

Regulation for Federal Financial Assistance Proposed Rule Summary

Executive Summary

On May 29, the Office of Management and Budget (OMB) published a [proposed rule](#) that would make sweeping changes to the current government-wide framework that governs grants, cooperative agreements, and other forms of federal financial assistance across all federal agencies. If finalized, the rule would have broad implications for universities, research institutions, hospitals, nonprofits, state and local governments, and other organizations that receive federal funding. The proposed changes in the rule are two-fold:

1. In **Title 2 of the Code of Federal Regulations (2 CFR), subtitle A**, the OMB proposes to update government-wide, overarching policies and requirements related to the management of Federal awards. Proposed changes expand OMB's authority over federal grant design and oversight, standardize award administration across government, impose new requirements on grantee selection and funding decisions to be aligned with the Administration's priorities, allow for grant cancellation at any time for any reason, and significantly limit the types of costs that are allowable under federal awards.
2. In **2 CFR subtitle B**, Federal agencies also propose changes to their respective regulations to be consistent with the OMB policy requirements in subtitle A.

OMB says the proposal is intended to increase transparency, oversight, and accountability, clarify the legal status and implementation of government-wide grant requirements, and reduce administrative burden on agencies and funding recipients. However, many of the proposed changes implement various executive orders and codify existing practices that raise concerns. It would apply policies across all federal departments and agencies in ways that depart from longstanding federal grantmaking processes designed to support merit-based funding decisions, including in public health, health care, and research. Additionally, OMB proposes changes that would allow itself to be able to update regulations guiding federal funding moving forward without each agency revising its own regulations, a large departure from existing practice.

The proposal is currently open for public comment through July 13 before OMB considers final implementation starting October 1, 2026.

Reading Guide

- This document provides descriptions of OMB's proposed changes and rationale, focusing mainly on Subparts A-E in Part 200 of Title 2 of the Code of Federal Regulations (CFR), subtitle A.
- An "**Overview of Proposed Changes in 2 CFR Subtitle A**" (pages 2-3) includes a high-level summary of OMB's proposed changes. Clicking on each Subpart heading takes you to a more detailed "**Section-by-section Summary of Proposed Changes**" (pages 4-16).
 - Each section includes OMB's rationale for the change. Please note that this is their stated rationale, and we may not agree with their motivations.
- This document does **not** summarize agency-specific changes proposed by every Federal agency in 2 CFR subtitle B, but "**Proposed Changes of Interest in 2 CFR Subtitle B**" (page 16) highlights changes proposed by the Department of Health and Human Services (HHS) when there are substantive policy changes.
- Page numbers indicated in this document correspond to those in the [PDF of the proposed rule](#).

Overview of Proposed Changes in 2 CFR Subtitle A

SUBTITLE A—OMB Guidance for Federal Financial Assistance

Parts 1, 25, 170, 175, 180, 182, and 183 of 2 CFR Subtitle A

Summary: Throughout 2 CFR Subtitle A, OMB proposes revisions to replace the term “guidance” with “regulation” or “policy,” as appropriate. This change would modify the status of OMB’s government-wide financial management policies and requirements in 2 CFR Subtitle A as an OMB regulation, not guidance. All policies and requirements in 2 CFR Subtitle A would carry regulatory effect across the entire government, and agencies must not deviate from the requirements of this part on matters for which discretion is not provided.

Part 200: Subpart A—Acronyms and Definitions

Summary: In Subpart A, OMB proposes to revise or remove the definitions for various terms. Specifically, OMB is changing the definition for compliance supplement, notice of funding opportunity (NOFO), Personally Identifiable Information (PII) and unobligated balance. Additionally, OMB is removing the definitions for fixed amount award and Protected Personally Identifiable Information (Protected PII).

Part 200: Subpart B—General Provisions

Summary: In Subpart B, OMB proposes changes and clarifications to the definition of regulatory conflict, and case-by-case exceptions. OMB also proposes to clarify the responsibility of agencies to implement the changes put forth in this rule, and that any future OMB amendments automatically become effective without each agency having to separately revise its own regulations again. OMB also proposes that all federal award applications and communications must be in English and in terms of US dollars. Lastly, OMB proposes new conflict of interest disclosure requirements and a ten-day transmission standard for mandatory disclosures of credible allegations of fraud or misconduct to the US Attorney’s Office.

OMB says these changes are mostly administrative aimed at increasing transparency, but they could increase administrative burden for applicants. The requirement for all federal announcements, applications, and federal award information to be in English could pose a new barrier for non-Anglophone applicants in the United States. Currently, agencies can use discretion in accepting applications in another language.

Part 200: Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards

Summary: In Subpart C, OMB revises and adds significant new requirements that will affect federal agencies and grant applicants and recipients. Overall, this section of the proposed rule is intended to give political appointees at federal agencies (and OMB) more tools to dictate what notices of funding opportunity (NOFOs) will entail, shift federal grants toward preferred individuals, take grant funding away from grantees at will, restrict the activities of grant recipients, and prevent grantees from engaging in any activities that are not in alignment with the Administration’s priorities, including the prohibition of funding for diversity, equity, and inclusion initiatives, “gender ideology,” or foreign collaboration.

If finalized, these changes will significantly affect science, research and development (R&D) and public health. It will make it more difficult for research institutions who are perceived to be in political opposition to receive grants and make it easier for political appointees to control the activities of grant recipients under the threat of funding loss.

Part 200: Subpart D—Post Federal Award Requirements

Summary: In Subpart D, OMB revises post-award requirements governing financial management, internal controls, payment process, procurement, and program oversight, introducing expanded compliance obligations and strengthening federal agency authority over how grantees administer federal

funds. The proposed rule increases documentation requirements, adds new compliance considerations tied to broader federal policy priorities, and enhances agency discretion in monitoring, payment approval, and enforcement actions. The proposal also incorporates new requirements affecting procurement practices, domestic sourcing preferences, and performance reporting, while reinforcing expectations for accountability throughout the lifecycle of a federal award.

Notably, the changes would expand agency discretion to terminate or suspend federal awards based on evolving policy priorities and “national interest” determinations, allow temporary 90-day suspensions pending termination decisions, eliminate the requirement for federal agencies to provide administrative hearing or appeal rights for discretionary terminations and suspensions, and authorize agency cooperation with third parties pursuing legal remedies against recipients for noncompliance. These changes collectively increase recipients’ exposure to mid-project disruption and financial risk, particularly for large multi-year awards.

Taken together, the changes in this subpart would significantly increase administrative and compliance burdens on recipients and subrecipients by requiring more extensive justification for financial transactions and closer alignment with evolving federal policy directives. The expanded requirements for documentation, monitoring, and reporting could slow program implementation, necessitate additional administrative infrastructure, and provide the legal basis for abrupt grant cancelation at any time for any reason. It would also provide federal agencies with greater visibility into, and control over, recipient activities during award implementation, which would reduce recipient flexibility and autonomy in carrying out federally funded activities.

Part 200: Subpart E—Cost Principles

Summary: Subpart E establishes cost principles that determine whether costs charged to federal awards are allowable, reasonable, and allocable. This section of the proposed rule proposes significant changes to the types of costs that are allowable under federal awards. Notable changes include eliminating costs for conference attendance, publishing fees (including page charges, article processing charges, or fees such as open access fees), membership dues, subscriptions, and voter registration activities. Some categories allow for exceptions with agency preapproval if they deem it necessary to meet the requirement of the award or if required by statute, while others do not. These exceptions are clarified in the section-by-section summary of this document.

If finalized, the changes in this proposal will have significant ramifications for the scientific, research, and public health enterprises. For example, disallowing costs for publishing and conference attendance will make it more difficult for researchers to disseminate their findings to peers in their field or the general public. Additionally, organizations that rely on conference attendance or journal publishing fees will see reduced revenue.

Part 200: Subpart F—Audit Requirements

Summary: This section makes modifications to the audit process. Changes include limiting agencies’ ability to require additional audits, reconsideration of the frequency in which agencies must provide OMB with its compliance supplement, and removing reference to non-executive branch developed standards for internal controls.

Section-by-Section Summary of Proposed Changes

Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Subpart A—Acronyms and Definitions

Section	Changes
<p>Section 200.1— Definitions (p. 194)</p>	<p>Proposed Changes: Amends the definition of compliance supplement by deleting the words “annually updated.” The removal of the word “paper” from the definition of notice of funding opportunity (NOFO) is proposed. The definition of unobligated balance is proposed to include the definition of “obligated”. The definition of PII is proposed to be shortened to exclude information on examples of PII and that PII must be identified as on a case-by-case basis, as well as information on how non-PII can become PII. OMB proposes to remove the definitions for Protected PII and fixed amount award (awards in which a price is agreed to in advance for a specific scope of work that is payable based on performance and deliverables rather than the actual costs incurred during the conduct of the work).</p> <p>Stated Rationale: OMB proposes the deletion of the words “annually updated” from the definition of compliance supplement because OMB is currently reevaluating the appropriate frequency for issuing the compliance supplement. The proposal to remove the word “paper” from the definition of NOFO ensures that all NOFOs are issued electronically. OMB stated that they are proposing removing the definition of Protected PII because it is not consistent with other OMB guidance that do not distinguish between Protected PII and PII.</p>

Subpart B—General Provisions

Section	Changes
<p>Section 200.101— Applicability (p. 196)</p>	<p>Proposed Changes: Removes the reference to fixed amount award and specifies that only specific subparts are applicable to non-federal entities that are awarded a cost-reimbursement contract under the Federal Acquisition Regulation (FAR). OMB also proposes to address statutory and regulatory conflicts in separate paragraphs and to recommend that federal agencies clarify which provisions govern in funding opportunities and federal award documents.</p> <p>Rationale: OMB proposes removing references to fixed amount awards to remain consistent with other proposed changes that eliminate the use of both fixed amount awards and subawards as an attempt to increase transparency and effective oversight. Also, specifying provisions that govern regulatory conflict increases uniformity and transparency so that recipients and auditors should not have to speculate which provisions govern regulatory conflict for specific federal programs or awards.</p>
<p>Section 200.102— Exceptions (p. 198)</p>	<p>Proposed Changes: Removes any reference to fixed amount awards. Additionally, OMB proposes revising the authority for case-by-case exceptions for federal award recipients so that agencies may allow exceptions to requirements for the case-by-case exceptions, unless prohibited by law or requiring other approval. Only the cognizant agency</p>

	<p>for indirect costs may authorize exceptions related to cost allocation plans or indirect cost rate proposals.</p> <p>Stated Rationale: OMB wants to highlight examples of sections in which other approval by OMB is expressly required for authority over case-by-case exceptions made by federal agencies.</p>
<p><u>Section 200.106</u>— Agency Implementation and Responsibilities (p.198)</p>	<p>Proposed Changes: Adds a new paragraph on agency responsibilities stating that federal agencies must implement the changes in this rule unless different provisions are required by federal statute or approved by OMB.</p> <p>Stated Rationale: OMB wants to clarify the responsibilities of federal agencies under the other parts of OMB’s grants administration policies. Specifically, OMB wants to ensure that federal agencies know they are responsible for adhering to Part 200 and other existing parts in subtitle A.</p>
<p><u>Section 200.110</u>— Effective Date (p. 199)</p>	<p>Proposed Changes: Changes proposed in the rule become effective once they are implemented by federal agencies or when any future amendment to this part (2 CFR, Subtitle A, Part 200) becomes final. Federal agencies are allowed to amend their regulations in subtitle B to make agency-specific additions, clarifications, or exceptions to the Government-wide policies and procedures in this part, only if it is required in federal statute, or otherwise approved by OMB.</p> <p>Stated Rationale: OMB wants to establish a “one-time adoption” model so that implementation of the OMB regulations in this part by agencies is not delayed. Future OMB amendments automatically become effective without each agency having to separately revise its own regulations again.</p>
<p><u>Section 200.111</u>— English Language (p. 199)</p>	<p>Proposed Changes: Requires all federal announcements, applications, and federal award information must be in English and in terms of U.S. dollars.</p> <p>Stated Rationale: This revision is intended to highlight the importance of recipients being able to understand the requirements and program information to effectively meet program objectives and communicate with federal officials about program and financial assistance matters.</p>
<p><u>Section 200.112</u>— Conflict of Interest (p. 199)</p>	<p>Proposed Changes: Recipients/subrecipients must disclose whether personnel working on the application or award were employed by the awarding agency within the prior 2 years. This change only requires recipients and subrecipients to disclose their conflicts of interest for informational purposes and does not include additional approval or review.</p> <p>Stated Rationale: These changes are intended to increase transparency. OMB states that stating conflicts of interest does not automatically bar the recipient from participating in the federal award but allows the agency to have visibility into potential situations of conflicts of interest that may occur from employment relationships between agency staff and the recipient.</p>
<p><u>Section 200.113</u>— Mandatory Disclosures (p. 200)</p>	<p>Proposed Changes: Reports of any evidence of a violation of federal criminal law, including fraud, conflict of interest, bribery, or gratuity violations, or matters related to recipient integrity and performance must be transmitted to the US Attorney’s Office for the District of Columbia within ten days of receipt. Failure to make required disclosures can result in administrative action.</p>

	<p>Stated Rationale: OMB proposes to implement the ten-day transmission standard to strengthen enforcement and accountability by ensuring credible allegations of fraud or misconduct are promptly handled with as little delay as possible to reduce risk of the misconduct continuing.</p>
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Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards

Section	Changes
<p>Section 200.201—Use of Grants, Cooperative Agreements, and Contracts (p. 200)</p>	<p>Proposed Changes: Eliminates the use of fixed amount awards unless otherwise authorized by Federal statute and proposes to relocate the definition of “fixed amount awards” to this section. This proposed change is not intended to impact any existing fixed amount awards or subawards issued prior to the effective date of the proposed rule.</p> <p>Stated Rationale: Because under fixed amount awards there is no expected routine monitoring of costs incurred by the recipient/subrecipient, and no financial reporting is required, the change ensures that Federal agencies exercise an appropriate level of oversight on how tax dollars are spent under all types of awards.</p>
<p>Section 200.202 – Program planning and design (p. 201)</p>	<p>Proposed changes: Requires federal agencies to develop federal programs before NOFOs are issued, in consultation with communities that benefit, with clear goals that achieve results consistent with authorization and align with administration policies and priorities. Federal R&D funds should go to domestic – not international – recipients except under limited specific circumstances and should clarify types of nonprofit organizations eligible. OMB also encourages agencies to use multi-year (rather than single-year) awards. This is similar to how the multi-year funding model has been implemented at NIH.</p> <p>Stated Rationale: The administration’s proposal is intended to ensure funds are used consistent with authorizations and do not go to recipients or projects that are outside the administration’s policies and priorities. Encouraging the use of multi-year funding reduces unnecessary administrative burden on both agencies and recipients and provides greater funding stability.</p>
<p>Section 200.204 – Notices of funding opportunities (NOFOs) (p. 204)</p>	<p>Proposed changes: Requires NOFOs to be posted in plain language on Grants.gov with certain mandatory information displayed (included in Appendix I), requiring applicants to apply via Grants.gov, and expanding pool of potential recipients, shifting focus from underserved populations to broader participation. Agency head can waive public posting for national security or national interest reasons. Agencies are encouraged to request a Statement of Interest (SOI) to winnow down applications in advance of full proposals. OMB may analyze recipients and require agency reports on who received awards</p> <p>Stated Rationale: The administration is attempting to allow more potential grant recipients eligible and able to apply by making NOFOs more accessible and identifying potential applicants that have not previously received federal funding.</p>
<p>Appendix I to Part 200—Full Text of Notice of Funding Opportunity (p.262)</p>	<p>Proposed Changes: Agencies are currently required to include the information in Appendix I for every NOFO. Changes in Appendix I include informing applicants to submit proposals via <i>Grants.gov</i> and providing instructions for doing so, unless a program-specific exception is expressly</p>

	<p>authorized by Federal statute or approved by the Federal agency head (or designee). OMB also proposes to add references to SOIs.</p> <p>Stated Rationale: These revisions are intended to streamline NOFOs across the government. Encouraging SOIs would reduce burden on applicants who would otherwise prepare lengthy, resource-intensive proposals with little chance of being selected for funding in some cases. The proposed revision would also improve efficiency by focusing agency review on the most competitive applicants.</p>
<p>Section 200.205 – Federal agency merit review of proposals (p. 207)</p>	<p>Proposed changes: Requires a merit review process to determine if applicants are capable of meeting program objectives and delivering results. Senior political appointees (or their designees) must conduct pre-issuance review to determine that awards advance the President’s policy priorities and do not advance racial preferences (DEI), illegal immigration, or denial that sex (i.e. gender) is binary and immutable, or otherwise “compromise public safety or promote anti-American values.” Awards should be given to a broad range of recipients, with preference on low indirect costs, with commitment to “Gold Standard Science” (which is not defined). Institutional prestige should be deprioritized.</p> <p>Stated Rationale: The proposal intends to ensure agencies do not award any grants to recipients in which federal funding could be characterized as supporting anything tangentially related to immigrants, DEI, or transgenderism, and tries to get federal funding away from prestigious research institutions and to other applicants without the same reputation.</p>
<p>Section 200.206 – Federal agency review of risk posed by applicants (p. 210)</p>	<p>Proposed changes: Requires agencies to assess additional factors when evaluating applicant risk, including whether awarding a grant to a recipient entails financial or reputational risk, risk of nonperformance or inability to meet requirements, or risk of engaging in questionable practices like plagiarism, reliance on discredited research, or nonadherence to civil rights or religious liberty, or affiliated 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.</p> <p>Stated Rationale: The administration wants federal agencies to take steps to make it less likely that grant funding does not achieve results or that the administration would be embarrassed by the recipients’ practices and affiliations.</p>
<p>Appendix II to Part 200—Contract Provisions for Non-Federal Entity Contracts Under Federal Awards (p.265)</p>	<p>Proposed Changes: Removes references to Executive Order (EO) 11246, which historically required federal contractors to maintain affirmative action programs and prohibited employment discrimination based on race, color, religion, sex, sexual orientation, gender identity, or national origin.</p> <p>Stated Rationale: The rescission of EO 11246 was enacted via EO 14173 (titled "Ending Illegal Discrimination and Restoring Merit-Based Opportunity"), signed on January 21, 2025.</p>
<p>Section 200.207 – Standard application requirements (p.212)</p>	<p>Proposed changes: Requires federal agencies to reduce administrative and regulatory burden and update OMB on relaxed requirements.</p> <p>Stated Rationale: The administration wants to make it easier for potential applicants to navigate the application process and become eligible to apply for federal funding.</p>
<p>Section 200.208 – Specific conditions (p.212)</p>	<p>Proposed changes: Allows federal agencies to add or adjust specific conditions to a federal award based on recipients’ history of rules compliance, ability to meet goals, or financial capacity. Conditions could include allowing agencies to pay as reimbursements rather than up-front,</p>

	<p>withholding future funding pending evidence of performance, detailed financial reports including subcontractors and vendors, project monitoring, requiring technical or management assistance, or prior approvals. Federal agencies must provide notice to recipients of nature of conditions, rationale, how to remove the condition, or time required to do so.</p> <p>Stated Rationale: OMB proposes allowing federal agencies to impose strict requirements on grant recipients that are not contained within statute/authorization. Although intended to ensure accountability, this could lead to agencies implementing maze of requirements that are difficult or impossible to meet.</p>
<p>Section 200.211: Information contained in a Federal award (p.215)</p>	<p>Proposed changes: Federal agencies must explicitly inform recipients of termination rules and must preserve a minimum set of termination authorities in every award (See provisions set forth later in Section 200.340(a)1 which gives agencies authority to terminate awards at their discretion).</p> <p>Stated Rationale: OMB wants agencies to have freedom to cancel grants at any time for any reason and wants applicants to be aware of that capability.</p>
<p>Section 200.216: Prohibition of certain equipment, services, and systems (p.216)</p>	<p>Proposed changes: Expands the definition of telecommunications and video surveillance to include drones. This would prohibit agencies from awarding grants to be used to purchase drones prohibited by statute.</p> <p>Stated Rationale: The provision is intended to bring awarding of federal grants into compliance with existing restrictions on purchasing of certain unmanned aircraft systems.</p>
<p>Section 200.218: Prohibition of using Federal awards to promote or support theories of disparate-impact liability (p.220)</p>	<p>Proposed changes: A new provision related to E.O.14281 “Restoring Equality of Opportunity and Meritocracy”, which prohibits use of grants to promote or support theories that impose disparate-impact liability based on race, sex, or age. The provision includes a definition of disparate-impact liability in which a neutral policy or practice gives rise to automatic or near-insurmountable presumption of the existence of unlawful discrimination on the basis of race, sex, or age.</p> <p>Stated Rationale: The provision is intended to prohibit the awarding of any federal grants from being used to advance or support the idea that historic discrimination by race, gender, or age can be assumed to have ongoing effects today.</p>
<p>Section 200.219: Prohibition of Discriminatory Event Services (p.222)</p>	<p>Proposed changes: Affirms that public award recipients (like colleges and universities) must not discriminate on the basis of viewpoint, content, or subject matter of speech or on political views in providing services (space rental, security, etc) for events or meetings. It also applies these requirements to non-public entities to the extent that the activities fall under the scope of the award recipients’ grant authorization.</p> <p>Stated Rationale: The provision is intended to prevent grants from being awarded to recipients who discriminate against disfavored groups in their local affiliations and connections. For example, it would prohibit colleges and universities from charging additional fees to provide security for conservative speakers.</p>
<p>Section 200.220: Prohibition of Using Federal Funds for Covered Foreign Collaborations (p.223)</p>	<p>Proposed changes: Codifies the prohibition of using federal funds to collaborate on any program with China or a Chinese-owned company, absent specific statutory authorization. This includes bilateral or multilateral engagements with any foreign adversary, country of particular concern, or a country subject to sanctions.</p>

	<p>Stated Rationale: The provision codifies and expands the “Wolf Amendment,” enacted as a rider in Defense Appropriations since 2011. It is intended to prohibit grant recipients from using federal funds to engage in any collaboration, agreement, program or activity with any foreign country or foreign entity determined by the President to be of concern.</p>
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Subpart D—Post Federal Award Requirements

Section	Changes
<p>Section 200.300— Statutory and National Policy Requirements (p.224)</p>	<p>Proposed Changes: Expands the scope of requirements applicable to federal financial assistance by incorporating new prohibitions and conditions derived from recent executive orders. These additions include restrictions on the use of federal funds for certain DEI- and gender-related activities; limitations on collaborations with certain foreign entities and countries; and requirements related to viewpoint neutrality in certain federally supported contexts.</p> <p>Stated Rationale: The proposed revisions would align federal financial assistance with current national policy priorities and executive directives by embedding these requirements directly into OMB’s regulation to ensure consistent implementation across agencies and recipients.</p>
<p>Section 200.303— Internal Controls (p.225)</p>	<p>Proposed Changes: Revises internal control requirements by removing explicit references to specific external control frameworks and adding new compliance-related requirements, including expanded obligations tied to employment eligibility verification and other federal policy mandates affecting award administration.</p> <p>Stated Rationale: The proposed changes would provide federal agencies greater flexibility in defining acceptable internal control systems while simultaneously expanding the scope of compliance expectations placed on recipients. By shifting away from prescribed frameworks and toward broader, policy-driven requirements, the proposal would reinforce accountability and ensure that internal control systems address evolving federal priorities.</p>
<p>Section 200.305— Federal Payment (p.227)</p>	<p>Proposed Changes: Requires recipients and subrecipients to provide justification for payment requests, including brief explanations supporting the need for fund drawdowns from federal payment systems.</p> <p>Stated Rationale: This proposed revision would increase financial oversight at the point of payment by requiring recipients to document the basis for accessing federal funds, reducing the risk of improper payments and strengthen fiscal accountability across federal financial assistance programs.</p>
<p>Section 200.306— Cost Sharing (p.228)</p>	<p>Proposed Changes: Adds clarifications and potential limitations on cost sharing requirements, emphasizing that such contributions must be verifiable, necessary, and consistent with federal cost principles, while reinforcing agency discretion in determining when cost sharing is appropriate.</p> <p>Stated Rationale: The proposed changes would promote consistency and transparency in how cost sharing is applied and evaluated across federal awards, reduce ambiguity, and ensure that cost sharing contributions are properly documented and aligned with program objectives.</p>

<p><u>Section 200.318</u>— General Procurement Standards (p.233)</p>	<p>Proposed Changes: Increases documentation requirements for procurement, reinforces oversight expectations, and integrates additional compliance considerations tied to broader federal policy objectives.</p> <p>Stated Rationale: These revisions would enhance accountability in procurement practices by requiring recipients to more thoroughly document purchasing decisions and demonstrate compliance with federal requirements. This reflects a broader effort to ensure that procurement activities under federal awards are transparent, well-justified, and aligned with applicable policies.</p>
<p><u>Section 200.320</u>— Procurement Methods (p.233)</p>	<p>Proposed Changes: Maintains existing procurement methods while strengthening requirements for price and cost justification across all methods, including micro-purchases, and reinforcing expectations for documenting price reasonableness.</p> <p>Stated Rationale: The proposed revisions would standardize expectations for cost analysis across procurement methods and reduce the risk of inconsistent purchasing practices. By requiring more robust justification for pricing decisions, the proposal would promote responsible stewardship of federal funds and improve audit readiness.</p>
<p><u>Section 200.321</u>— Contracting With Small Businesses (p.234)</p>	<p>Proposed Changes: Expands affirmative steps that recipients must take to ensure equitable access to contracting opportunities, including explicitly recognizing additional categories of businesses, such as veteran-owned entities, within procurement considerations.</p> <p>Stated Rationale: The proposed changes would broaden participation in federally funded contracting by reinforcing inclusive procurement practices to support economic opportunity objectives while maintaining competition and fairness in procurement processes.</p>
<p><u>Section 200.322</u>— Domestic Preferences for Procurements (p.234)</p>	<p>Proposed Changes: Strengthens domestic sourcing preferences by reinforcing requirements that recipients prioritize the use of U.S.-produced goods, products, and materials in procurements supported by federal funds.</p> <p>Stated Rationale: The proposed revisions would advance national economic and security priorities by promoting domestic production and reducing reliance on foreign sources.</p>
<p><u>Section 200.323</u>— Procurement of Recovered Materials (p.234)</p>	<p>Proposed Changes: Makes minor clarifications to existing requirements regarding the procurement of recovered materials, reinforcing the obligation to comply with environmental and sustainability standards where applicable.</p> <p>Stated Rationale: The proposed changes would maintain continuity with existing environmental policy requirements while clarifying expectations for recipients. By reinforcing these obligations, the proposal would support federal sustainability goals without imposing significant new compliance burdens.</p>
<p><u>Section 200.324</u>— Contract and Cost Price (p.235)</p>	<p>Proposed Changes: Strengthens requirements related to cost and price analysis by emphasizing the need for documented justification for contract pricing, particularly in noncompetitive procurements.</p> <p>Stated Rationale: This revision would enhance transparency and accountability in contracting by ensuring that recipients consistently evaluate and document the reasonableness of contract costs. Strengthened cost and price analysis requirements would reduce the risk of overpayment and improve financial oversight.</p>

<p>Section 200.329— Monitoring and Reporting Program Performance (p.235)</p>	<p>Proposed Changes: Expands expectations for performance monitoring and reporting, including more detailed documentation of program outcomes and stronger alignment between reported performance and agency priorities.</p> <p>Stated Rationale: The proposed changes would shift greater emphasis toward outcomes-based oversight by requiring recipients to more clearly demonstrate the effectiveness of federally funded activities. By strengthening performance monitoring requirements, the proposal would improve transparency and enable agencies to better assess whether awards are achieving intended results.</p>
<p>Section 200.331— Subrecipient and Contractor Determinations (p.237)</p>	<p>Proposed Changes: Clarifies that payments from a pass-through entity to an affiliate, subsidiary, or other related entity cannot be treated as internal transfers that are exempt from federal financial assistance requirements. Instead, pass-through entities would be required to evaluate such arrangements and classify them as either subawards or contracts.</p> <p>Stated Rationale: The proposed changes would reinforce the applicability of federal oversight requirements on affiliates and subsidiaries and clarify that related entity status does not exempt an arrangement from subrecipient monitoring or contract management obligations.</p>
<p>Section 200.332— Requirements for Pass-Through Entities (p.238)</p>	<p>Proposed Changes: Revises the requirements applicable to pass-through entities by imposing a new obligation to ensure that subrecipients do not engage in actions that could significantly harm the reputation of the pass-through entity, the awarding federal agency, or the federal Government. The proposal would also require pass-through entities to consult with the awarding federal agency if such conduct occurs to determine whether termination of the subaward or other award action is warranted.</p> <p>Stated Rationale: This proposed revision would strengthen oversight and accountability within the federal financial assistance framework by emphasizing the reputational risks associated with subrecipient conduct.</p>
<p>Section 200.333— Fixed Amount Subawards (p.239)</p>	<p>Proposed Changes: Eliminates the use of fixed amount subawards. The proposed rule would remove existing authority that allows fixed amount subawards, requiring pass-through entities to use other available subaward structures for the distribution of federal funds.</p> <p>Stated Rationale: Consistent with other sections, the proposed revision would discontinue a subaward mechanism that OMB has identified as being implemented inconsistently across federal programs. According to the proposal, fixed amount subawards provide less transparency and oversight than other award types.</p>
<p>Section 200.336— Methods for Collection, Transmission, and Storage of Information (p.239)</p>	<p>Proposed Changes: Adds a statement encouraging recipients and subrecipients to use domestic storage capabilities for electronic records. The revision would not impose a requirement but would add an express statement favoring domestic storage as a preferred practice for maintaining Federal award information.</p> <p>Stated Rationale: The proposed changes seek to enhance the security, accessibility, and integrity of Federal award records by promoting storage within U.S. jurisdiction and reducing potential exposure to foreign data risks.</p>
<p>Section 200.338— Restrictions on Public</p>	<p>Proposed Changes: Confidential business information is included among the categories of information that recipients and subrecipients may protect from public disclosure. The revision would make explicit that Federal</p>

<p>Access to Records (p.240)</p>	<p>agencies may not restrict recipients or subrecipients from limiting public access to such information.</p> <p>Stated Rationale: The proposed clarification would align the regulation with existing protections for confidential business information and make the treatment of such information more explicit.</p>
<p><u>Section 200.339</u>— Remedies for Noncompliance (p.240)</p>	<p>Proposed Changes: Allows federal agencies, where applicable and consistent with law, to cooperate with individuals or organizations pursuing private causes of action or other remedies based on a recipient’s or subrecipient’s alleged failure to comply with applicable laws, regulations, or award terms and conditions. The proposal also clarifies that the provision would not create any new substantive or procedural rights, benefits, or causes of action enforceable against the United States, its agencies, officials, employees, agents, or any other person.</p> <p>Stated Rationale: The proposed revisions would expressly recognize the ability of federal agencies to cooperate with private parties pursuing independent legal or administrative remedies related to alleged noncompliance by recipients or subrecipients. At the same time, the proposal clarifies that this authority is procedural in nature and does not create new rights or legal claims. The revision would therefore establish a framework under which agencies may, at their discretion and consistent with applicable law, provide support or cooperation in connection with external efforts to address alleged violations of award requirements.</p>
<p><u>Section 200.340</u>— Termination and Suspension (p.242)</p>	<p>Proposed Changes: Authorizes federal agencies to terminate awards when they no longer advance program goals, agency priorities, or the national interest as those considerations exist at the time of termination. It would also require all federal awards, unless prohibited by statute, to include a temporary suspension provision authorizing stop-work orders. While some awards already contain these provisions, the proposed rule would make them standard terms across federal financial assistance programs.</p> <p>Stated Rationale: The proposed revisions would expand and standardize federal agencies’ authority to suspend or terminate awards, consistent with section 5(a) of Executive Order 14332 of Aug. 7, 2025, “Improving Oversight of Federal Grantmaking.” By establishing government-wide requirements for discretionary termination and temporary suspension provisions, the proposal would create a more uniform framework for pausing or ending funded activities when agencies determine that they are no longer warranted under applicable program objectives, priorities, or other considerations identified in the rule.</p>
<p><u>Section 200.341</u>— Notification of Termination Requirement (p.247)</p>	<p>Proposed Changes: Revises so that for discretionary terminations, agencies would only be required to provide written notice with a brief summary of the reason for the termination, instructions regarding cessation of work and obligations, and an opportunity for recipients or subrecipients to submit information concerning relevant termination costs.</p> <p>Stated Rationale: Requiring agencies to identify the basis for discretionary terminations and communicate post-termination requirements, the proposal would help recipients understand the reason for termination while strengthening administrative review of termination decisions.</p>
<p><u>Section 200.342</u>— Opportunities To Object, Hearings, and Appeals (p.250)</p>	<p>Proposed Changes: Eliminates the requirement for federal agencies to provide administrative hearing or appeal rights for discretionary terminations and suspensions carried out under the proposed changes to § 200.340. Although current regulations provide recipients with opportunities</p>

	<p>to object to remedial actions based on noncompliance, the proposal would expressly state that those procedural protections do not apply to discretionary termination or suspension decisions that are not based on recipient noncompliance.</p> <p>Stated Rationale: The proposed revision would distinguish between actions taken in response to recipient noncompliance and discretionary actions taken under the expanded termination and suspension authorities in § 200.340. By clarifying that existing hearing and appeal provisions apply only to noncompliance-based remedies, the proposal would establish a separate procedural framework for discretionary terminations where recipients would not be provided with opportunities to challenge agency actions.</p>
<p>Section 200.343— Effects of Suspension and Termination (p.250)</p>	<p>Proposed Changes: Clarifies the allowability of costs during suspension and after termination. Recipients and subrecipients would be required to make reasonable efforts to discontinue, cancel, or mitigate obligations incurred before the effective date and to document those efforts upon request. The proposal includes a new provision addressing costs associated with discretionary terminations, clarifying that agencies may allow such costs in their discretion and consistent with law.</p> <p>Stated Rationale: The proposed changes would not require federal agencies to authorize additional costs incurred after termination but would have discretion to allow the Federal share of necessary and reasonable costs arising from financial obligations incurred after termination. Agencies would be permitted to weigh payment of such costs against competing considerations, including responsible stewardship of Federal funds, program goals, agency priorities, and the national interest.</p>

Subpart E—Cost Principles

Section	Changes
<p>Section 200.400— Policy Guide (p. 251)</p>	<p>Proposed Changes: Removes references to fixed awards. The narrative also states that they clarify that restrictions related to choosing between direct and indirect costs and administrative salaries must be considered where wide various exist in the treatment of costs. However, this does not appear in the textual modifications.</p> <p>Stated Rationale: None given</p>
<p>Section 200.401— Application (p.252)</p>	<p>Proposed Changes: Narrows the type of nonprofits exempt from federal cost principles to only those receiving 90 percent or more of their federal funding in the form of contracts or operate a Federally Funded Research and Development Center. It also removes references to fixed amounts.</p> <p>Stated Rationale: Narrowly defining the exempt nonprofits creates consistency. OMB also proposes to remove the Appendix VIII, which lists exempted organizations (see next row).</p>
<p>Appendix VIII to Part 200—Nonprofit Organizations Exempted From Subpart E of Part 200 (p.266)</p>	<p>Proposed Changes: Entirely removes appendix VIII, a list of nonprofit organizations exempt from federal cost principles. Consistent with the revisions in § 200.401, exempted nonprofit organizations will be narrowed down to only those that receive 90 percent or more of their Federal funding in the form of contracts or operate a Federally Funded Research and Development Center. For all other nonprofit organizations, the cost principles in subpart E will apply.</p>

	<p>Stated Rationale: This proposed revision promotes consistency across agencies by ensuring more uniform treatment of nonprofit organizations. In addition, the revision improves oversight and enhances transparency by applying a clear, objective standard, and preventing agencies from unilaterally granting broad exemptions.</p>
<p>Section 200.421— Advertising and Public Relations (p. 253)</p>	<p>Proposed Changes: Specifies that all advertising and public relations costs are unallowable. The only exceptions are for those required by statute, for the procurement of goods and services for the award, the disposal of scrap and surplus materials, or program outreach (such as recruiting participants).</p> <p>Stated Rationale: Advertising and PR costs that do not benefit the award are not allowable.</p>
<p>Section 200.429— Commencement and Convocation Costs (p. 254)</p>	<p>Proposed Changes: Removes the phrase “institutes of higher education (IHE)” from this section that disallows commencement and convocation costs.</p> <p>Stated Rationale: OMB expands this to ensure the cost principles are streamlined across all entities, not just IHEs</p>
<p>Section 200.432— Conferences (p. 255)</p>	<p>Proposed Changes: Adds a requirement that costs for attending conferences are only allowable if expressly approved by the agency and included in the terms and conditions of the award.</p> <p>Stated Rationale: This revision is to clarify that recipients cannot attend conferences using federal funds that do not serve to advance program outcomes.</p>
<p>Section 200.438— Entertainment and Prizes (p. 255)</p>	<p>Proposed Changes: Removes language that makes costs for entertainment—including amusement, diversion, social activities, and related expenses such as gifts—generally unallowable.</p> <p>Stated Rationale: This language references an outdated OMB memorandum.</p>
<p>Section 200.442— Fundraising and Investment Management Costs (p. 255)</p>	<p>Proposed Changes: Makes costs for fundraising and investment activities only allowable with prior written approval of the agency.</p> <p>Stated Rationale: None given</p>
<p>Section 200.444— General Costs of Government (p. 255)</p>	<p>Proposed Changes: Defines unallowable “general costs of government as “costs related to the general activities of the executive, legislative, or judicial branches of government, including general activities related to public safety, public information, citizenship, enrollment, or taxation that are not related to a specific Federal award.”</p> <p>Stated Rationale: None given</p>
<p>Section 200.450— Lobbying (p. 256)</p>	<p>Proposed Changes: Adds language to expressly prohibit funding voter registration activities, engaging in issue advocacy unrelated to the statutory objectives or performance requirements of the award, and to influence the executive branch of any state government.</p> <p>Stated Rationale: None given</p>
<p>Section 200.454— Memberships, Subscriptions, and Professional Activity Costs (p. 257)</p>	<p>Proposed Changes: Requires preapproval of use of funds for membership in professional, civic, business, or technical organizations and states they must be necessary to fulfill the award requirements. It also makes unallowable the costs of subscriptions to business, professional, academic, and technical periodicals.</p>

	Stated Rationale: None given
Section 200.455— Organization Costs (p. 258)	<p>Proposed Changes: Adds language to state that data costs related to integrated data system should align with the finalized federal grants data standards as published on Grants.gov.</p> <p>Stated Rationale: To implement the GREAT Act, which streamlines federal grant reporting by replacing outdated documents with open data, increases transparency from grantmaking agencies, and reduces compliance costs.</p>
Section 200.461— Publication and Printing Costs (p. 258)	<p>Proposed Changes: Publications costs (including page charges, article processing charges, or fees such as open access fees) are now unallowable with an exception when required by statute or if approved in advance by the agency and if it meets defined requirements. In determining whether it is required by statute, general requirements to make results publicly available are not sufficient to meet the exception. OMB also removes the word “promotion” to prevent it from serving as a basis to allow for advertising and public relations costs (covered in § 200.42).</p> <p>Stated Rationale: It reflects OMB’s objective to strengthen stewardship of federal funds. OMB states publication does not further programmatic objectives of most awards and serve the interests of individuals and institutions more than the objectives of the federal program.</p>
Section 200.467— Selling and Marketing Costs (p. 259)	<p>Proposed Changes: Costs of selling and marketing any products or services of the recipient or subrecipient are made unallowable unless they are expressly included in the Federal award and necessary to meet the requirements of the Federal award.</p> <p>Stated Rationale: None given</p>
Section 200.477— Abortion (p. 260)	<p>Proposed Changes: Adds a new section to make costs associated with elective abortions unallowable, except as expressly authorized by federal law.</p> <p>Stated Rationale: None given</p>

Subpart F—Audit Requirements

Section	Changes
Section 200.503— Relation to Other Audit Requirements (p. 260)	<p>Proposed Changes: Modifies this section to state that federal agencies, inspectors general, and GAO may only arrange additional audits if required by statute. Non-federal agencies cannot constrain federal agencies from carrying out additional audits, except the agency must plan it to not be duplicative of other audits.</p> <p>Stated Rationale: Intended to reduce audit burden by requiring a statutory foundation and prevent them from layering on additional audits.</p>
Section 200.513— Responsibilities (p. 262)	<p>Proposed Changes: Removes the annual requirement for agencies to provide OMB with its compliance supplement.</p> <p>Stated Rationale: OMB is still analyzing the single audit process and reevaluating the appropriate frequency. They plan to engage stakeholders before substantial change.</p>
Section 200.514— Standards and Scope of Audit (p. 262)	<p>Proposed Changes: Modifies the guidance on internal controls by deleting references to the Standards for Internal Control (issued by the Comptroller General) and the Internal Control-Integrated Framework, [issued by the</p>

	<p>Committee of Sponsoring Organizations of the Treadway Commission (COSO)].</p> <p>Stated Rationale: The Comptroller General is part of the legislative branch, and COSO is a private-sector entity.</p>
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Proposed Changes of Interest in 2 CFR Subtitle B

SUBTITLE B—FEDERAL AGENCY REGULATIONS FOR GRANTS AND AGREEMENTS
CHAPTER III—DEPARTMENT OF HEALTH AND HUMAN SERVICES

PART 300—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND
AUDIT REQUIREMENTS FOR FEDERAL AWARDS

Section	Changes
<p>Section 300.106— Adoption of 2 CFR part 200 (p.266)</p>	<p>Proposed Changes: Replaces “guidance” with “regulation.”</p> <p>Stated Rationale: Changes in this part gives regulatory effect to the OMB regulation for Federal awards issued by the Department of Health and Human Services.</p>
<p>Section 300.300— Statutory and national policy requirements (p.266)</p>	<p>Proposed Changes: Removes in its entirety Section 300.300, a HHS-specific grants regulation that sets the civil rights, constitutional, and religious liberty requirements that apply to federal financial assistance administered by HHS. This would eliminate HHS’s current regulatory framework for applying nondiscrimination requirements to HHS funding across HHS-funded programs.</p> <p>Stated Rationale: The proposed revision to § 200.300 clarifies that conscience and religious liberty are protected under multiple statutes and the Federal Government will enforce such statutes as applicable. § 200.300(a), as proposed, contains revised language similar to § 300.300(d). Such non-discrimination language would encompass requirements not to discriminate on various bases, including race, color, national origin, disability, sex, religion or conscience, in managing and administering Federal awards.</p>
<p>Section 300.414— Indirect costs (p.267)</p>	<p>Proposed changes: Removes a provision that allowed negotiated indirect costs to be paid to the American University, Beirut, and the World Health Organization.</p> <p>Stated Rationale: None given.</p>