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## Proposed Revisions to Federal Funding Rules

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From Amari Starks <amari.starks@nasaa-arts.org>

Date Thu 7/2/2026 3:24 PM

To Amari Starks <amari.starks@nasaa-arts.org>

 attachment (170 KB)

Notes on Proposed Changes to Federal Grant Rules.pdf;

**From:** Kelly Barsdate <Kelly.Barsdate@nasaa-arts.org>

**Sent:** Thursday, June 25, 2026 4:56 PM

**To:** Kelly Barsdate <Kelly.Barsdate@nasaa-arts.org>

**Cc:** Ryan Stubbs <Ryan.Stubbs@nasaa-arts.org>

**Subject:** Proposed Revisions to Federal Funding Rules

Dear Executive Directors, Deputies and Grants/Fiscal Officers:

I'm writing today to make sure that everyone is aware of some federal rulemaking that's underway at the Office of Management and Budget (OMB).

As agencies that manage federal funds, you're all probably familiar with the Uniform Guidance ([2 CFR Part 200](#)) for grants and cooperative agreements. These guidelines serve as the basis of your NEA Partnership Agreement terms and conditions.

OMB is undertaking a comprehensive revision of that Uniform Guidance. The proposed changes would become a new and binding set of regulations governing all federal awards. You can learn more about the revisions [here](#).

The new rules are currently in draft form. The document is long, technically complex, and tough to interpret. But if the final requirements resemble what's in the current draft, they'll likely have major compliance implications for states and regions—and your subgrantees. All branches of state government receiving federal grants will be affected.

OMB has [written](#) that it intends to finalize the new rules to take effect October 1, 2026, and apply them to federal awards made from that date forward. This is a quick tempo for changes of this magnitude, so NASAA encourages you to look at the proposed revisions soon—to maximize the time you have to prepare. **We urge you to work with your agency's legal counsel to interpret the new rules.**

NASAA will do all we can to assist! To help you get your bearings:

- Attached is a document that identifies some areas of potential importance to states and regions. It also shares more information about the implementation timeline.
- NASAA is participating in national policy conversations about the rules, to help us track how state governments and the broader arts sector are responding.
- We'll be addressing this topic at Assembly 2026. The NEA will participate in the Assembly and has been invited to speak to these changes.

- NASAA will continue to connect SAA and RAO peers to help navigate these substantial changes in the short term and the long term.

We'll relay additional information as new developments unfold. If you have questions or insights to share in the meantime, please don't hesitate to be in touch.

All best,

Kelly

Kelly J. Barsdate

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## Notes on Proposed Changes to Federal Grant Rules

*June 25, 2026*

The Office of Management and Budget (OMB) has proposed hundreds of changes to the regulations that govern federal grants and cooperative agreements. If these new rules are adopted, they would represent a comprehensive policy shift with far-reaching ripple effects for state and local governments, schools, nonprofits and other federal grantees. Subgrants would also be affected.

It's too soon to predict all of the potential consequences of the proposed changes. However, the information released thus far contains important indicators about the direction that OMB hopes to take. This memo is intended to help state arts agencies begin to explore this information and prepare for the future.

Feel free to share this memo with your agency staff, legal advisors and colleagues within state government. Otherwise, this material is intended for use only by states and regions. If you're looking for information you can share with constituents, the resources offered at the end may be useful.

### Proposed Rules

A draft of the rule revisions and OMB's rationale for each change can be found in the Federal Register:

Vol. 91, No. 103 / Friday, May 29, 2026  
[Regulation for Federal Financial Assistance](#)

### Highlights

Many of the changes proposed by OMB would bring the regulations used to manage federal awards into alignment with recent executive orders, notably [EO 14151](#), [EO 14168](#) and [EO 14332](#). Additional changes are designed to strengthen federal oversight. Some areas of emphasis include:

**Pre-issuance review:** The draft instructs appointees to make awards that "demonstrably advance the President's policy priorities" and pre-empt awards that "promote anti-American values" or incorporate "racial preferences" or "proxies for race." [§200.205]

**Risk assessment:** The range of factors a federal agency could consider before making an award would expand to include management standards, the ability to implement federal requirements and a "history of questionable practices." Some enumerated "questionable practices" include past production of discredited research; violation of equal protection principles; activities inconsistent with religious liberty laws; or affiliation with any group known to undermine public safety or advocate for the overthrow of the government. [§200.206]

**Grant cancellations:** The rules for discretionary grants would mirror those already in use for federal contracts, which allow suspension or termination for convenience. Unless a grant award is protected by statute, federal agencies could terminate it due to changes in "agency priorities" or "the national interest." [§200.340] Allowances for "objections, hearings, and appeals related to any reasons for termination except termination for noncompliance" would be at the awarding agency's discretion. [§200.342]

**Multiyear awards:** OMB is encouraging federal agencies to provide multiyear awards, when appropriate for program objectives. [§200.202]

**E-Verify:** Recipients and subgrantees would both be required to use the Department of Homeland Security's [E-Verify](#) program to confirm the employment eligibility of all employees and contractors hired to perform work connected with a federal award. [§200.303]

**Viewpoint neutrality for event services:** New language states that grant recipients and subrecipients "must not discriminate on the basis of the 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." [§200.219] OMB's [explanation](#) mentions [heckler fees](#), but no definition of "expressive activities" is specified.

**Reputation damage:** Pass-through entities would be required to ensure that subrecipients do not "take actions that could significantly damage the reputation" of the pass-through entity or the federal government. [§200.332]

**Subgrant reporting:** Federal agencies are directed to increase their monitoring of subgrant reporting on SAM.gov. [§200.329 and §200.332]

**Fixed-amount awards:** The new rules would discontinue the use of fixed-amount awards and subawards. [§200.201 and §200.333]

**Nondiscrimination:** Earlier [executive orders](#) pertaining to gender ideology and diversity, equity and inclusion are reinforced throughout the draft. [§200.300]

**Disparate impact:** The new regulations would preclude the use of disparate impact policy rationale and the use of federal funds for disparate impact studies based on legally protected characteristics such as race, sex, or age. [§200.218]

**Cost principles:** Revised spending guidelines would require special approval for—or disallow altogether—conference travel, advertising, public relations, publication/printing, periodical subscriptions and professional memberships, among other items. [§200.421 through §200.461]

**Policy and advocacy:** The proposed regulations prohibit the use of federal funds to influence state government "policymaking, rulemaking, or administrative actions for purposes other than carrying out objectives of the Federal award." Voter registration drives, issue advocacy and public messaging on topics not directly related to the federal award also would become unallowable. [§200.450]

These are not the only changes with the potential to affect state arts agency operations or grants management. To further complicate matters, OMB is basing many of its proposed changes on executive orders and prior executive actions that are being challenged through the courts. To assess how the new rules and the evolving legal landscape could affect your work, ***NASAA encourages every state arts agency to conduct its own review in consultation with a state attorney equipped to interpret the proposed regulations and provide compliance guidance.***

## Timeline

The new regulations are currently in draft form, with a comment period open through July 13, 2026. A coalition of public sector leadership associations (including the National Conference of State Legislatures, the Council of State Governments, the Government Finance Officers Association, the National Association of Counties and the National League of Cities) has [formally requested an extension](#) of the comment period, to allow state and local governments more time to assess the implications for public agency awards management. As of this writing, no OMB response to this request has been published. Here is OMB's proposed implementation timetable:

"OMB proposes to issue a final rule that is effective by October 1, 2026. The proposed effective date is important to ensure that only a single set of government-wide requirements apply to Federal awards made during fiscal year 2027. An effective date of October 1 is useful for the audit process and other reasons, including ensuring government-wide uniformity and transparency regarding which requirements apply to Federal awards made and amended during fiscal year 2027." [Federal Register 2026-10817, [91 FR 32198](#)]

## For Further Information

While there is no substitute for your own attorney's guidance, the following secondary sources might help you absorb the material and formulate questions:

National Conference of State Legislatures

[Federal Reforms to Grants and Assistance Regulation: What States Should Know](#)

Government Finance Officers Association

[The Federal Grant Environment is Changing: What Local Governments Need to Know](#)

Ropes & Gray LLP

[OMB Proposed Revisions to the Uniform Guidance: Key Takeaways for Award Recipient Organizations](#)

Council on Foundations

[Proposed Rule: Regulation on Federal Financial Assistance](#)

These additional resources were prepared specifically for nonprofit organizations:

The Han Group

[Proposed Changes to Federal Grant Rules: What Nonprofit Leaders Should Know](#)

Fisher Phillips

[6 Things Non-Profits Need to Know About OMB's Major Proposed Overhaul of the Federal Grant Rules](#)

National Council of Nonprofits

[Proposed Changes to the OMB Uniform Guidance](#)

Note that NCN opposes many of the proposed changes. This document reflects that advocacy stance.