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OMB proposes major overhaul of federal grant rules



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and pass-through award. It governs how federal funds are applied for, awarded, administered, monitored and audited across all federal agencies. 2 CFR Part 200 consolidated eight separate sets of federal grant rules, which had previously applied differently to states, local governments, nonprofits, universities and hospitals, into a single, consistent set of administrative requirements, cost principles and audit requirements that apply across all federal agencies and recipients. The Uniform Guidance affects every county that receives federal funding, whether directly or as a pass-through entity.

The proposed rule revises 2 CFR Subtitle A — including Part 200 — and includes conforming changes to the implementing regulations of all federal grantmaking agencies in Subtitle B.

What is in the proposed rule?

The proposed rule makes a wide range of changes to federal grants administration. Key elements include:

- **New national policy requirements on federal awards**, implementing several executive orders issued in 2025 related to DEI and other issues
- **New viewpoint-neutrality requirements for event services on property under a public entity's control**, which would apply to events held on county property regardless of whether the event itself is federally funded; counties acting as pass-through entities would also be responsible for ensuring subrecipient compliance
- **New limits on the use of federal funds related to disparate-impact theories**, event services and certain foreign collaborations
- **Expanded authority for federal agencies to terminate awards**, with categorical exceptions for block grants, formula grants and disaster recovery grants
- **New pre-award review and risk-evaluation requirements**, including senior agency review of selected proposals
- **New pre-payment requirements**, including required use of the Treasury Do Not Pay system
- **Strengthened subaward reporting** to SAM.gov and additional pass-through entity oversight responsibilities
- **A new 10-day requirement for Inspectors General** to transmit mandatory disclosures to the U.S. Attorney's Office for the District of Columbia
- **Changes to Notices of Funding Opportunity**, including plain-language and posting requirements
- **Elimination of fixed-amount awards** except where federal statute authorizes them

- **New limits on audit requirements** beyond what federal statute authorizes
- **Reclassification of 2 CFR Subtitle A from guidance to regulation**, so future OMB amendments take effect government-wide without separate agency rulemaking
- **Indirect cost rates** — OMB states the indirect cost rate negotiation system is not being revised in this rulemaking

How do the changes impact counties?

The proposed rule applies government-wide and affects every federal grant program counties participate in, including programs administered by the U.S. Departments of Agriculture, Commerce, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, Transportation and Treasury, as well as the Environmental Protection Agency and other federal grantmaking agencies. Counties who often serves and operate as pass-through entities administering federal funds to subrecipients are subject to additional requirements under the proposed rule.

The proposed rule does not amend State and Local Fiscal Recovery Funds (SLFRF) program rules directly, but the revised Uniform Guidance applies to the broader regulatory environment in which ARPA State and Local Fiscal Recovery Funds (SLFRF) compliance and audit activity will occur going forward and to most other federal financial assistance programs counties administer.

What are the next steps?

Comments on the proposed rule are due July 13, 2026. NACo encourages county officials to review the proposed rule and submit comments reflecting any impacts, questions or concerns. NACo is reviewing the proposed rule and will be developing comments will be provide updates as the rulemaking progresses. In submitting comments, please search for recent submissions by OMB to find docket OMB-2026-0034, which includes the full text of the proposed revisions and submit comments there.

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