

More Federal Funding Changes on Tap: OMB Proposes Uniform Guidance Overhaul

by Alex Hontos, Chris DeLong, Matthew Gillespie, and Anna Ashley

In a significant, if not predictable, development the Trump Administration proposed changes to federal regulations governing federal assistance—changes that if adopted would significantly impact most recipients of federal assistance awards. Both traditional recipients of assistance awards like universities and non-traditional funding recipients scaling domestic manufacturing, mining, and tech, should take note as the landscape continues to shift.

On May 29, 2026, the Office of Management and Budget ("OMB"), together with federal grant-making agencies, published a notice of proposed rulemaking ("NPRM") to overhaul the Uniform Guidance, the regulations that typically govern federal grants and cooperative agreements. OMB provides the proposed rule is designed to "improve transparency, accountability, and oversight for Federal awards across the Federal Government" in addition to preventing waste or misuse of funds, accountability and "ensur[ing] that basic American principles of equality and equal opportunity are upheld throughout all stages of the award making process and that unlawful discrimination is no longer permitted."

The proposed Uniform Guidance overhaul includes several notable revisions, including:

Expanded Political Involvement and Pre-Award Review

Consistent with Executive Order 14332, the proposed rule provides that senior presidential appointees will conduct "a pre-issuance review of all discretionary awards" in accordance with the following principles:

- "Discretionary awards must, where applicable, demonstrably advance the President's policy priorities."
- "Discretionary awards must not be used to fund, promote, encourage, subsidize, or facilitate: (i) racial preferences or other forms of racial discrimination by the recipient, including activities where race or intentional proxies for race will be used as selection criterion for employment or program participation; (ii) denial by the recipient of the sex

Related People

- Alex Hontos
- Chris DeLong
- Matthew Gillespie
- Anna Ashley

Related Capabilities

- Government Contracts Counseling & Litigation
- Healthcare & Life Sciences
- Higher Education & Academic Research Institutions

binary in humans or the notion that sex is a chosen or mutable characteristic; (iii) illegal immigration; or (iv) any other initiatives that compromise public safety or promote anti-American values.”

- Preference for “institutions with lower indirect cost rates.”
- Granting awards to “a broad range of recipients.”
- The applicant’s commitment to “complying with administration policies, procedures, and guidance respecting Gold Standard Science.”
- The institution’s “commitment to rigorous, reproducible scholarship over its historical reputation or perceived prestige.”

Restrictions on Certain Foreign Collaborations

The NPRM prohibits recipients and subrecipients from using federal funds to support a bilateral or multilateral “collaboration, agreement, program, or activity” with covered foreign countries and foreign entities. “Covered foreign country” means a foreign adversary, a country of particular concern, or a country subject to sanctions or restrictions relating to national security, defense or intelligence activities. “Covered foreign entity” includes entities owned or controlled by covered foreign countries, an “entity of particular concern,” or entities “affiliated with military, intelligence, or security services of a covered foreign country.” The prohibition applies broadly to direct programmatic activities, research, technical assistance, travel, and allocable indirect costs. The proposed rule incorporates and expands the “Wolf Amendment”—a NASA-specific limitation on the use of grant funds for bilateral collaboration with China—to all Federal awards.

Elimination of Fixed Amount Awards and Subawards

OMB proposes eliminating fixed amount awards and subawards. According to the NPRM, fixed-amount awards “can limit transparency and hinder effective oversight” because recipients generally are not subject to routine monitoring of actual costs and are not always required to submit financial reports. If finalized, fixed amount grant recipients and subrecipients will need to transition from results-oriented reporting to a cost-reimbursement model with expanded financial reporting obligations.

Broader Agency Authority to Suspend or Terminate Awards

The NPRM expands agencies’ ability to terminate or suspend awards to include terminations for convenience, providing grantmaking agencies “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” Notably, the NPRM carves out terminations for convenience if “inclusion of such a discretionary termination would conflict with a Federal statute,” including block grants, awards based on statutory formula, or disaster recovery grants. The NPRM provides for opportunities to object and lodge appeals for remedies for noncompliance, including noncompliance-based terminations, but not terminations for convenience.

Speech-related Restrictions

The NPRM prohibits the use of Federal financial assistance “to promote or support

theories that impose disparate-impact liability based on federally protected characteristics such as race, sex, or age” consistent with Executive Order 14281, “Restoring Equality of Opportunity and Meritocracy.” OMB expressly excepts internal activities unfunded by Federal awards and unconnected to “activities under the Federal award.”

The NPRM also prohibits public recipients or subrecipients (and non-public recipients and subrecipients to the extent “relevant activities” are funded by a Federal award¹) from “discriminat[ing] 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.” OMB provides its intent is to “prevent public entities from using Federal funds—including indirect costs used for buildings and facilities—in a discriminatory manner.” Specifically, the provision is designed to prevent public colleges and universities from charging additional fees (such as “heckler’s fees”) “to provide security for conservative speakers.”

Additionally, federal funds may not be used to fund, promote, encourage, subsidize, or facilitate DEI or DEIA, “gender ideology,” or the “so-called ‘transition’ of a child under 19 years of age from one sex to another[.]”

Key Takeaways

- Expect uncertainty (and perhaps more delay) in federal awards as agencies attempt to sync their award processes with the stated, and unstated, presidential priorities.
- The revised pre-issuance review may slow the award of grants and extend the time between application and award.
- Monitor the changes closely to track how the NPRM could impact collaborations with China and other foreign entities.
- Grantee compliance systems may need to change to address the proposed restrictions and broadened authority to terminate grants.

Comments on the proposed rule are due by July 13, 2026. Litigation is expected as these proposed changes are implemented. Dorsey will continue to monitor developments and provide updates as the rulemaking process proceeds.

¹ The government contends that applying the prohibition to non-public recipients “does not present constitutional concerns under the First Amendment, provided that the Federal agency does not seek to leverage funding to regulate speech outside the contours of the Federal program” and cites to *Agency for Int’l Dev. v. All. for Open Soc’y Int’l, Inc.*, 570 U.S. 205 (2013). The government’s contention will almost certainly be tested in the courts.