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INSIGHT

May 2026 Proposed Rule on Uniform Guidance for Federal Grants: Summary of Selected Changes

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On May 29, 2026, the Office of Management and Budget (OMB), alongside 41 other executive agencies and departments, issued a notice of proposed rulemaking (NPRM) to amend provisions of the Code of Federal Regulations codified at 2 C.F.R. Part 200. 2 C.F.R. Part 200, formally known as the "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance, or UG), contains procedures for federal grant management. The NPRM would change numerous aspects of the UG, some of which are discussed below.

The Uniform Guidance

Federal grant programs share a governing framework. (**Figure 1**.) Federal grant programs are governed, in descending order, by:

- a program's authorizing statute;
- federal regulations, including those particular to a grant program or its administering federal agency, or those in the UG; and
- program- or agency-specific non-regulatory guidance, as well as terms and conditions of a grant agreement between awarding agencies and grant recipients.

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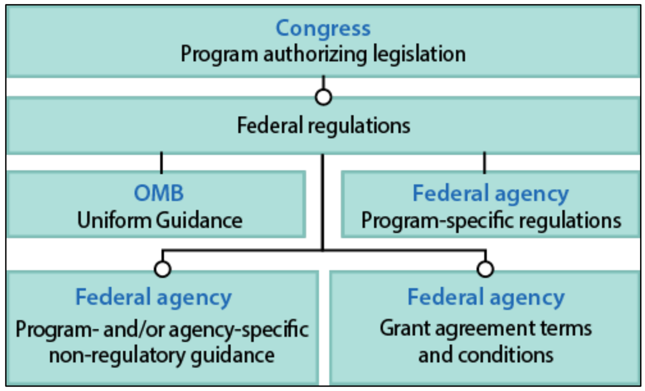
Figure 1. Authorities Governing Federal Grants



Source: CRS analysis.

The UG covers myriad issues pertaining to federal financial assistance, including grants. OMB periodically reviews the UG. OMB previously updated the UG in 2020 and 2024, following its initial promulgation in 2013.

Selected Proposed Changes

Guidance vs. Regulation and Future Applicability

Although included in federal regulations (and separately adopted in regulation by at least 35 federal departments or agencies), the UG characterizes itself as "guidance." The NPRM would seek to "clarify that [the Uniform Guidance adoptions] carry regulatory effect in their own right."

The NPRM proposes creating a structure in which future OMB regulatory updates to the UG automatically apply to the agencies and departments that participated in this NPRM. The NPRM states, "Agencies will participate in this one-time joint interagency rulemaking to implement the clarified regulatory structure and amend their adopting regulations accordingly. Thereafter—in rulemakings *following* the current one—when OMB amends the regulatory text of 2 CFR through a government-wide notice-and-comment … rulemaking, those changes will apply government-wide." (Emphasis original.)

Conflict with Other Regulations

Agencies or programs may have regulations other than the UG pertaining to grants. The NPRM proposes to address regulatory conflicts that may arise between those regulations and the updated UG. The NPRM states that certain provisions of the UG, including those regarding grant termination (see "Termination and Suspension"), "will govern in any circumstances where they conflict with a regulatory provision not required by Federal statute." For other UG provisions that may conflict with other regulations, the NPRM "would encourage Federal agencies to apply the government-wide policies in part 200 to the greatest extent permitted by law."

Program Goals

Once Congress statutorily authorizes a grant program, the administering agency has authority to design and implement the program within the bounds of that statutory authorization. The NPRM would add a new provision to the UG stating that, in designing programs, the program's "goals and objectives must be … *aligned with administration* policies and priorities." (Emphasis added.)

Pre-Issuance Review

Federal grant competitions, particularly those related to scientific research, often include a merit review process. This may entail subject matter experts (SMEs) initially evaluating grant applications. These SMEs are generally selected by the awarding agency and may include individuals from outside the agency. The NPRM would require agencies to establish a "pre-issuance review," whereby, as part of a merit review, agency heads designate "senior appointees" to ensure that grant applications are "consistent with applicable law, Federal agency priorities, and the national interest." Among the principles appointees must apply in determining such consistency (to the extent applicable by law), is that "discretionary awards must, where applicable, demonstrably advance the President's policy priorities."

DEI Restrictions

The Trump Administration has previously acted on "diversity, equity, inclusion, and accessibility" (DEI/DEIA) activities. For example, Executive Order 14151 instructed agencies to "terminate, to the maximum extent allowed by law … DEI or DEIA performance requirements for employees, contractors, or grantees."

The NPRM also addresses DEI/DEIA activities. It proposes that, "in administering Federal awards, to the maximum extent permitted by law, the Federal agency or pass-through entity must ensure that the Federal award is not used to fund, promote, encourage, subsidize, or facilitate" DEI/DEIA "policies, principles, or practices that violate any applicable Federal anti-discrimination laws." The NPRM does not specifically define DEI/DEIA but does refer to July 2025 guidance from the Department of Justice regarding unlawful discrimination.

Termination and Suspension

The UG includes procedures for grant termination. The second Trump Administration has paused payments and terminated billions of dollars' worth of grant awards, often citing concerns that the awards did not align with Administration policies. The Administration has often invoked the termination provisions within grant agreements as authority for such terminations.

The NPRM would amend existing termination provisions of the UG, which state that an agency may terminate an award, to the extent permitted by law, if it "no longer effectuates the program goals or agency priorities." The amendment would state that an agency or pass-through entity (PTE), to the extent permitted by law, "may terminate a Federal award in part or its entirety if the Federal agency or pass-through entity determines that a termination is in the interest of the Federal agency or pass-through entity, including if a Federal award does not effectuate program goals, Federal agency priorities, or the national interest." The NPRM would also emphasize that agencies are required to include this provision in grant agreements, unless exceptions apply. The NPRM would also add a new provision allowing for suspension of grant awards if an agency or PTE "determines that a suspension is in the interest of" the agency or PTE.

Considerations for Congress

Some Members of Congress have expressed concern about the NPRM, particularly the pre-issuance review provisions. Congress may want to monitor any potential changes before the NPRM is finalized, which OMB proposes to do by October 1, 2026. Congress may also wish to monitor how finalized provisions are implemented and enforced. Should Congress want to direct implementation or enforcement of particular provisions, Congress could pass legislation enacting or disallowing the provisions, which would supersede the UG as regulation.

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