii) a country subject to sanctions or restrictions relating to national security, defense or intelligence activities. Under § 200.220(d)(2), "covered foreign entity" means: (i) an entity owned or controlled by, or acting on behalf of, a covered foreign country; (ii) an entity identified as an "entity of particular concern" on a list maintained by a federal agency pursuant to statute (including lists maintained under a National Defense Authorization Act or the International Emergency Economic Powers Act); or (iii) an entity affiliated with the military, intelligence or security services of a covered foreign country. The prohibition would extend to entities "affiliated with" a covered country's military, intelligence or security services, a standard that may prove difficult to apply because many foreign universities have some degree of state affiliation. OMB states this restriction is intended to protect U.S. national security interests and ensure consistent implementation of statutory restrictions on collaboration with foreign adversaries. Critically, the

prohibition would apply "regardless of whether federal funds are used for direct programmatic activities, research, technical assistance, travel or indirect costs allocable to such collaborations." The inclusion of indirect costs allocable to covered collaborations is especially notable because it may require institutions to examine how indirect costs are allocated to international collaborations and how those allocations would be treated if a collaboration falls within the prohibition. Commenters should seek clarification on allocation mechanics and on how the prohibition would interact with existing indirect cost practices. Limited exceptions may be authorized when expressly authorized by federal statute or when the federal agency head (or designee) determines the activity does not pose a risk to national security and is in the national interest of the United States.

For universities, academic medical centers and research hospitals, these provisions would materially change proposal strategy, partner selection and the administrative record needed to defend foreign components. Institutions would need to vet the institutional lineage of every collaborator and subrecipient. Limited exceptions exist where expressly authorized by federal statute or where the agency head determines the activity does not pose a national security risk and is in the national interest. These provisions overlay, rather than replace, existing Section 117, NSPM-33, and NIH foreign-disclosure regimes.

XXII. Merit Review and Pre-Issuance Review: "Gold Standard Science" (§ 200.205)

Proposed Change: OMB proposes to revise § 200.205 to strengthen requirements for agency merit review of applications for discretionary awards and to establish a new pre-issuance review process consistent with Executive Order 14332. The Proposed Rule requires federal agency heads to designate one or more senior appointees to conduct pre-issuance review of all discretionary awards to ensure that proposals selected for funding are consistent with applicable law, federal agency priorities and the national interest. When conducting pre-issuance review, senior appointees (or their designees) must not "ministerially ratify or routinely defer to the recommendations of others" but must instead use their "independent judgment" when evaluating federal award proposals. The Proposed Rule explicitly states that peer review recommendations are "advisory" and must not be "ministerially ratified, routinely deferred to, or otherwise treated as de facto binding by senior appointees or their designees." OMB introduces "Gold Standard Science," referencing Executive Order 14303 of May 23, 2025, as a benchmark for grant compliance and directs that agencies should prioritize institutions that have "demonstrated success in implementing Gold Standard Science." The Proposed Rule also establishes principles for discretionary awards providing that awards must not be used to fund, promote, encourage, subsidize or facilitate racial preferences or other forms of racial discrimination, denial of the sex binary, illegal immigration or "any other initiatives that compromise public safety or promote anti-American values."

The pre-issuance review framework at § 200.205(b) would require senior appointees (or their designees) to apply specific principles when reviewing federal award proposals as relevant and to the extent consistent with applicable law. These principles include: (1) discretionary awards must demonstrably advance the president's policy priorities; (2) discretionary awards must not be used to fund racial preferences, denial of the sex binary, illegal immigration or "any other initiatives that compromise public safety or promote anti-American values"; (3) all else being equal, preference for discretionary awards should be given to institutions with lower indirect cost rates; (4) discretionary awards should be given to a broad range of recipients, with research grants awarded to a mix of recipients likely to produce immediately demonstrable results and those with potential for longer-term, breakthrough results; (5) applicants should commit to complying with

administration policies, procedures and guidance respecting Gold Standard Science; (6) discretionary awards should include benchmarks for measuring success; and (7) to the extent institutional affiliation is considered, agencies should prioritize an institution's commitment to rigorous, reproducible scholarship over its historical reputation or perceived prestige. The proposed rule also clarifies that federal agencies are not required to issue awards as a result of a Notice of Funding Opportunity ("NOFO") if doing so would fund low-quality proposals or be inconsistent with the principles of the rule and may repost a funding opportunity at their discretion.

In addition to the pre-issuance review framework, OMB proposes to revise § 200.206 to expand the factors that agencies may consider when evaluating applicant risk before issuing discretionary awards. Notably, the Proposed Rule elevates Section 117 foreign gift and contract disclosures into a formal risk-screening consideration for discretionary awards. The proposed changes would clarify that agencies may assess an applicant's financial capacity to manage high-dollar awards, prior performance against funding opportunity goals (with equal weight to positive and negative outcomes), compliance with foreign gift and contract disclosure requirements under Section 117 of the Higher Education Act of 1965 where applicable, history of questionable practices based on publicly available and verifiable information (including plagiarism, discredited or non-replicable studies or activities inconsistent with civil rights or religious liberty laws), and membership in or affiliation with organizations engaged in activities that violate federal law, undermine public safety or national security, or advocate for the overthrow of the United States government. For higher education institutions, the Section 117 reference is especially significant because it makes foreign gift and contract disclosure compliance an express federal-award risk factor rather than only a parallel education-law issue.

These changes are significant because they introduce criteria that can shift across administrations into decisions about research that often takes five to 10 years to mature, raising the prospect that a project approved under one administration may be disfavored or, in combination with the new § 200.340 discretionary termination authority, terminated under the next. The lower-rate preference embedded in merit review functions as a backdoor mechanism to pressure indirect cost rates without the analytical rigor of the rate negotiation process. The instruction to weigh "the President's policy priorities" in evaluating applications, combined with the new discretionary termination authority in § 200.340, creates additional uncertainty for long-term research planning. Applicants should consider how to document "Gold Standard Science" practices in their proposals and institutional narratives.

XXIII. Grants.gov Centralization (§ 200.204)

Proposed Change: OMB proposes to revise § 200.204 to require federal agencies to post discretionary notices of funding opportunity on Grants.gov, subject to agency-head exceptions where public announcement would pose a national security risk or otherwise be in the national interest of the United States. The proposal also indicates that OMB would revise NOFO timing requirements and would require agencies to disclose in the NOFO when exigent circumstances justify a shortened application period. The proposal text clearly supports a Grants.gov posting requirement, but it does not clearly establish a universal rule that all applications themselves must be submitted through Grants.gov. The proposal also would cap executive summaries at 500 words unless the agency head or designee authorizes otherwise and would encourage the use of statements of interest in appropriate cases to reduce applicant burden. Additionally, OMB proposes requiring NOFOs to be written in plain language and to streamline opportunities to make them accessible, particularly for funding opportunities that are new or intended to reach inexperienced

applicants. OMB states it will periodically analyze recipients of federal awards and may require agencies to submit reports detailing specific recipients that received awards over a specific time period.

OMB's stated goal is to standardize the grantmaking process, reduce duplicative processes and increase transparency for award applicants by using a single, consistent platform. Agencies would not be prohibited from announcing opportunities on their own websites in addition to Grants.gov. OMB also proposes that agencies strive to ensure NOFOs are accessible to a broad range of applicants, including those that have not previously received federal awards, and that OMB may require agencies to submit reports detailing award recipients over specified time periods to ensure funding is not inappropriately concentrated among a narrow set of recipients.

While consolidating posting and application through Grants.gov is sensible in principle, several agencies operate mature, discipline-specific systems—such as NIH's eRA Commons and the National Science Foundation's ("NSF") Research.gov—into which institutional submission workflows are deeply integrated. Mandatory migration or duplication could introduce transition friction and single-point-of-failure risk if Grants.gov capacity does not scale to governmentwide application volume, particularly around major deadline cycles. For large, multicomponent proposals such as center grants or multi-project program awards, the 500-word executive summary cap may prove a meaningful constraint; however, the Proposed Rule permits the federal agency head (or designee) to authorize exceptions.

XXIV. Conference Travel Costs (§ 200.432)

Proposed Change: OMB proposes to expand § 200.432 to require that costs for attending conferences are allowable only if participation in the conference is expressly approved by the federal agency and included in the terms and conditions of the award. Under current practice, conference travel is generally allowable subject to reasonableness and allocability principles. The Proposed Rule would shift from general allowability subject to reasonableness standards to allowability conditioned on specific prior approval. OMB's stated rationale is to clarify that recipients are not authorized to attend conferences using federal funds that do not serve to advance program outcomes.

Requiring award-specific prior approval for each conference—rather than relying on the existing reasonableness and allocability tests—adds an approval step to an activity central to how science advances: presenting findings, receiving peer feedback and forming collaborations. Foreseeable effects include missed presentation deadlines when agency approvals lag behind conference timelines and reduced participation by graduate students and postdocs for whom early-career conference attendance is a primary means of building professional networks and entering the field. Where dissemination of results is itself an expectation of the award, a separate prior-approval gate for the conferences at which that dissemination occurs may be counterproductive. The new requirement at § 200.432(b) that conference costs are allowable "only if participation in the conference is expressly approved by the Federal agency and included in the terms and conditions of the Federal award," creates additional compliance complexity for multiyear awards where conference opportunities cannot be known at the time of award.

XXV. Viewpoint Neutrality in Event Services (§ 200.219)

Proposed Change: OMB proposes new § 200.219 to prohibit public entities that are recipients or subrecipients of federal financial assistance from discriminating on the basis of viewpoint, content or subject matter of speech—including on the basis of political, ideological or religious affiliation or perspective—in providing services for events, meetings or other expressive activities. The prohibition would apply to events on property or facilities the recipient owns, leases or otherwise controls, regardless of whether the event is directly funded by the federal award. OMB states this provision is intended to prevent public entities from using control over facilities or services to disadvantage or suppress the speech of disfavored groups and explicitly references "heckler's fees" charged to provide security for conservative speakers at colleges and universities.

The prohibition would extend to non-public entities "to the extent that the relevant activities are within the scope of activities funded by a Federal award." OMB states the proposed language is not intended to alter cost allowability under subpart E but would require that any fees, security costs or other charges imposed in connection with events be applied in a viewpoint-neutral and consistent manner. The provision must be implemented in accordance with the U.S. Constitution and must not be construed to require non-public entities to make property, facilities or services available in a manner that would constitute compelled speech or association.

The extension of this provision to "indirect costs used for buildings and facilities" is particularly notable because it suggests that the prohibition could apply broadly to recipients' facilities operations even where a specific event is not directly federally funded. Institutions commonly set security and facility-use fees using content-neutral, risk-based criteria—expected attendance, time and location, and documented likelihood of disruption—and the rule does not clearly distinguish that kind of cost-based pricing from prohibited viewpoint discrimination. Commenters may wish to focus on the difficulty of demonstrating compliance: an institution could face after-the-fact second-guessing of routine, security-driven decisions, with federal award funds potentially at risk if a fee is later recharacterized as viewpoint-based.

XXVI. Indirect Cost Rates: What the Rule Does and Does Not Do

Proposed Change: OMB has explicitly chosen not to propose changes to the negotiated indirect cost rate system in this rulemaking. This decision reflects FY 2026 appropriations language enacted in January 2026, which required specified agencies to continue applying negotiated indirect cost rates to the same extent as in FY 2024 and prohibited use of FY 2026 funds to modify those rates. OMB notes it may issue a future request for information on the rate negotiation system, but is not soliciting comment on that topic through this notice and states it does not intend to consider or respond to comments on the indirect cost rate negotiation system in the final rule.

However, two related provisions in the Proposed Rule are relevant to the indirect cost rate issue. First, the pre-issuance review framework at § 200.205(b)(3) includes a principle that preference should be given, all else being equal, to institutions with lower indirect cost rates. Second, proposed § 200.211(b)(16) would require that every award state the applicable indirect cost rate on its face, substantially increasing public visibility into individual-award overhead recovery. The existing 8% cap on indirect costs for NIH training grants (T-series awards) and for awards to foreign organizations working entirely outside the U.S. is preserved without change.

Although the rule leaves the formal rate-negotiation system intact, the lower-rate preference embedded in merit review functions as a backdoor mechanism to pressure rates without the analytical rigor of the negotiation process. Negotiated facilities and administrative rates are not arbitrary markups; they are audited reimbursements for real, documented costs—research facilities, utilities, regulatory compliance, data security and animal-care operations, that an institution must incur to perform the work. An award decision that prefers a lower-rate institution "all else being equal" may in practice prefer an institution with less of the specialized infrastructure the research requires such as animal facilities, BSL-3 containment labs or high-performance computing, rather than a more efficient institution. This creates tension with the rule's separate emphasis on rigorous, reproducible science and "Gold Standard Science" benchmarks. The new face-of-award rate disclosure, combined with broader public reporting, also invites comparison of individual-award overhead figures stripped of the cost context that explains them.

XXVII. Regulatory Structure: Guidance Becomes Binding Regulation

Proposed Change: OMB proposes to clarify that subtitle A of 2 C.F.R. constitutes a directly binding OMB regulation, rather than mere guidance. Under the current framework, agencies each issue separate regulations to adopt and implement OMB's Uniform Guidance. Under the proposed framework, once OMB issues a final rule amending subtitle A, those changes would apply governmentwide on OMB's effective date without requiring separate agency rulemakings. OMB characterizes this as the "Uniform Grants Regulation" framework and states it would "increase predictability, transparency, and uniformity regarding how OMB amendments are implemented."

This change is significant because recipients and agencies would have less practical room to treat the Uniform Guidance as soft guidance and would need to monitor OMB rulemaking itself for binding changes. For recipients, future OMB amendments would take effect more quickly and directly, potentially reducing the time available to adjust compliance systems and operating procedures. For agencies, it would streamline implementation but also reduce agency-specific flexibility in adapting requirements to program-specific contexts. OMB emphasizes this change would allow it to "efficiently respond to emerging compliance issues or implement new statutory requirements in a timely manner across all agencies."

XXVIII. Abortion Cost Prohibition (§ 200.477)

Proposed Change: OMB proposes to add new § 200.477 providing that costs associated with elective abortions are unallowable under federal awards except as expressly authorized by federal law. OMB states this addition is consistent with Executive Order 14182 (Enforcing the Hyde Amendment) and reflects longstanding appropriations restrictions prohibiting the use of federal funds for elective abortion except in limited circumstances. By incorporating this limitation as a selected item of cost, the Proposed Rule would promote uniform application of existing statutory funding restrictions across federal financial assistance programs. This codifies as a governmentwide cost principle what has traditionally been implemented through program-specific appropriations riders.

XXIX. Removal of Nonprofit Organizations Exemptions (Appendix VIII and § 200.401(c))

Proposed Change: OMB proposes to remove Appendix VIII in its entirety and revise § 200.401(c) accordingly. Under the Proposed Rule, only nonprofit organizations that receive 90% or more of their federal funding in the form of contracts or that operate a Federally Funded Research and Development Center (FFRDC), will continue to operate under the federal cost principles that apply to for-profit organizations at 48 C.F.R. 31.2. The prior guidance created uncertainty by suggesting agencies could expand the list of exemptions, which OMB states undermined uniform application of cost principles across the federal government. OMB proposes that federal agencies and pass-through entities may not allow any exceptions to this policy unless expressly required by federal statute or approved by the cognizant agency for indirect costs in coordination with OMB in extraordinary circumstances.

This revision would promote consistency across agencies by ensuring more uniform treatment of nonprofit organizations. Nonprofits currently operating under exemptions that do not meet the 90% contracts threshold should evaluate whether this change would affect their cost allowability and indirect cost treatment. The change may be particularly significant for specialized nonprofits that have historically relied on exemptions to operate under different cost principles.

XXX. Audit and Internal Control Changes (§§ 200.503, 200.513, 200.514)

The Proposed Rule also includes several audit-related changes that may be relevant to finance, compliance and internal audit functions. Proposed § 200.503 would limit additional audits by federal agencies, inspectors general or GAO to circumstances authorized by statute and would require agencies and pass-through entities to review existing FAC submissions and avoid duplicative work where those audits meet their needs. OMB also proposes to remove the word "annual" from the compliance-supplement discussion and to delete the GAO/COSO references from § 200.514(c)(1), leaving the compliance supplement itself as the source of guidance on internal controls over federal programs. Commenters may wish to address whether these changes reduce unnecessary burden or instead create new ambiguity about internal-control expectations in the single-audit context.

XXXI. Records Management and Public Access (§§ 200.336, 200.338)

The proposal would also make two targeted records-related changes. Proposed § 200.336 would strongly encourage recipients and subrecipients to use domestic storage capabilities for electronic records, while proposed § 200.338 would clarify that recipients generally are not required to provide public access to their records unless another federal, state, local or tribal law requires it. At the same time, § 200.338 would limit when federal agencies may impose restrictions on public access to recipient records. Commenters with significant records-management, privacy or public-records obligations may wish to consider whether additional clarification would be useful.

XXXII. Comment Deadline and Next Steps

Comments on the Proposed Rule must be submitted by July 13, 2026, and OMB has indicated that late comments will be considered only to the extent practicable. Comments should be submitted at Regulations.gov under docket OMB-2026-0034, and OMB has instructed commenters to identify the relevant section number at the beginning of each comment (e.g., "[200.340]"). OMB also has stated that comments on the negotiated indirect-cost-rate system will not be considered in this rulemaking because that system is not being reopened in this notice.

In addition, OMB expressly invites comments on the attached Regulatory Impact Assessment, which addresses topics including elimination of fixed amount awards, payment-accountability reforms, subrecipient oversight, termination and suspension, national-policy provisions, and research-award eligibility restrictions. OMB further states that it does not expect the proposal to have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act and that the rule does not create a new information-collection requirement under the Paperwork Reduction Act. Those burden-related determinations may present an additional avenue for comment from recipients, pass-through entities and vendors with concrete implementation-cost or systems-burden data.

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