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CLIENT ALERT

OMB Proposed Rule Would Codify Trump Administration Priorities for Federal Grants, Including Discretionary Terminations

By Julian Polaris

The Big Picture

On May 29, the Office of Management and Budget (OMB) proposed sweeping revisions to the federal government's Uniform Guidance, the regulations that govern how federal agencies award, oversee, and terminate grants, cooperative agreements, and other forms of federal financial assistance.

If finalized, the proposal would fundamentally reshape the federal grantmaking landscape. The rule would significantly increase the role of political leadership in discretionary funding decisions, expand agencies' authority to suspend or terminate awards based on changing administration priorities, and impose new compliance requirements and funding restrictions on recipients and subrecipients.

For stakeholders that rely on federal funding—including states, local governments, universities, health systems, nonprofits, research institutions, and their contractors—the proposal signals a shift away from a grantmaking framework centered primarily on programmatic and scientific merit toward one that places greater emphasis on alignment with presidential policy priorities.

The proposal builds on Executive Order (EO) 14332, "Improving Oversight of Federal Grantmaking," and reflects broader Trump Administration efforts to exercise greater control over the allocation and oversight of federal funds. While OMB describes the rule as an effort to standardize federal grant requirements, improve transparency, and strengthen stewardship of taxpayer dollars, many of the proposed changes would also give agencies broader tools to condition, suspend, or terminate funding and to restrict the activities that may be supported with federal awards. If finalized, these changes would codify and escalate trends observed since January 2025 as federal agencies have implemented President Trump's EOs on an ad hoc basis.

The implications are most significant for discretionary grants, notably including National Institutes of Health (NIH) research funding and State Opioid Response grants from the

Substance Abuse and Mental Health Services Administration (SAMHSA). However, several provisions—including new funding restrictions, oversight requirements, and payment documentation obligations—would also apply to non-discretionary funding streams such as Medicaid and federal formula and block grant programs. See the Appendix for a list of major discretionary and non-discretionary grants under HHS, HUD, and the Departments of Education and Transportation.

For applicants, recipients, and subrecipients of federal funding, the proposal raises three overarching considerations:

- ***Greater uncertainty in funding decisions.*** Political appointees would play a more direct role in shaping funding opportunities and selecting award recipients.

- ***Expanded compliance and oversight obligations.*** New restrictions on allowable activities, additional reporting requirements, and enhanced monitoring expectations would increase administrative burden and compliance risk across federal funding programs. The proposed restrictions also introduce ambiguity due to a combination of vague language and uncertain agency interpretations as to whether OMB's default prohibitions conflict with the specific statutes that govern each grant program.

- ***Reduced predictability and long-term funding stability.*** The proposed suspension and termination authorities could make discretionary federal funding more vulnerable to policy changes following presidential transitions, increasing operational and financial risk for organizations that depend on federal support.

Comments on the proposed rule are due July 13. OMB has indicated it intends to move quickly toward a final rule, potentially making the revised regulations effective by October 1, 2026 – meaning that OMB's updated regulations would govern awards issued or amended in federal fiscal year 2027. The fast timeline and OMB's detailed preamble addressing anticipated objections signals that OMB may finalize the rule largely as proposed.

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Summary of Key OMB Proposals and Implications

OMB's key proposed changes include:

- ***Standardizing OMB's default grant standards and procedures across federal agencies,*** except where these default policies conflict with program-specific requirements.
- ***For both discretionary and non-discretionary grants:***
    - Imposing several new restrictions and conditions on federal funds, including codifying Trump Administration policies opposing DEI and inclusive attitudes toward diverse gender identities; prohibiting the use of federal funds for various types of communications, including journal publication fees and "issue advocacy"; and restricting federally funded activities conducted outside the U.S. or in collaboration with foreign entities.
    - Requiring non-state entities to submit a "brief, written justification for each payment request" under the award. This requirement applies to local governments and nonprofits regardless of whether they are the primary award recipient or a subrecipient to a state pass-through recipient.[1]
- ***For discretionary awards only:***
    - Requiring a senior political appointee to review all award decisions to ensure alignment with administration priorities, including a prohibition on ministerially deferring to recommendations issued by peer review panels or expert career staff.
    - Expressly authorizing federal agencies to rescind pending notices of funding opportunity (NOFOs)—the official solicitations or competitive grants—and to suspend or terminate any award at any time without cause, including mass terminations of awards that do not align with the administration's policy priorities.

Key takeaways for stakeholders—including award applicants, recipients, and subrecipients, as well as contractors that perform federally funded work[1]—include the following:

- ***Learning from successful legal challenges to recent grant-related actions.*** The Trump Administration has lost several court cases filed by states and nonprofit entities whose

[1] For the definitions of recipient, subrecipient, pass-through entity, and contractor, see 2 C.F.R. Part 200, Subpart A and 2 C.F.R. 200.331.

funding was terminated, suspended, or subject to new restrictions along the lines described in this proposed rule. OMB seeks to avoid similar legal challenges in the future by expressly authorizing federal agencies to impose such restrictions or terminate funding at will, backed up by extensive discussion in the preamble of OMB's legal authority to establish these directives. Nonetheless, if finalized, this rule would likely be challenged in court. And even if upheld, the rule's provisions could be challenged as applied to specific grant programs in conflict with program-specific statutes, as discussed below.

- ***Making federal discretionary grants look more like federal procurements.*** OMB expresses a goal of aligning its uniform grant regulations with the Federal Acquisition Regulation that governs federal procurements. This vision—treating grants less like public programs and more like vendor contracts—is evident in provisions like the bolstered authority for at-will suspensions and terminations, as well as the various new restrictions on administrative costs. Consistent with the Administration's vocal opposition to institutions with higher indirect cost rates, this proposal seeks to focus federal awards on the performance of specific functions while limiting the use of federal awards to support overhead and overall capacity. This goal stands in contrast with the express statutory purpose of many federal grant programs, however, such as CDC grants to support state public health capacity, as well as Congress's express directive for NIH to issue grants to "universities, hospitals, laboratories, and other public or private institutions" both for specific "research projects" as well as "for the general support of their research."

- ***Politicizing—and potentially delaying—the selection of projects and recipients for discretionary federal funding.*** OMB has proposed to formally require consideration of overarching policy priorities—including positions favored by the current administration as well as those of future administrations—at every step of the process for discretionary grants, from NOFO design to the evaluation of proposed projects and applicant institutions. If senior political appointees routinely reject recommendations from peer review panels and career staff, that may delay award decisions and potentially steer awards away from the projects deemed to have the most merit by subject matter experts.

- ***Removing expectations of stable funding over time*** by expressly authorizing at-will suspensions or terminations of federal funding. In addition to bolstering the legal rationale for mass cancellations of existing awards following a change in the White House—as occurred following President Trump's inauguration for any awards featuring terms such as "diversity" that were disfavored by the Trump Administration—the proposed rule may increase risk of federal agencies selectively threatening or terminating funding for states or nonprofits that publicly oppose the president.

- ***Creating uncertainty about permissible uses of federal funding.*** The proposed rule incorporates many requirements and prohibitions set forth in President Trump's EOs, many of which are defined at a high level and have already generated confusion among applicants and recipients about precisely which activities are permissible. Moreover, the proposed rule caveats that all these provisions do not apply if they conflict with any program-specific statutes, shifting the burden to applicants and recipients to figure out which requirements apply to any given program (unless agencies issue program-specific guidance on this point).

- ***Chilling legally permissible conduct.*** In an environment of legal uncertainty, some risk-averse applicants and recipients may choose to steer clear of any activities that may be disfavored by the current administration, for example, research, program recruitment initiatives, or program evaluations that examine differences in uptake or impact based on race or other demographic characteristics. This aversion may be more acute in light of the Administration's current emphasis on program integrity and swift enforcement for funding recipients that—in the Administration's view—have impermissibly used federal funds.

Standardization with Ambiguous Exceptions: Applying OMB's Grant Rules Across Federal Agencies as "Consistent with Law" (2 C.F.R. Part 1 and Part 200, Subpart B)

OMB's Uniform Guidance—also known as the "Uniform Administrative Requirements" (UAR)—has existed in some form for over 60 years, establishing default policies on issues such as the minimum content in federal grantmaking NOFOs and awards, federal oversight of grant recipients, and cost allocation principles for federal funding. Federal grantmaking agencies were required to adopt certain elements in the current Uniform Guidance (codified at 2 C.F.R. Part 200) but have had discretion as to whether to incorporate other elements. HHS, for example, adopted OMB's Uniform Guidance with minimal modifications, effective October 2025.

Establishing a Binding Uniform Grants Regulation. OMB proposes to recast its Uniform Guidance as a "Uniform Grants Regulation" that is binding on all federal grantmaking agencies. OMB preserves the ability for agencies to supplement OMB's rules with agency- or program-specific details, while advising that, in the event of a conflict with agency-specific regulations, OMB's rules apply unless federal statute requires otherwise. Moving forward, organizations that receive federal funding—as a primary recipient, subrecipient, or vendor to a (sub)recipient—would need to track OMB rulemaking directly, since any finalized OMB regulatory revisions would apply automatically across federal agencies.

Acknowledging Program-Specific Statutory Requirements. Throughout the proposed Uniform Grants Regulation's many prohibitions and requirements, OMB includes caveats such as "except where expressly authorized by statute," "except as consistent with applicable law," or "unless prohibited by statute." As a matter of formal legal analysis, these acknowledgements may help to avoid legal challenges to OMB's rules at face value, since the rules allow for deviations based on specific statutes applicable to specific programs. However, these caveats would likely increase uncertainty and complexity for applicants and recipients, undermining OMB's stated objectives of improving transparency and reducing recipient burden.

Moreover, OMB acknowledges the possibility that its newly finalized regulations may conflict with program-specific regulations that are not expressly required by statute. In such cases, OMB directs each agency to "clarify which provisions govern in funding opportunities and Federal award documents," while noting that "unless prohibited by statute, as a default presumption, a Federal agency should generally apply [OMB's] government-wide policies."

In practice, there is no guarantee that federal agencies will advise funding applicants and recipients about which specific federal requirements apply to any given award.[2] During the current Trump Administration, agencies have implemented various EOs by adding broad new prohibitions in their grant terms alongside cross-references to program-specific statutes and regulations—including statutes and regulations that appeared to conflict with the new terms—shifting the burden to applicants and recipients to determine what is permissible in any given context.

In response, some risk-averse applicants and recipients have avoided proposing or conducting activities that *might* run afoul of federal policy requirements, creating a chilling effect for conduct that is legally permissible but disfavored by the administration.

New Restrictions and Conditions on Federal Funding

OMB has proposed multiple provisions to restrict federal funding for specific types of activities, including:

- Activities contrary to the Trump Administration's policy priorities on DEI, gender identity, illegal immigration, and abortion;

[2] The proposed rule provides as follows (at § 200.101(d)(2)): "If a Federal agency is aware of regulatory conflicts that could potentially affect activities under a Federal program or Federal award, the agency should clarify which provisions govern in funding opportunities and Federal award documents. Unless prohibited by statute, as a default presumption, a Federal agency should generally apply the government-wide policies in this part if it can do so consistent with law. Federal agencies should work to resolve any such regulatory conflicts consistent with their rulemaking authorities."

- Activities related to communications, conferences, and advocacy;
- International collaborations, particularly with countries of concern identified by the federal government;
- Policies on hosting speakers or other events that appear to disfavor certain viewpoints; and
- Fixed-amount awards and subawards.

If finalized, these provisions would meaningfully shape the scope and selection of discretionary awards, as well as limit the use of funds across non-discretionary programs. In addition, several broadly phrased prohibitions would likely generate confusion and a "chilling effect" among funding applicants and recipients seeking to minimize the risk of rejected funding applications or oversight risk, as noted above.

These prohibitions would apply to both primary recipients and subrecipients, and to their contractors performing federally funded work. A final OMB rule would likely require significant work for states, counties, and other major recipients and pass-through entities to revise their template agreements and subcontractors, training, and monitoring protocols.

The more restrictions that apply to a federal award, the greater the administrative burdens associated with documenting that the award was used only for permissible purposes. In addition, these restrictions may chill legally permissible conduct even outside the scope of the federal award. In general, award recipients are free to use other sources of funding—such as state or philanthropic funding—for activities that are not permissible under their federal awards, such as state-funded health coverage programs for individuals or services that do not qualify for federal Medicaid funding. However, OMB's proposed prohibition on "subsidizing" certain disfavored activities creates some ambiguity, as described below. Moreover, for budget-constrained states and nonprofits, identifying alternative funding sources can be challenging.

Codifying Trump Administration Priorities on DEI, Gender Identity, Immigration, and Abortion (§§ 200.205(b)(2), 200.218, 200.300(b), 200.477)

For both discretionary and non-discretionary awards, OMB proposes to prohibit the use of federal awards to "fund, promote, encourage, subsidize, or facilitate" DEI practices or so-called "gender ideology," and also for any "costs associated with elective abortions." For discretionary awards, OMB further proposes to prohibit activities that support "theories of disparate-impact liability" or illegal immigration. In the preamble, OMB characterizes all of these as "divisive activities unrelated to core purposes of Federal grant programs."

These proposed funding prohibitions all flow from prior EOs from President Trump, which define a mix of targeted prohibitions and high-level categories of disfavored activities. These EOs have generated significant confusion among applicants and recipients about which activities remain permissible. Various federal agencies have also cited these EOs as a basis for terminating active grants or imposing new conditions on NOFOs. Several related funding terminations and award terms have been blocked in court on the grounds that the agency lacked the authority to impose such sweeping prohibitions, particularly with respect to high-level prohibitions that lacked clear boundaries.

If finalized, the expansive proposed prohibition on "promoting, encouraging, subsidizing, or facilitating" these activities and theories would create significant uncertainty for funding applicants and recipients, as described below. Notably, when the Supreme Court has interpreted federal statutes that prohibit "encouraging" illegal immigration or other unlawful activity, the Court has interpreted these statutes narrowly to avoid constitutional concerns under the First Amendment about unduly restricting freedom of speech.

Relatedly, the prohibition on using federal awards to "subsidize" disfavored activities raises troubling questions. Under longstanding federal cost allocation principles, federal award recipients can leverage resources for both federally funded and non-federally funded purposes as long as they allocate costs in accordance with OMB regulations.

DEI and Disparate-Impact Liability. OMB defines ***DEI*** as "policies, principles, or practices that violate any applicable Federal anti-discrimination laws, … including activities where race or intentional proxies for race will be used as a selection criterion for employment or program participation."

As written, this proposed prohibition on funding or promoting DEI does not appear to create any new funding restrictions, but rather to reiterate existing requirements under federal anti-discrimination laws, which already apply to both discretionary and non-discretionary awards. That said, the Trump Administration has been advancing modified interpretations of these laws in the wake of the Supreme Court's 2023 decision on affirmative action in *Students for Fair Admissions v. Harvard*, seeking to limit activities that redress historical disparities. If finalized, the potential practical risks are (1) shifting executive branch interpretations of existing law,[3] (2) front-end NOFO and award-selection screening for activities viewed as noncompliant, and (3) oversight and termination risk that may increase risk of applicants and recipients self-censoring otherwise lawful equity-related work.

[3] In the preamble, OMB expressly cautions that "recipients and subrecipients should not assume that practices previously viewed as consistent with prior Executive Branch guidance will necessarily satisfy applicable Federal anti-discrimination requirements as applied to Federal awards."

In § 200.218, OMB defines the related concept of ***disparate-impact liability*** as "a theory under which a facially neutral policy or practice (for example, a merit-based employment policy or practice) gives rise to an automatic or near-insurmountable presumption of the existence of unlawful discrimination on the basis of federally protected characteristics (such as race or sex) where there are any differences or disparities in outcomes (for example, disproportionate effects)."

Among other restrictions on discretionary awards, OMB proposes prohibiting recipients from:

- Using federal funds to support disparate-impact studies or litigation
- Using federal funds for activities to mitigate the recipient's own potential risk of disparate-impact liability
- Adopting any disparate-impact liability standards in administering their federally funded programs or activities.

The proposed rule specifies that recipients may conduct "statistical or demographic analysis for internal program evaluation, research, or other purposes, provided that Federal award funds are not used for conducting such analysis, and the results of such analysis are not used in connection with or applied to activities under the Federal award." Although the proposed regulation focuses on disparate-impact *liability* under federal anti-discrimination statutes, this provision's reference to "research" and "program evaluation" introduces uncertainty about the permissibility of *any* federally funded analysis that includes stratified results based on sex, race, or other protected characteristics, as well as clinical trial recruitment strategies that focus on particular underrepresented demographics, except where such activities are expressly required by a program-specific statute. That ambiguity raises serious questions, given longstanding scientific norms and widespread efforts to increase diversity in clinical trial participation seeking to ensure the accuracy and applicability of research findings.

Notably, the proposed rule fails to acknowledge that both Congress and the Supreme Court have expressly adopted disparate-impact theories of liability for discrimination. That said, the Department of Justice issued an advisory opinion on June 9 articulating a new, less-demanding standard for disparate-impact liability in the employment context and thereby overturning prior guidance from the Equal Opportunity Employment Commission. Thus, as with the DEI provisions, this proposed provision on disparate-impact liability rests atop an unstable legal landscape as the Administration seeks to significantly modify longstanding interpretations of the underlying federal statutes.

Gender Identity. For both discretionary and non-discretionary awards, OMB proposes to prohibit the use of federal funds to fund or promote:

- "Gender ideology," as defined in President Trump's January 2025 EO 14168, including "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."[4] Stakeholders and courts have expressed confusion over the EO's broad definition of "promoting gender ideology," which could potentially be interpreted to include any activity that acknowledges an individual's self-identified trans or non-binary gender identity, such as using an employee or service recipient's preferred pronouns or chosen name.[5]

- The "transition" of a youth under the age 19 "from one sex to another," including—but not limited to—pharmacological and surgical interventions.[6] Notably, this provision includes 18-year-olds who are considered legal adults, and could also be read to include psychological treatment aimed at supporting an individual's gender transition.

As compared to the underlying EOs, OMB's proposed rule deepens the uncertainty around these terms by prohibiting any activities that "promote, encourage, subsidize, or facilitate" gender ideology or gender transition, as described above.

Illegal Immigration. OMB proposes that discretionary awards may not be used to "promote, encourage, subsidize, or facilitate" illegal immigration. This provision echoes a February 2025 EO that sought to restrict federal payments to state and local governments that may, "by design or effect, facilitate the subsidization or promotion of illegal immigration, or abet so-called 'sanctuary' policies that seek to shield illegal aliens from deportation."

Notably, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) already restricts eligibility for "federal public benefits" to U.S. citizens and certain classes of lawfully admitted immigrants, subject to certain exceptions. The Trump Administration began significantly restricting its interpretation of PRWORA's eligibility provisions starting in summer 2025, expanding PRWORA's application to additional types of programs and repealing a longstanding exception for services "necessary for the protection of life or safety." Some of those policy changes have been blocked in court.

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[4] The proposed rule incorporates the full definition of "gender ideology" from EO 14168 (Jan. 20, 2025): "'Gender ideology' replaces the biological category of sex with an ever-shifting concept of self-assessed gender identity, permitting the false claim that males can identify as and thus become women and vice versa, and requiring all institutions of society to regard this false claim as true. Gender ideology includes the idea that there is a vast spectrum of genders that are disconnected from one's sex."

[5] See, for example, *Martin Luther King, Jr. Cnty. v. Turner*, 798 F. Supp. 3d 1224 (W.D. Wash. 2025); *Rhode Island Coal. Against Domestic Violence v. Kennedy*, 812 F. Supp. 3d 180 (D.R.I. 2025).

[6] The proposed rule incorporates the definition of "chemical and surgical mutilation" from EO 14187 (Jan. 28, 2025).

Meanwhile, certain agencies began including terms in various discretionary grant awards prohibiting state or local recipients from "subsidizing illegal immigration," prompting confusion among recipients about what this term meant alongside PRWORA's baseline limitations.[7]

If finalized, this proposal would apply across all discretionary awards, including those received by non-governmental entities. It may apply to programs expressly exempted from PRWORA's eligibility restrictions absent program-specific directives to furnish services regardless of immigration status. It's not clear whether agencies might interpret this provision to impose an affirmative obligation to inquire into, or verify, immigration status.

For grants that fund social services, questions are likely to arise concerning programs that serve mixed-status households and programs that rely on low-barrier access models, where inquiring into and verifying immigration status would represent a significant documentation escalation as compared to current practices.

Abortion (§ 200.477). OMB has proposed that "costs associated with elective abortions are unallowable, except as expressly authorized by Federal law." As with immigration, a statutory provision (the Hyde Amendment) already provides that federal funding for HHS and certain other agencies "shall not be expended for any abortion" except in cases of rape, incest, or pregnancies that endanger the life of the pregnant person. By contrast, this proposed regulation would:

- Apply across *all* federal financial assistance—discretionary and non-discretionary; and
- Broaden the prohibition to include *costs associated with* elective abortions, a phrase that could potentially be interpreted to apply more broadly than the Hyde Amendment.

Restricting Funding for "Issue Advocacy," Publications, and Conferences

OMB proposes a variety of new restrictions on the use of federal funds to research and communicate about funded activities, particularly with respect to so-called "issue advocacy" aimed at social or political change. These provisions—which apply across discretionary and non-discretionary grants—often depend on the grantmaking agency's interpretation of the purpose of the relevant federal program, and the extent to which it includes communication activities. If finalized, these restrictions may impede recipients' ability to inform interested stakeholders and the public at large about research findings and other successes or lessons from federally funded programming.

These proposed changes may be particularly significant for academic medical centers and other research institutions. Restrictions on publication fees, subscriptions, memberships, and

[7] See, for example, *Martin Luther King, Jr. Cnty. v. Turner*, 798 F. Supp. 3d 1224 (W.D. Wash. 2025).

conference attendance reach routine mechanisms for disseminating findings, maintaining clinical and scientific competence, and participating in research communities. Even if agencies retain discretion to approve some of these costs case by case, the need for advance approval would invite delay, uneven administration, and conservative budgeting.

Issue Advocacy (§§ 200.202(c)–(d), 200.450(c)). Existing OMB regulations prohibit the use of federal funds for lobbying activity that seeks to influence specific federal or state policies. For nonprofits and institutions of higher education, OMB proposes to expand this prohibition to include "issue advocacy or public messaging that promotes or opposes a particular social, political, or public policy position unrelated to the statutory objectives or performance requirements of the Federal award, including messaging designed to influence public attitudes on matters not necessary to accomplish the purpose of the Federal award." This provision may create uncertainty about, for example, the extent to which a researcher can comment on the policy implications of their research findings.

Relatedly, OMB also expressly confirms the authority for agencies to limit eligibility for discretionary awards to specific types of nonprofits, specifically calling out the example of an award that excludes advocacy-oriented "social welfare organizations" registered under section 501(c)(4) of the Internal Revenue Code.

Public Relations Communications (§ 200.421). OMB proposes to repeal current allowances for public relations communications with the media, government offices, and the public:

- About "specific activities or accomplishments which result from the performance of the Federal award"; or
- As "necessary to keep the public informed on matters of public concern, such as notices of funding opportunities or financial matters."

These activities would be fundable only insofar as they qualify as "program advertising and outreach" (for example, recruiting project participants) and other specific purposes necessary to meet the Federal award requirements.

Publication and Printing Costs (§ 200.461). Currently, OMB regulations provide that publication costs are allowable, "including distribution, promotion, and general handling." OMB now proposes to prohibit federal funding for publication costs "unless such activities are required by statute or approved in advance by the federal agency on a case-by-case basis." The regulation specifies that a "general requirement to make results publicly available must not be construed as authorizing publication costs"—a proposal that fails to acknowledge the necessary expenses of publication in reputable peer-reviewed publications, often including additional fees to ensure open access.

Memberships, Subscriptions, and Professional Activity Cost (§ 200.454). OMB proposes to prohibit the use of grant funds to subscribe to academic publications, and to impose new restrictions and requirements for advance approval on the use of grant funds for membership fees in various types of organizations.

Conferences (§ 200.432). OMB proposes to prohibit the use of federal funds for conference attendance except as "expressly approved by the agency and included in the terms and conditions of the Federal award"—meaning that the conference must already be announced before the award is issued.

Restrictions on Foreign Collaborations (§§ 200.202(e), 200.322, and 200.336)

Multiple proposed provisions seek to encourage or require that federally funded activities be conducted by domestic entities and impose targeted restrictions on collaborations with China, Russia, Iran, or other countries of concern. If finalized, these provisions may be particularly significant for multi-site research projects, including global clinical trials, epidemiologic studies that rely on overseas study populations, specimen- or data-sharing arrangements with foreign institutions, and collaborations involving specialized laboratories or equipment located abroad. OMB has also proposed new verification requirements for recipients' non-citizen employees and contractors.

"Domestic-First" Framework for Research and Development (R&D) Awards (§ 200.202(e)). OMB proposes to establish a default rule that discretionary R&D awards must be made to U.S.-based entities, "except where expressly authorized by statute or where a compelling interest exists for the agency's mission, the administration's priorities, and for the United States, as determined by the agency's senior appointee."

Similarly, "federal agencies must apply a domestic-first framework, under which international elements"—including both activities by foreign entities as well as activities conducted outside the U.S.—"may be included only if the Federal agency determines that such elements are justified, consistent with program objectives, and in the national interest of the United States," in accordance with factors set forth in the rule.[8] That said, the proposed rule would not

[8] Specifically, agencies are directed to consider: "(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."

"prohibit the participation of foreign entities as subrecipients or contractors under a research and development award made to an eligible U.S. entity."

Prohibition on Covered Foreign Collaborations in Discretionary Awards (§ 200.220). The proposed rule would prohibit federally funded collaborations with "covered foreign countries"—those designated as foreign adversaries, countries of particular concern, and countries subject to sanctions or national security restrictions—as well as "covered foreign entities" that are owned, controlled, or affiliated with the military, intelligence, or security services of such countries, or that are independently listed as a federal concern. Federal agencies may authorize exceptions based on a determination that "the activity does not pose a risk to national security and is in the national interest of the United States."

Domestic Preferences for Procurement (§ 200.322). Whereas current regulations express a preference for domestic procurement, OMB now proposes to require agencies to "maximize the use of goods, products, and materials produced in the United States," applicable to both discretionary and non-discretionary awards.

E-Verify Requirements for Employees and Contractors (§ 200.303(f)). For both discretionary and non-discretionary awards, OMB proposes to require recipients to verify that all employees and contractors performing federally funded activities have satisfactory immigration status using the E-Verify program established by the Department of Homeland Security (DHS), which is available free of charge. This proposed requirement does not change baseline requirements concerning eligibility to work in the U.S., but would require recipients to proactively notify the federal grantmaking agency of individuals who received an E-Verify Final Nonconfirmation notice, meaning that DHS was unable to verify satisfactory immigration status. OMB proposes that "failure to provide notice or take appropriate action [based on the notice] may result in the termination of the Federal award."

Prohibiting "Discriminatory Event Services" (§ 200.219)

OMB proposes to prohibit recipients of discretionary awards from discriminating "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." The preamble cites as examples the additional fees that certain universities have charged to cover security costs associated with conservative speakers expected to generate significant protest activity.

For non-governmental recipients, this prohibition would apply only to activities "within the scope of activities funded by a Federal award." By contrast, for public entities—including states, counties, municipalities, and public universities—this prohibition applies to all "events sponsored, hosted, or permitted … on property or facilities [the public entity] owns, leases, or

otherwise controls." That breadth could draw general events management policies into federal grants compliance even for events that are not supported by any federal funding.

Although OMB justifies this proposal by reference to free speech principles, this prohibition may go beyond constitutional requirements under the First Amendment that already apply to state and local governments.

Prohibition on Fixed Amount Awards and Subawards (§§ 200.201(b), 200.333)

OMB proposes to prohibit federal agencies from issuing fixed amount awards—i.e., awards for a specific amount of funding without regard to actual costs incurred under the award—"unless otherwise authorized by statute." Recipients would similarly be prohibited from issuing fixed amount subawards, which are currently permitted for subawards up to $500,000 under certain circumstances. The advantage of fixed amount awards is that they do not require compliance with certain cost principles, and therefore reduce administrative burden.

In the preamble, OMB asserts that "fixed amount subawards have been implemented inconsistently across programs, agencies, and recipients," and that such awards "can limit transparency and hinder effective oversight."

Discretionary Grant NOFOs and Award Selection

The proposed rule would reshape how agencies design, announce, and award discretionary grants. If finalized, these changes would result in increased involvement of senior political leadership in making award decisions, increased focus on overarching administration policy priorities, increased opportunities for a thumb on the scale against certain entities and in favor of others, and, as a result, reduced predictability in funding decisions for applicants and recipients. Two non-binding suggestions in the proposal are likely to be viewed positively by many grant applicants and recipients: 1) encouraging agencies to issue multi-year awards and 2) encouraging agencies to solicit brief statements of interest to winnow down applicant pools.

Developing and Posting NOFOs

In addition to new substantive restrictions and requirements on the use of federal funds, OMB proposes measures aimed at enhancing efficiency for applicants for federal funding, although some of these measures are framed as suggestions for federal agencies rather than binding requirements.

Aligning with Policy Priorities of the Trump Administration and Future Administrations (§ 200.202). OMB proposes to require that federal agencies design their NOFOs to "align with administration policies and priorities" of the then-current administration, in addition to

accounting for all the new restrictions and conditions described in the preceding section on issues such as DEI and foreign collaborations.

Publicly Announcing Funding Opportunities (§ 200.204(a)). OMB proposes that federal agencies must publicly announce on Grants.gov all funding opportunities for *all* discretionary award opportunities for open competition, limited competition, or selection on a non-competitive basis, except where a public announcement would pose a national security risk or is otherwise deemed to be in the national interest. In the preamble, OMB notes concerns about lack of transparency and lack of accessibility in cases where agencies do not publicly announce funding opportunities.

OMB further proposes to require that all funding applications must use Grants.gov "unless a program specific exception is expressly authorized by Federal statute or approved by the Federal agency head."

Encouraging Multi-Year Awards (§ 200.202(f)). OMB proposes—but does not require—that agencies "design Federal programs to allow for multi-year awards with budget periods longer than one year, rather than issuing separate notices of funding opportunities on an annual basis," where permitted by the underlying statutes. Multi-year awards would promote stability and long-term planning for funding recipients. However, this goal is undermined by OMB's other proposals for at-will suspensions and terminations of funding, as described below.

Encouraging Statements of Interest (§ 200.204(c)). In cases where the federal agency expects a large volume of applications and/or proposals that are "long and complex," OMB "strongly encourages" the agency to request statements of interest ahead of accepting full proposals. The agency would review these short statements—"typically no more than a few pages"—and select applicants who will then be eligible to submit full proposals. The purpose of this process, OMB explains, is to "reduce burden on applicants by avoiding the preparation of lengthy proposals while also assisting Federal agencies in identifying the most competitive applicants early in the process."

Selecting Award Recipients

OMB has proposed detailed provisions seeking to shift the locus of discretionary award selection away from expert career staff and peer review panels, and instead to prioritize the role of senior political appointees in carrying out the president's overarching policy agenda.

The new processes and criteria expressly disadvantage certain types of applicants—including legacy research institutions with higher indirect cost rates—and also introduce ambiguous standards and other levers for administrations seeking to disfavor certain institutions and prioritize others—a tactic the Trump Administration has evinced in selective funding suspensions and terminations for states, educational institutions, and nonprofits that vocally

opposed the President's policies. In addition, the new processes may delay award decisions, particularly if the senior appointee disagrees with a significant number of award recommendations.

Pre-Issuance Review by Senior Political Staff (§ 200.205(b)). OMB proposes that a "senior" political appointee must review all discretionary award decisions to ensure they "demonstrably advance the President's policy priorities," comply with the various funding restrictions described in the preceding section, and align with additional Trump priorities, including the following:

- Ensure that federal awards do not fund, promote, encourage, subsidize, or facilitate initiatives that "compromise public safety or promote anti-American values"— a highly subjective standard that invites uneven application and could be used to justify disfavoring institutions or projects associated with politically contested viewpoints.

- Give preference to institutions with lower indirect cost rates, all else equal. The likely outcome is that institutions in more rural settings, as well as smaller institutions with lower fixed costs (such as lab space and equipment), may gain an edge in the application process. Notably, however, OMB did not propose to cap or otherwise modify indirect cost rates, despite multiple prior attempts by federal agencies to do so before being blocked in court and by express directives from Congress.[9]

- Ensure applicants commit to "administration policies, procedures, and guidance respecting Gold Standard Science"—an ambiguous term introduced in President Trump's May 2025 Executive Order and further defined in June 2025 guidance from the White House Office of Science and Technology Policy.

- Shift awards away from major institutions that have historically received the bulk of federal awards, including directives that:

    - Discretionary awards should be given to a "broad range of recipients" balancing the goals of "immediately demonstrable results" against "potential for potentially longer-term, breakthrough results."

    - Agencies should prioritize an institution's "commitment to rigorous, reproducible scholarship over its historical reputation or perceived prestige."

[9] In the preamble, OMB commented: "OMB is not proposing updates to the indirect cost rate negotiation system through this document. OMB may consider issuing a request for information on this topic in the future, but commenters should not submit comments on the indirect cost rate negotiation system in response to this document."

No Deference to Expert/Peer Review (§ 200.205(c)–(d)). Currently, agencies commonly issue awards based on recommendations from career staff and/or peer review committees staffed by subject matter experts. In some cases—notably including NIH research grants[10]—Congress expressly mandated peer review of grant proposals. Under OMB's proposal, senior political appointees would ensure that any such recommendations are "advisory and are not ministerially ratified, routinely deferred to, or otherwise treated as de facto binding."

As a formal legal matter, the proposed rule reiterates that decision-making authority rests with the agency leaders. But in practice, OMB is seeking to promote *active involvement* by agency leaders to align with administration priorities rather than deferring to recommendations of subject matter experts.

Assessing Proposal Risk and Assigning Specific Conditions (§§ 200.206, 200.208). Existing OMB regulations call for agencies to evaluate an applicant's risks to program integrity when deciding whether to issue an award and, if so, whether to impose additional conditions to protect program integrity, such as restricting advance payment or requiring additional financial reports. OMB proposes to expand the list of risk assessment factors to include:

- A "history of questionable practices," such as plagiarism or "discredited or non-replicable studies," published by the applicant or its staff, as well as engaging in "activities or initiatives that are inconsistent with Federal civil rights laws" or religious liberty laws—accusations the Trump Administration has levied against Harvard University and other major academic institutions.

- 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."

- The applicant's compliance with foreign gift and contract disclosure requirements under section 117 of the Higher Education Act of 1965.

OMB also proposes to expressly confirm that agencies may add or remove risk-based conditions during an active award period.

[10] The NIH deploys a three-step process to review and approve grants: an initial "study section" where expert panels review and score applications, a Council review specific to each funding institute that reviews all scoring and makes final recommendations on which to fund, and a final review by the relevant institute director. While initial study section reviews are not directly impacted, nor are secondary Council reviews that are done within each funding institute, the addition of another level of review prior to "approval" by a respective funding agency Director opens the potential for research grant decisions to be overturned by a political appointee, and the potential for overall slowdowns in funding applications.

Disclosing Recent Federal Employees (§ 200.112). OMB proposes to expand the existing requirements[11] on conflicts of interest to add a disclosure on any individual who:

- Worked on a grant application, or is anticipated to work on activities under the resulting award; and
- Was employed by the relevant grantmaking agency in the two years preceding the grant application.

In the preamble, OMB justifies this disclosure as a transparency measure that provides "Federal agencies with visibility into situations where prior employment could give rise to questions about impartiality, preferential treatment, or insider knowledge." Following a change in the White House, however, this disclosure requirement would allow the new administration to identify applicants affiliated with senior appointees under the prior administration; if the two administrations differ significantly in their policy priorities, such affiliations may be considered a black mark for applicants.

Express Authority to Rescind NOFOs (§ 200.205(e)). OMB proposes to expressly confirm the authority for federal agencies to pull down NOFOs without issuing any awards, if the agency determines that awarding under the original NOFO "would fund low-quality proposals or be inconsistent with the principles" in the Uniform Grants Regulation—including the various requirements to align with administration priorities. After a change in the White House, the incoming administration could rely on this rule to rescind pending NOFOs that do not align with their priorities and replace them with more aligned NOFOs.

Termination, Suspension, and Oversight of Federal Funding

Discretionary Termination and Suspension of Discretionary Awards (§§ 200.340–200.343)

The proposed rule includes express authority for federal agencies to terminate or suspend any discretionary award at any time with minimal explanation, unless prohibited by a program-

[11] There are federal ethics rules restricting post-employment activities that apply to all employees, with additional rules for "senior employees" and "very senior employees." Among the rules that apply to all employees, former federal employees are permanently banned from "switching sides" by representing a party in front of the government in matters in which they participated "personally and substantially" during their government employment. In addition, former HHS employees who had a degree of authority in awarding a contract in excess of $10 million cannot work for that contractor for a year. This proposed rule would impose disclosure rules (not bans), but on a much broader swath of people who formerly served in the government at any level.

specific statute. In addition, OMB proposes that all pass-through entities would be required to include similar provisions in their subawards to subrecipients.

If finalized, these authorities pose substantial risk to the stability of federal awards. Award terminations were historically uncommon until the Trump Administration sought to freeze or cancel thousands of grants without advance notice and with minimal explanation. Moving forward, similar mass cancellations could be on the horizon every time the White House changes hands, particularly in light of OMB's other proposals seeking to ensure that NOFO design and award selection hew closely to the priorities of each administration.

Discretionary Termination. The proposed rule would allow agencies to terminate any award if the 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."[12]

These terminations could be targeted to individual awards or applied across an entire class of awards, further underscoring the opportunity for mass grant terminations following a change in the White House—something the Trump Administration attempted, with mixed success in the courts.

Unlike "for cause" grant terminations based on a finding of recipient noncompliance, OMB specifies that discretionary terminations:

- Are effective as of the date specified by the agency, without any opportunity for the recipient to submit objections or file an administrative appeal;
- Would not be reported to the database of for-cause grant terminations on SAM.gov.

Recipients would remain able to use federal funds for costs properly incurred before the termination effective date.

As a legal matter, OMB justifies these provisions by pointing to analogous authorities in the Federal Acquisition Regulation for government contracts, and by asserting that the authority to issue a discretionary award necessarily entails the authority to revisit—and potentially revoke—that award. The preamble focuses primarily on OMB's concerns about stopping the flow of federal funds to projects no longer favored by the administration; less attention is paid to the consequences of sudden disruptions in federal funding, such as interrupted clinical trials or a reduction in social services.

[12] Pass-through entities would be required to include a similar provision in their subawards.

Notably, under the Biden Administration, OMB implemented a narrower authority for agencies to terminate awards that "no longer effectuate[] the program goals or agency priorities," but multiple courts found that regulation insufficient to support the Trump Administration's mass grant terminations, whether because that provision had not been incorporated into the relevant grant award or because the Trump Administration had not adequately justified the termination.

Discretionary Suspensions. Short of termination, federal agencies could also issue stop-work orders at any time, suspending funded activity for up to 90 days if a suspension is "in the interest of the Federal agency." This provision echoes the Trump Administration's attempts—many of which were blocked in court—to "freeze" active awards with minimal explanation while the agency decided whether to pursue terminations. In many cases, these freezes were targeted at classes of awards or classes of recipients disfavored by the Trump Administration, including projects related to LGBTQ+ health, grants for abortion providers, and funding to states with Democratic governors.

Payment Justifications for Non-State Recipients and Subrecipients (§ 200.305(c))

For recipients and subrecipients other than state governments—including county and municipal governments, as well as nonprofits—each request for federal payment must include a "brief, written justification" describing the activities corresponding to that specific payment request"—for example, project milestones, project activities, or administrative activities.[13] (This requirement would not apply to a vendor acting as a contractor to a recipient rather than as a subrecipient in its own right.)

This requirement would take effect once OMB and the Department of the Treasury implement a system capable of ingesting these payment justifications.

This could generate significant additional work for non-state recipients, particularly for grants that fund a diverse array of services and administrative activities. In addition, this requirement introduces new audit risk, since recipients must be able to link each federal payment to specific funded activities at specific points in time, over and above the requirement to demonstrate that all federal funds were used for permissible purposes.

Other Oversight Provisions

Limiting Additional Audits (§ 200.503). Beyond the mandatory Single Audit for all individuals or entities receiving at least $1 million in total annual federal funding, OMB proposes to prohibit additional audits by "a Federal agency, Inspectors General, or [the Government Accountability

[13] This proposal implements a directive in President Trump's EO 14222 (Feb. 26, 2025), Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative.

Office]" except to "carry out its responsibilities … under applicable Federal statutes." Under this proposed rule, it would no longer be permissible for agencies to define additional audit requirements under regulation, without statutory underpinning.

That said, many federal programs contain statutory language authorizing agency oversight. And in light of the Supreme Court's emphasis on close adherence to statutory text, burdensome audit requirements untethered from statutory language may not survive judicial scrutiny even without OMB's proposed rule.

Pass-Through Entities' Oversight of Subrecipients and Subcontractors (§§ 200.329–200.332). Under existing regulations, pass-through entities are accountable for the conduct of their subrecipients, and so are responsible for monitoring subrecipient compliance. The proposed rule further requires pass-through entities to notify the federal agency if a subrecipient takes "actions that could significantly damage the reputation of the pass-through entity, the Federal agency making the award, or the Federal Government."

OMB also clarifies and reiterates the obligation for pass-through entities to:

- Classify all downstream funding recipients as either subrecipients or subcontractors (i.e., vendors), including entities that are subsidiaries of, or otherwise affiliated with, the pass-through entity itself; and

- Report all subawards to SAM.gov.

Looking Ahead

OMB's proposed revisions represent a significant shift in the federal grants framework. If finalized, it would centralize the role of OMB, the White House, and politically appointed senior staff in rolling out the president's policy priorities across all federal grant programs, to the maximum extent permitted by each program's governing statutes. It would weaken the role of expert career staff and peer review panels, as well as create confusion and instability for applicants and grant recipients.

As stakeholders develop their comment letters and prepare for a possible final rule on an accelerated timeline, a useful first step is to inventory the grant programs most material to their operations—especially discretionary programs and large pass-through funding streams—and map where program-specific statutes may conflict with OMB's proposed requirements. This analysis will position stakeholders to seek clarification from federal agencies and push back—through litigation if necessary—against potentially unlawful grant terms.

Appendix. Major Discretionary and Non-Discretionary Grant Programs Under HHS and Other Federal Agencies

Federal Agency	Major Discretionary Grants	Major Non-Discretionary Grants
Agencies Within HHS		
Administration for Children & Families	• Head Start	• Child Care and Development Block Grant (CCDBG) • Social Services Block Grant (SSBG) • Temporary Assistance for Needy Families (TANF)
Centers for Medicare & Medicaid Services (CMS)	• Center for Medicare & Medicaid Innovation (CMMI) Cooperative Agreements	• Medicaid federal financial participation (FFP) for states *(note: Medicare/Medicaid-participating providers are considered contractors, not subrecipients)*
Centers for Disease Control & Prevention (CDC)	• Immunization Cooperative Agreements	• Public Health Formula Grants
Health Resources & Services Administration (HRSA)	• Health Center Program—certain components • Ryan White HIV/AIDS Program(RWHAP)—certain components	• Health Center Program—certain components (up to 30 percent of total) • RWHAP —certain components • Children's Hospital Graduate Medical Education and Teaching Health Center (GME) *(note: Most GME funding is delivered via Medicare and Medicaid payments)*
National Institutes of Health (NIH)	• Research Grants	• None
Office of Population Affairs	• Title X Family Planning Program • Teen Pregnancy Prevention Program	• None
Substance Abuse & Mental Health Services Administration (SAMHSA)	• State Opioid Response (SOR) • Funding for development of Certified Community Behavioral Health Centers (CCBHCs)	• Mental Health Block Grant (MHBG) • Substance Abuse Prevention & Treatment (SAPT) Block Grant

Federal Agency	Major Discretionary Grants	Major Non-Discretionary Grants
Other Federal Agencies		
Department of Education	• Education, Innovation & Research (EIR) • Charter Schools Program (CSP)	• Title I, Part A • Individuals with Disabilities Education Act (IDEA) funding for special education
HUD	• Continuum of Care (CoC) • Choice Neighborhoods	• Community Development Block Grant (CDBG) • HOME Investment Partnerships
Department of Transportation	• Better Utilizing Investments to Leverage Development (BUILD) / Rebuilding American Infrastructure with Sustainability and Equity (RAISE) (Multimodal) • Nationally Significant Multimodal Freight & Highway Projects (INFRA) (freight/highway)	• Federal-Aid Highway Program • Transit Formula Grants (FTA)

Manatt Health Team

Julian Polaris
Partner
jpolaris@manatt.com

manatt

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