



OMB PROPOSES NEW GOVERNMENT-WIDE RULES FOR DISCRETIONARY GRANT ADMINISTRATION

By Ron Carlton, Director of Research

KEY POINTS:

- The Office of Management and Budget (OMB) has proposed a far-reaching restructuring of the grant process that touches every agency that makes discretionary funding awards.
- The proposal borrows from Executive Order 14332, *Improving Oversight of Federal Grantmaking*, to prohibit Federal funding awards for activities that run contrary to the President's policy priorities.
- The proposal would modify the types of awards that agencies may issue as well as add new compliance requirements for applicants and Federal grant award recipients.
- It would establish a new "pre-issuance" review process in which each agency's leadership would appoint senior officials to screen all discretionary funding proposals.
- Agencies would have authority to cancel funding awards for their failure to "effectuate program goals, Federal agency priorities, or the national interest."
- Public comments on the proposed rule are due by July 13, 2026.

SMI is a government affairs firm based in Washington, D.C.

On May 29, the White House Office of Management and Budget (OMB) issued a [draft proposal](#) to make government-wide changes to Federal financial assistance programs. OMB states that it is issuing the rule to "improve transparency, accountability, and oversight for how Federal taxpayer dollars are used in the context of Federal grantmaking." This broad proposal incorporates elements of Executive Order 14332, "[Improving Oversight of Federal Grantmaking](#)," including components aimed at preventing Federal funding of activities inconsistent with the President's policy priorities.

The proposed rule pertains to Federal financial assistance, such as discretionary grants, under Title 2 of the Code of Federal Regulations (CFR). It does *not* affect Federal acquisition regulations (FAR) – rules governing procurement – under Title 48 of the CFR.

If implemented as proposed, the new rule would make numerous changes to the discretionary grant award process – from the **types of funding awards** that agencies may offer to the **pre-award** selection process to **post-award** requirements on successful applicants.

Type of award

Fixed amount awards eliminated [§200.201; 200.333]: The proposed rule would eliminate the use of fixed amount awards unless otherwise authorized by statute. Fixed amount awards are a type of grant or cooperative agreement in which the agency or pass-through entity provides a specific amount of funding without regard to actual costs incurred. This change would not affect awards issued prior to the rule's effective date.

Multiyear awards encouraged [§200.202(f)]: The proposed rule encourages agencies to design discretionary grants as multiyear awards when consistent with program objectives. This would allow for award periods of greater than one year rather than require annual re-competition.

Pre-award

Conflict of interest disclosure requirement: [§200.112, 200.113]: The proposed rule would require that a recipient or subrecipient disclose whether *any employee(s) working on the application for a Federal award or is anticipated to work on activities under the award* were employed by the awarding Federal agency during the two years prior to an application's submission. The draft rule emphasizes that such a disclosure would not be an automatic prohibition on participation. Rather, the disclosure is intended to offer grant-making agencies "visibility into situations where prior employment could give rise to questions about impartiality, preferential treatment, or insider knowledge."



Ron Carlton

SMI Director of Research

Contact Ron:

Email: ron@strategicmi.com

Mobile: (202) 297-5306



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Restriction against awards for foreign entities' R&D [§200.202(e)]. The proposed rule adds a new restriction against agencies issuing awards for foreign research and development “except where expressly authorized by statute or....a compelling interest exists...for the United States.”

Mandatory usage of Grants.gov [§200.204]. The proposed rule would require that Federal agencies publicly announce all funding opportunities on Grants.gov. It would also require applicants to apply for grants using Grants.gov unless an exception is authorized.

Statements of Interest encouraged [§200.204]. The proposed rule encourages agencies to solicit a brief Statement of Interest (SOI) from applicants as part of the notice of funding opportunity (NOFO). OMB included this provision for circumstances in which a large volume of applications is expected and/or the proposals are expected to be lengthy. In such cases, agencies would review SOIs to identify a group of applicants to submit full proposals.

Expanded Merit Review of Proposals [§200.205]. The proposed rule would modify current requirements for a merit review process for all discretionary awards to include a new “pre-issuance review.” Senior appointees, selected by their agency’s leadership, would conduct the review by screening proposals for their consistency with the President’s policy priorities, commitment to “Gold Standard Science,” inclusion of benchmark metrics, and other principles.

Expanded Applicant Risk Review [§200.206] The proposed rule would also modify agencies’ risk assessment review policy. It adds new factors for evaluation, including an applicant’s ability to manage and oversee high-dollar awards, publicly available and verifiable information concerning an applicant’s “history of questionable practices” (e.g. plagiarism in studies or papers, discredited or non-replicable studies, failure to comply with prohibitions against unconstitutional discrimination) 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,” and, in the case of institutions of higher education, compliance with foreign gift and disclosure requirements of the *Higher Education Act*.

Post-Award

Prohibition on certain uses of Federal awards [§200.300]. A large section of the proposed rule mirrors elements of Executive Order 14332 aimed at ensuring Federal awards are not used to support “diversity, equity, inclusion, and accessibility” policies, “gender ideology,” or discrimination against faith-based organizations.

Domestic procurement preference [§200.322]. The proposed rule would modify current rules concerning procurement of domestic products. The change directs agencies to include in the terms and conditions of a Federal award a requirement that recipients “maximize the use of goods, products, and materials produced in the United States.” The proposed rule notes that this preference is required “to the greatest extent practicable and consistent with the law” as agencies will be charged with evaluating their legal authority to apply the condition on awards.

Expanded reporting requirements for recipients and pass-through entities [§200.329, §200.332]. The proposed rule would require recipients to confirm in quarterly performance reports that all subawards issued during a reporting period have been reported on SAM.gov – the Federal grant award website. Similarly, pass-through entities would be required to report subawards on SAM.gov no later than the end of the month following the month in which the subaward was issued. Pass-through entities would also be required to ensure that subrecipients follow the award’s terms and conditions and do not engage in activities that “damage the reputation of the pass-through entity... or the Federal government.”

Revised Termination rules [§200.340, §200.341(c)] This provision would grant a Federal agency authority to terminate a funding award based on a determination that it “does not effectuate program goals, Federal agency priorities, or the national interest.” Agencies would send termination notices to award recipients explaining the reason(s) for the cancelation and offering recipients the chance to submit a request for potentially allowable close-out costs.

The proposed rule is open for a public comment period through July 13, 2026. Comments may be submitted electronically at www.regulations.gov in docket OMB-2026-0034.