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OMB's Proposed Rewrite of Federal Grant Rules Will Reshape Research Funding Across the Country

Proposed changes to the Uniform Guidance would centralize grant oversight in the Office of Management and Budget (OMB), expand agency termination authority, and impose new grant restrictions affecting universities, healthcare institutions, nonprofits, and other federal funding recipients.

Background

On May 29, 2026, the OMB published a sweeping proposed revision to the Uniform Guidance (2 CFR), the regulatory framework governing most federal grants and cooperative agreements. The proposal would affect virtually every federal grant-making agency and could significantly alter how discretionary awards are reviewed, administered, and terminated.

OMB identifies three principal objectives: increasing executive-branch oversight of federal assistance programs, converting existing OMB guidance into directly binding regulations, and reducing administrative burdens on recipients.

Research Institutions May Face the Greatest Impact

Many of the proposal's stated concerns arise from debates surrounding biomedical research, higher education, public health programs, and related grant-funded activities. The rule's preamble discusses issues such as "woke," "neo-Marxist," or DEI-related programs, gain-of-function research, and prior federal funding priorities. As a result, research universities, academic medical centers, scientific associations, and public-health organizations may experience the most immediate effects.

At the same time, several provisions have much broader applicability and could affect virtually any organization receiving federal financial assistance. These include expanded termination authority, foreign collaboration restrictions, centralized policy review, and new compliance requirements.

Key Features of the OMB Proposal *(section numbers relate to the Federal Register sections of the proposed rule):*

- **Politicized Merit Review (§ 200.205):** agency heads must designate senior appointees to conduct pre-issuance review of every discretionary award, applying enumerated priorities (awards must "demonstrably advance the President's policy priorities" and the "national interest"). Peer review is preserved as advisory only; **200.205(d)** bars appointees from "routinely deferring" to it. A "Gold Standard Science" standard requirement (from EO 14303, undefined in text) is layered in.
- **Expanded Mid-Award Termination Provisions (§ 200.340):** agencies may terminate an award, in whole or part, whenever termination is "in the interest of the federal agency … including if a federal award does not effectuate program goals, federal agency priorities, or the national interest as they exist at the time of the termination." The preamble expressly analogizes to "termination for convenience" in federal procurement. No finding of cause, noncompliance, or fraud is required.

- **Content-Based or Issue Advocacy Prohibitions:** the text bars awards "in support of" disparate-impact studies or litigation **(§ 200.218**); DEI practices and "gender ideology," plus pediatric gender transition care **(§ 200.300(b));** and any collaboration with a broadly defined "covered foreign country or entity," **(§ 200.220**). Elective-abortion costs are made unallowable **(§ 200.477**), and viewpoint-neutral event services are required **(§ 200.219**. A new bar reaches "issue advocacy or public messaging" on policy positions "unrelated to" award objectives **(§ 200.450(c)(1)(iv)–(v)).**
- **Research Communication and Cost Restrictions:** memberships costs for professional, business, or technical organizations are allowable only if "necessary to fulfill the award requirements" and receive prior written agency approval **(§ 200.454)**; conferences costs require pre-approval **(§ 200.432);** journal

subscription costs are categorically unallowable **(§ 200.454);** and public relations costs are unallowable **(§ 200.421).**

OMB Will Have Centralized, Government-Wide Control of the Grant Rules

Today, each federal agency writes the grant rules into its own regulations, which gives agencies some flexibility and requires a public rulemaking process at the agency level. The proposed rule changes that – once agencies adopt OMB's new framework, agencies would be required to follow OMB's rules and generally could not modify them on their own. They could deviate only where a law requires it or where OMB signs off, though they could still add their own program-specific requirements.

Because nearly every federal grant-making agency is adopting this framework – all major Cabinet departments plus EPA, the SBA, and many others – the change would give OMB centralized, government-wide control over the grant rules going forward. **(§ 200.106(a); 200.110(a)).**

Federal Grant Recipients Should Consider Commenting Before July 13

Because this remains a proposed rule, OMB must review and consider public comments before issuing a final regulation. Organizations that depend on federal grants or cooperative agreements should evaluate whether the proposal could affect ongoing programs, future funding opportunities, compliance obligations, or research collaborations.

Comments may be submitted through Regulations.gov under Docket OMB-2026-0034. Commenters should identify the relevant section number, provide specific operational examples where possible, and submit comments before the July 13, 2026, deadline. The commenting process steps are set forth below:

1. Go to **gov** and search for docket **OMB-2026-0034**.
2. Open the proposed rule and click **"Comment."**
3. Begin each comment with the relevant section number in brackets – for example, **[200.205]** – as the agency requests; you may submit separate comments for separate sections.

4. The on-screen comment box holds about 5,000 characters; for anything longer, **attach a PDF or Word file** with your full comment.
5. Submit before the **July 13** Note that comments become part of the public record.

Legal Assistance

Organizations receiving federal financial assistance should assess the proposal's potential impact on funding strategies, compliance programs, research collaborations, and operational planning. Counsel can assist in evaluating risks, preparing comments, and developing compliance strategies if the rule is finalized.

This blog was drafted by Ray Jones, a government contracts and M&A attorney in the Spencer Fane Washington, D.C. office. For more information, visit www.spencerfane.com.

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