Big Changes to the Uniform Guidance Are Coming—What Federal Grant Recipients Need to Know

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Chris Griesedieck's practice encompasses government contract and grant-related matters, including claims, requests for equitable adjustment, and bid protests. Chris supports large and small companies doing business with defense and civilian agencies. He advises and represents clients on cost and pricing issues, including the Federal Acquisition Regulation Cost Principles and Procedures and the Cost Accounting Standards. Chris helps clients comply with the Service Contract Labor Standards (formerly the Service Contract Act of 1965) and the U.S. General Services Administration's Multiple Award Schedule. He also addresses organizational conflicts of interest, post-employment restrictions on former federal officials, and the ratification of unauthorized commitments.

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Diz Locaria assists government contractors and grant recipients in all aspects of doing business with the federal government. Diz has extensive knowledge of government contract and grant regulations, enabling him to help organizations qualify to become federal contractors or grantees. He represents clients in compliance with various federal procurement and grant requirements, including ethics and integrity; mandatory disclosures; False Claims Act; responsibility matters, such as suspension and debarment; small business matters; and General Services Administration (GSA) Federal Supply Schedule contracting. Diz also represents and counsels clients regarding the Homeland Security Act, including obtaining and maintaining SAFETY Act protections.

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With a strategic approach shaped by years of private and federal practice, including service as an attorney within the U.S. Navy and over a decade in private practice supporting federal grantees and contractors, Scott Sheffler brings deep insight to clients facing high-stakes regulatory and funding issues. Scott has more than 15 years of experience advising on federal grant compliance, government procurement law, and internal investigations. He counsels nonprofits, commercial entities, and state and local governments navigating complex federal funding requirements.

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Disclaimer

The views expressed in this presentation are exclusively those of the presenters, Chris Griesedieck, Dismas Locaria, and Scott S. Sheffler. They should not be attributed more broadly to Venable LLP or anyone other than Messrs. Griesedieck, Locaria, and Sheffler.

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Agenda

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Nature and Scope

- Proposed rule issued on May 29, 2026, with a 45-day comment period.
- Thus, comments are currently due on July 13.
- Converts the "Uniform Guidance" implemented separately by individual funding agencies into a "Uniform Grants Regulation." Agencies may still modify via limited supplementary regulations.
- Approach would more closely mirror the way in which the Federal Acquisition Regulations (FAR) serve as the baseline regulations for all agencies for federal procurements, which agencies then supplement through their own regulations, such as the Defense FAR Supplement (DFARS).
- In practice, agencies already adopt the Uniform Guidance and supplement it via agency-specific regulations, so conversion to a UGR approach on its own will not materially impact grantees.

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Nature and Scope (cont.)

- Despite initial direction via E.O. 14332, Improving Oversight in Federal Grantmaking, for OMB to address indirect cost rate matters in the updates, *OMB ultimately did not do so in the proposed rule*.
  - According to OMB, this was largely because of congressional intervention on the issue through various legislative efforts and related committee report language.

Oversight

- 2 C.F.R. § 200.112
  - Proposes to add to the conflict of interest requirements at 2 C.F.R. § 200.112 a new provision that will require recipients and subrecipients to disclose:

    "[W]hether any employees who worked on an application for, or proposal in support of, a resulting Federal award, or are anticipated to work on activities under the Federal award, were employed by the awarding Federal agency during the preceding two years prior to application submission."
  - The proposed rule explains this is for "informational [not disqualification] purposes."

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Oversight (cont.)

- 2 C.F.R. § 200.113
  - Proposes to update the mandatory disclosure provision at 2 C.F.R. § 200.113, which requires the reporting of "credible evidence" of fraud and bribery-related violations of federal law, including civil False Claims Act (FCA) violations, to the cognizant Office of Inspector General (OIG).
  - Would now require OIGs to transmit such disclosures to the U.S. Attorney's Office for the District of Columbia within ten (10) days of receipt.
  - This further emphasizes the current administration's stated desire to eliminate waste, fraud, and abuse.
  - Coupled with the inherent ambiguity of what may be perceived as an FCA violation and heightened DOJ focus on the grants system, this expansion has the potential to significantly affect grantees who discover past errors in grant management practices.

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Foreign Entity Considerations

- Proposes a new section 2 C.F.R. § 200.220 establishing a government-wide rule generally prohibiting—unless exempt by statute or by determination of an agency head—recipients and subrecipients from using federal funds to support "a bilateral or multilateral collaboration, agreement, program, or activities with a covered foreign country or covered foreign entity."
  - This prohibition would apply to the use of both direct and indirect funds.
  - "Covered foreign county" is defined as (a) "foreign adversary"; (b) "country of particular concern"; or "country subject to sanctions or restrictions relating to national security."
  - "Covered foreign entity" is defined as (a) "[a]n entity owned or controlled by, or acting on behalf of, a covered foreign country"; (b) "[a]n entity identified as an 'entity of particular concern' under certain federal agency authorities"; or (c) "[a]n entity affiliated with the military, intelligence, or security services of a covered foreign country."

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Foreign Entity Considerations

- Proposes to add new 2 C.F.R. § 200.202(e) that would prohibit prime research and development awards to "foreign entities," subject to statutory requirements or agency exceptions based on "compelling interests for the agency's mission, the administration's priorities, and for the United States, as determined by the agency's senior appointee."
  - Specifically, "agencies must apply a domestic-first framework, under which international elements 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." 2 C.F.R. § 200.202(e)(2).
  - Proposed rule sets out factors for an agency to consider when "determining whether an international element is warranted": 1) necessary to achieve scientific or technical objectives; 2) provides access to unique expertise, facilities, data, etc.; 3) likelihood to enhance scientific enterprise of the U.S.; and 4) international facilities, personnel, etc. comparable to domestic resources.
  - This change does not propose to limit foreign subrecipients or contractors.

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Routine Grant Administration Impacts

- Proposes a new 2 C.F.R. § 200.202(f), which would encourage the use of multi-year awards with multi-year budgets.
  - Budget periods longer than 1 year instead of annual re-competition.
  - Must be structured to avoid Antideficiency Act violations.
  - Supposed to provide funding stability, but undercut by new termination clause.
- OMB is proposing revisions to 2 C.F.R. §§ 200.329 and 200.332 that would further emphasize recipients' obligations to report all first-tier subawards valued at $30,000 or more within SAM.gov (formerly reporting that grantees were to accomplish via the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS)).
- Revised 2 C.F.R. § 200.320 discourages cost-reimbursement contracts under grants, requiring notice to funding agencies when used and encouraging funding agency to consider requiring prior approval for cost-reimbursement contracts. Recipients must also maintain written justification in their records.

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Routine Grant Administration Impacts (cont.)

- Proposes to modify cost principles within Subpart E as follows:
  - 2 CFR § 200.421 (Advertising and PR Costs) would be modified to more broadly assert that public relations and advertising costs are unallowable, whether charged directly or indirectly, with the exceptions only of (a) costs required by statute, (b) advertising related to procurements, (c) advertising related to disposal of scrap or surplus materials, (d) program outreach and "other specific purposes necessary to meet . . . Award requirements."
  - 2 CFR § 200.450 (Lobbying) would be expanded:
    - Current rule: Costs for "[a]ny attempt to influence" the "introduction of Federal or State legislation" are unallowable, as are costs for attempting to influence the enactment or modification of such legislation through certain specified means, such as urging the public to engage in a "letter writing or telephone campaign."
    - New rule: Broadens the scope of unallowable costs…

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Routine Grant Administration Impacts (cont.)

- Proposes to modify cost principles within Subpart E as follows:
  - 2 CFR § 200.450 (Lobbying) would now make the following unallowable:
    - Costs of voter registration campaigns, drives, or related activities
    - "Engaging in 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 [a] Federal award"
      - Would include "messaging designed to influence public attitudes on matters not necessary to accomplish the purpose of [a] Federal award"
    - "Attempting to influence the executive branch of any State government on matters unrelated to the objectives or performance requirements of [a] Federal award"
      - Would include "attempts to affect State agency policymaking, rulemaking, or administrative actions for purposes other than carrying out objectives of the Federal award"

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Routine Grant Administration Impacts (cont.)

- 2 C.F.R. § 200.454 (Members, Subscriptions, and Prof. Activity Costs) would be modified to:
  - Limit allowability of "[c]osts of . . . Membership in professional, civic, business, and technical organizations" to costs "necessary to fulfill . . . Award requirements" and require prior approval of all such costs;
  - Render unallowable "[c]osts of . . . Subscriptions to business, professional, academic, and technical periodicals . . ."; and
  - Render unallowable "[c]osts of membership in organizations whose primary purpose is lobbying or issue advocacy . . ."
- 2 C.F.R. § 200.461 (Publication and Printing Costs) would be modified to render unallowable "publication costs (including page charges, article processing charges (APCs), or similar fees such as open access fees for professional journal publications and other peer-reviewed publications)" unless specifically required by statute or approved by a federal agency in advance.
- 2 C.F.R. § 200.432 (Conferences) would be modified to require prior approval for conference attendant costs.

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Fixed Amount Awards

- Proposes to eliminate (in 2 C.F.R. §§ 200.201, 200.333, and throughout UGR) fixed amount awards and subawards, except where they are authorized by statute.
  - While fixed amount awards are restricted in size and utility under the current version of the Uniform Guidance, such awards provide a less burdensome mechanism for smaller awards and offer the only true path to "payment for performance rather than compliance," a goal asserted by each of the last three administrations.
  - OMB asserts that it "is concerned that the use of this type of award can limit transparency and hinder effective oversight, and believes the limited standards for fixed amount awards in part 200 remain inadequate to address these concerns."
    - Example: "under fixed amount awards there is no expected routine monitoring of actual costs incurred … and no financial reporting is required."

Fixed Amount Awards (cont.)

- Proposes to eliminate (in 2 C.F.R. §§ 200.201, 200.333, and throughout UGR) fixed amount awards and subawards, except where they are authorized by statute.
  - Two notes of interest:
    - While eliminating fixed amount awards, the proposed rule (as revised at 2 C.F.R. § 200.320) prioritizes fixed price contracting by grantees and "strongly discourages" cost-reimbursement contracts, requiring notification to funding agencies.
    - OMB explains that "[t]his proposed change is not intended to impact any existing fixed amount awards or subawards issued prior to the effective date of the proposed rule."

Risk-Assessment Considerations in Award-Making

- Proposes to modify 2 C.F.R. § 200.206 to add the following considerations to an agency's risk review:
  - Any "history of questionable practices" (such as plagiarism, discredited studies, unlawful discrimination, or activities inconsistent with religious liberty laws),
  - "[M]embership 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 [U.S.] Government," and
  - Compliance with Higher Education Act disclosure requirements regarding foreign gifts.
- This proposed change raises questions as to what constitutes "membership in" or "affiliation with" another organization, and what may be viewed as "undermining public safety or national security."
- This provision may raise First Amendment concerns to the extent it conditions eligibility on positions taken by applicants outside, and unrelated to, the entity's grant program activities. *See Agency for International Development v. Alliance for an Open Society Int'l*, 570 U.S. 205 (2012).

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Public Policy Considerations in Award-Making

- Proposes to modify 2 C.F.R. § 200.205 to further implement E.O. 14332 by requiring agencies to incorporate a new “pre-issuance review” by “senior appointees” into existing merit review processes for discretionary awards.
- Senior appointees or their designees would be directed to apply several “principles when reviewing Federal award proposals,” including that:
  - “Discretionary awards must, where applicable, demonstrably advance the President’s policy priorities.”
  - Discretionary awards cannot fund, promote or facilitate: (i) racial preferences, (ii) “[d]enial by the recipient of the sex binary in humans or the notion that sex is a chosen or mutable characteristic,” (iii) “[i]llegal immigration, or (iv) “initiatives that compromise public safety or promote anti-American values.”
- Proposes to add to 2 C.F.R. § 200.205 that “[d]iscretionary awards should include benchmarks for measuring success and progress towards relevant goals and, as relevant for awards pertaining to scientific research, a commitment to achieving Gold Standard Science."

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Public Policy Considerations in Grant Performance

- Proposes to modify 2 C.F.R. § 200.300 to explicitly prohibit use of federal funds:
  - "[T]o fund, promote, encourage, subsidize, or facilitate [DEI] or [DEIA] policies, principles, or practices that violate any applicable Federal anti-discrimination laws."
  - To promote "gender ideology" as defined in E.O. 14168.
  - To fund or promote "[t]he so-called 'transition' of a child under 19 years of age from one sex to another, including the chemical and surgical mutilation of children," as defined in E.O. 14187.
- The proposed revised text does not define which DEI/DEIA activities are unlawful, and OMB:
  - Acknowledges in the preamble to the proposed rule that it "anticipates that some commenters for this rulemaking may contend that the Unlawful DEI Provision is excessively vague or open to misinterpretation," and
  - Points to the U.S. Department of Justice's (DOJ) July 2025 memorandum, the U.S. Supreme Court's decision in *Students for Fair Admissions v. Harvard*, and a December 2, 2025 opinion from the DOJ's Office of Legal Counsel for guidance.

Public Policy Considerations in Grant Performance (cont.)

- Proposes a new 2 C.F.R. § 200.219 that would prohibit *public entities* from restricting event service support based on viewpoint of speaker. Proposes, for private entities, to prohibit use of federal funds for such purposes.
- Proposes a new 2 C.F.R. § 200.218 that would prohibit use of federal funds to implement measures driven by, or further implementing, disparate impact liability considerations/frameworks.
- Proposes to remove from § 200.300 language interpreting applicability of *Bostock v. Clayton County*, 140 S. Ct. 1731 (2020). Currently, § 200.300 states: "[i]n administering Federal awards that are subject to a Federal statute prohibiting discrimination based on sex, the Federal agency or pass-through entity must ensure that the award is administered in a way that does not unlawfully discriminate based on sexual orientation or gender identity if the statute's prohibition on sex discrimination encompasses discrimination based on sexual orientation and gender identity consistent with the Supreme Court's reasoning in *Bostock v. Clayton County,* 140 S. Ct. 1731 (2020)."

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Public Policy Considerations in Grant Performance (cont.)

- Proposes to add to 2 C.F.R. § 200.300 additional language prohibiting federal agencies and pass-through entities from "discriminat[ing] against or in favor of an applicant on the basis of the organization's religious character, affiliation, exercise, or lack thereof, nor on the basis of conduct that would not be considered ground to favor or disfavor a similarly situated secular organization."
  - The preamble notes that where religion-based legal protections apply, they require "considering and providing reasonable accommodations or exemptions for religious or conscience-based objections as required by law," and that "Federal agencies, pass-through entities, recipients, and subrecipients should not structure internal procedures in a way that would require discretionary case-by-case approval of requests for an accommodation or exemption."
- Within the cost principles, a new 2 C.F.R. § 200.477 would be added, stating: "[c]osts associated with elective abortions are unallowable, except as expressly authorized by Federal law."

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Grant Termination and Suspension

- Proposes to amend 2 C.F.R. § 200.340 to "further clarify the existing regulatory text related to award termination" of discretionary grants (as compared with grants directed by statute, such as formula grants). The clarification may functionally enhance federal agency termination rights in some instances.
- Where permitted by law, would require (rather than permit, as is currently the case) agencies to include in discretionary grants a unilateral right to terminate where the agency "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 as they exist at the time of the termination."
  - The proposed text calls these "discretionary terminations" and describes them as akin to termination for convenience in federal procurement contracts.
  - Pass-through agencies would incorporate such a provision as well, but the "agency priorities" at issue are those of the federal funding agency, not a state or local government.
  - Agencies also have discretion to insert "supplemental reasons" to terminate, such as "the public interest" or "the national interest," as long as doing so is consistent with authorizing law.

Grant Termination and Suspension (cont.)

- Proposes to revise 2 C.F.R. § 200.341 to assert that no administrative appeal rights (currently provided under 2 C.F.R. §§ 200.341 and 200.342) for grantees would be required for "discretionary" terminations.
- Proposes to revise § 200.331 to provide agency authority to direct termination of subrecipients who pose reputational risk to the federal agency.
- Proposes to revise § 200.340 to require insertion in discretionary grants of what seems to be a right to a "no cause" suspension of award activities for up to 90 days.
  - Insertion required unless doing so conflicts with federal statute.
  - Similar to the "stop work" clause in federal procurement contracts (e.g., grantees must take reasonable steps to minimize incurrence of costs during the suspension period).
  - But unlike the FAR clause, does not include clear right to compensation for costs of suspension. Instead, the new Section 200.340(e) only provides that the agency "should consider and seek to resolve any budgetary or schedule impacts resulting from the order" and "[c]onsistent with law, and as appropriate and warranted under the circumstances, the Federal agency should consider making adjustments to the project schedule, project budget, or both."

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Summary

The proposed revisions to the Uniform Guidance are substantial. Overall, the proposed updates seem largely designed to:

- Codify administration guidance and revised requirements related to social policy priorities that have been the subject of much attention over the past year;
- Enhance executive agency authority to tailor congressionally authorized programs based on presidential priorities; and
- Enhance executive agency discretion to make funding decisions or terminate funding based upon executive priorities, funded entity foreign relationships, and non-grant-related activities of funded entities that may be perceived as undermining national priorities.

Comments on the proposed rule are likely to be extensive, and the preamble states that OMB intends to issue a final rule by October 1, 2026.

For additional reference, please see Venable LLP's client alert, available here: https://www.venable.com/insights/publications/2026/06/the-administrations-proposed-revisions

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