

Proposed Federal Rule Would Reshape Requirements for Grant Recipients—Including Organizations Serving Kinship Families

By Steven Olender, Child & Family Policy Strategist and Network Subject Matter Expert

On May 29, 2026, the Office of Management and Budget (OMB) published a [proposed rule](#) that, if finalized, would significantly change how federal grant dollars are awarded and managed across the entire federal government. The proposal has received relatively limited public attention outside of legal and policy circles, but its potential implications for organizations serving kinship families are substantial.

Background: Why This Rule Matters to the Kinship Care Field

When the federal government awards a grant—whether to a state agency, a nonprofit, a university, or any other organization—there is a standard set of rules governing how that money must be managed and what requirements the recipient must meet. These rules, often called the “Uniform Guidance,” provide government-wide requirements for many federal grants and cooperative agreements, subject to program-specific statutes and exceptions. They cover things like how funds can be spent, what records must be kept, and the conditions a grantee must meet to remain in good standing.

The proposed rule would revise these foundational rules government-wide. That matters for the kinship care field because the proposal could affect many federal funding streams used by organizations serving kinship families, including most detailed in the [Network’s Federal Funding Primer](#).

What the Rule Would Change

The proposed rule is extensive—more than 100 pages—and covers a wide range of technical topics. The provisions most likely to matter for organizations in the kinship care field include the following.

- **New restrictions on how federal funds may be used.** The proposed rule would prohibit federal grant recipients from using award funds to “fund, promote, encourage, subsidize, or facilitate” activities in several defined categories. These restrictions would apply to activities supported by the federal award, not necessarily to all activities of the organization. The defined categories include:
 - Programs or activities reflecting diversity, equity, and inclusion (DEI) policies or practices “that violate any applicable Federal anti-discrimination laws”
 - Content the rule describes as “gender ideology,” as defined in a [2025 executive order](#), including content that, in the rule’s language, “den[ies] the biological reality of sex or the sex binary in humans”

- The medical or social transition of individuals under age 19 from one sex to another
- **Additional senior-level review for discretionary grant awards.** The proposed rule would require senior political appointees to review and approve discretionary grant awards before they are issued. This would add a required political review step to a process that often also includes career program staff and, for some programs, peer review—though under the proposal, peer review recommendations would remain advisory and could not be treated as binding. Because senior appointees serve at the direction of the administration, this change would more directly connect award decisions to the priorities of the current administration. Under the proposal, grants must "demonstrably advance the President's policy priorities" in order to be approved.
- **Expanded authority to end awards early.** Currently, agencies can terminate grants primarily when a recipient fails to comply with the terms of the award. The proposed rule would expand that authority, allowing agencies to end an award when they determine it "no longer advances program goals, federal agency priorities, or the national interest" even without a compliance violation.
- **Requirements that flow down to subrecipients.** The proposed rule's conditions would not apply only to the primary recipient of a federal award. They would extend to subrecipients—organizations that receive federal pass-through funds from a state agency or another primary grantee. This means that many local nonprofits and service providers that do not receive federal funds directly, but that receive a portion of a larger federal award passed through a state, could still be subject to the new requirements.

How the Administration Explains the Rule

The administration describes the proposed rule as advancing three core goals: improving transparency, accountability, and oversight for how federal taxpayer dollars are used; ensuring that federally funded activities are consistent with applicable law and policy; and ensuring that, in OMB's words, "basic American principles of equality and equal opportunity are upheld throughout all stages of the award-making process."

More broadly, the rule reflects the administration's governing philosophy that federal grant dollars should serve clearly authorized public purposes, that recipients must be held accountable when they fall short, and that political leadership—rather than career staff or independent review panels—should bear responsibility for how federal funding decisions are made.

What This Could Mean for Organizations Serving Kinship Families

Organizations serving kinship families should be aware of several potential implications if the rule is finalized as proposed.

Federally funded activities may require review. Organizations may need to review current and planned federally funded activities if the rule is finalized, particularly for

awards made, renewed, or amended after the effective date. Those whose programs include equity-focused training, culturally responsive practice models, or services for LGBTQ+ youth in foster and kinship care may need to assess whether any components of their work fall within the rule's prohibited categories. The rule's language—particularly the reference to content that "den[ies] the biological reality of sex or the sex binary in humans"—is broad, and its practical scope would likely be clarified through implementation guidance and, potentially, legal proceedings.

Uncertainty around which programs get funded. The shift of approval authority to political appointees, and the requirement that awards advance the President's policy priorities, introduces a new layer of evaluation that many organizations have not previously had to navigate. Funding decisions that have generally been driven by eligibility and application quality would also depend on whether a program is seen as aligned with the administration's priorities, which may be difficult to assess or predict in advance.

Potential changes to continuation of some discretionary awards. For discretionary grants, the proposed rule would clarify federal agencies' authority to terminate or suspend awards when the agency determines the award no longer serves program goals, federal agency priorities, or the national interest, to the extent authorized by law. For organizations providing ongoing services to kinship families, this kind of uncertainty has real implications for program continuity, staffing, and the families they serve.

The proposed rule does not include kinship-specific provisions. Its relevance to kinship-serving organizations would depend on the funding source, award terms, and activities supported by federal funds.

What Happens Next

This is a proposed rule, not a final one. Before it can take effect, it must complete a formal notice-and-comment process, a legal requirement for federal rulemaking that gives the public and affected organizations an opportunity to weigh in.

The comment period closes on July 13, 2026. Anyone—individuals, organizations, state agencies, researchers, advocates—can submit written comments through the federal rulemaking portal. OMB is legally required to review all substantive comments and address them before finalizing the rule. Comments are part of the public record. There is a [comment form](#) at the top of the webpage that contains the proposed rule. Another way to submit a comment is noted [here](#).

OMB has stated its intent to finalize the rule by October 1, 2026, in time for the requirements to apply to federal awards made in Fiscal Year 2027.

The Network will continue to monitor this rulemaking and share updates as the process moves forward.