Hot Issues in Federal Grant Management

2026 Status and 2027 Outlook

NSPAA Technical Assistance Workshop
New Orleans, LA
June 4, 2026

Mark Davis, Attain Partners

Meet the Presenter

Mark Davis
Managing Partner
Attain Partners

Mr. Mark Davis is a Managing Partner and founding member of Attain Partners and leader of the Attain Research Services practice. He has been consulting for 39 years and has worked as a key business advisor to more than 50 premier research universities and academic medical centers. Mr. Davis is experienced in federal cost policy, reimbursement and regulatory compliance, research finance and grants management. Mr. Davis assists institutions to accomplish strategic, organization and financial goals, and manage risk and compliance. Previously, Mr. Davis spent 15 years at KPMG Consulting as a Partner and 9 years at BearingPoint, Inc. as a Managing Director serving nonprofit, higher education, and health institutions. In this capacity, Mr. Davis advised numerous organizations on critical business areas such as strategy, cost policy and optimization, and federal regulatory compliance.

Hot Issues in Federal Grant Management – 2026 Status and 2027 Outlook

Attain Partners

Update on Uniform Guidance – Proposed Changes

Timing

- Published May 29, 2026
  - Signed off by 42 Federal Agencies
- 45-day comment period – July 13, 2026
  - Regulations.gov - OMB-2026-0034
- Effective Date –October 1, 2026 - *Proposed*

The Secretary of the Department of Health and Human Services, Robert F. Kennedy, Jr., approves this document, Regulation for Federal Financial Assistance, and authorizes Russell T. Vought, Director of the Office of Management and Budget to digitally sign this document for purposes of publication in the **Federal Register**.

Robert F. Kennedy, Jr.,

Secretary, Department of Health and Human Services

Federal Register / Vol. 91, No. 103 / Friday, May 29, 2026 / Proposed Rules **32199**

Agency for International Development; Department of Veterans Affairs; Department of Energy; Department of Treasury; Department of Defense; Department of Transportation; Department of Commerce; Department of the Interior; Environmental Protection Agency; U.S. International Development Finance Corporation; National Aeronautics and Space Administration; U.S. Agency for Global Media; Nuclear Regulatory Commission; Corporation for National and Community Service; Social Security Administration; Department of Housing and Urban Development; National Science Foundation; National Archives and Records Administration; Small Business Administration; Department of Justice; Department of Labor; Department of Homeland Security; Institute of Museum and Library

proposes changes to reduce recipient burden. The listed Federal grant-making agencies propose conforming changes to their respective adopting regulations, or, in the case of some agencies and other entities, establishing new adopting regulations or policies. The proposed changes reflect the administration's commitment to transparency, accountability, and proper oversight for the Federal grantmaking process. The proposed regulations seek to ensure that American tax dollars are ultimately used to serve the needs of the American public.

DATES: Comments are due on or before July 13, 2026. Late comments will be considered only to the extent practicable.

ADDRESSES: Comments on this proposal must be submitted electronically before

accountability, and oversight for use of Federal taxpayer dollars; (2) clarify the status of OMB's policies and requirements set forth in the 2 CFR regulatory text as an OMB regulation; and (3) reduce recipient burden.

Transparency, Accountability, and Oversight. The overarching goal of OMB's proposed revisions is to improve transparency, accountability, and oversight for how Federal taxpayer dollars are used in the context of Federal grantmaking.[1] It is essential for the Federal Government to provide more oversight over the design and implementation of Federal programs to prevent wasteful spending and misuse or mismanagement of Federal funds.

Although Federal spending through grants and other types of Federal financial assistance has grown exponentially since the initial

Background and Structure

Objective

- Improve transparency, accountability, and oversight;
- Clarify status of Part 200 as OMB regulation, not guidance; and
- Reduce recipient burden.

Structure

- Content -412 pages
- 1-136- Administration and Pre-Amble
- 136-177 – Agency sign off
- 178-260 – Proposed Revisions- actual changes
- 261-412 – Subtitle B – Agency Exceptions

Background – Ten Executive Orders

Executive Order	Title
EO 14332	Improving Oversight of Federal Grantmaking
EO 14151	Ending DEI Programs and Preferencing
EO 14173	Ending Illegal Discrimination; Merit-Based Opportunity
EO 14281	Restoring Equality of Opportunity and Meritocracy
EO 14168	Defending Women from Gender Ideology
EO 14187	Protecting Children from Medical Procedures
EO 14149	Restoring Freedom of Speech and Ending Federal Censorship
EO 14319	Preventing "Woke AI" in Government
EO 14292	Improving the Safety and Security of Biological Research
EO 14303	Restoring Gold Standard Science

Executive Order - 14332

Attain Partners

Background – Ten Executive Orders

Executive Order	Core Policy Goal	Key Uniform Guidance Sections Affected
EO 14332	Oversight & accountability	§200.205, §200.206, §200.305, §200.340, Subpart E
EO 14151	End DEI preferencing	§200.300, §200.204, §200.205, §200.206, §200.218
EO 14173	End discrimination, restore merit	§200.204–206, §200.300
EO 14281	Meritocracy, equality	§200.218, §200.300
EO 14168	Gender ideology restrictions	§200.300
EO 14187	Child protection (medical)	§200.300
EO 14149	Free speech protections	§200.219
EO 14319	AI policy alignment	§200.202, §200.300
EO 14292	Biological Research Safety and Security	§200.205
EO 14303	Scientific integrity	§200.205

Summary Count of Revisions by Subpart

	Title	Number of Sections	# Sections Changed	Percentage of Section Changes
Subpart A	Acronyms and Definitions	2 (200.0-200.1)	1	50%
Subpart B	General Provisions	14 (200.100-200.113)	8	29%
Subpart C	Pre-Federal Award Requirements and Content of Federal Awards	18 (200.200-200.217)	11 +3 New	61%
Subpart D	Post Federal Award Requirements	47 (200.300-200.346)	25	53%
Subpart E	Cost Principles	77 (200.400-200.476)	20+1 new	26%
Subpart F	Audit Requirements	22 (200.500-200.521)	5	23%
Appendix	Various	12	4	50%
Total		**191**	**74 + 4 new**	**39%**

Attain Partners

Subparts A and B

Subpart A – Acronyms and Definitions

- Title 2 - Uniform Guidance = Uniform Grants Regulation
- Guidance versus Regulation
- Compliance Supplement means an ~~annually updated~~ authoritative source…

Subpart B – General Provisions

- Eliminate fixed amount awards and subawards (200.101 (b) (4), 200.102 (c), 200.201 (b))
- Disclose conflict of interest (200.112)
- Require transmission of audit findings by IG offices (200.113)

Subpart C -- Pre-Federal Award Requirements and Contents of Federal Awards

- 5 new paragraph in 200.202 – Program planning and Design
  - 200.202 (c) - funds are only used for public purposes of support authorized by law
  - 200.202 (d) - restrict eligibility among different types of nonprofit organizations.
  - 200.202 (e) - to strengthen alignment between Federal research and development funding and national priorities
  - 200.202 (f) – use of multi-year award
  - 200.202 (g) – categorize research as basic, applied or experimental development

Subpart C -- Pre-Federal Award Requirements and Contents of Federal Awards

- NEW 200.218 – Prohibition of using Federal awards to promote or support theories of disparate-impact liability.
  - Executive Order 14281, "Restoring Equality of Opportunity and Meritocracy"
- NEW 200.219 - Prohibition of discriminatory event services.
  - First Amendment compliance
- NEW 200.220 - Prohibition of using Federal funds for covered foreign collaborations.
  - The Wolf Amendment – 2011

Attain Partners

Subpart D -Post Federal Award Requirements

- 200.303 – Internal Controls
  - (a) Delete reference to GAO's Standards for Internal Controls
  - (f) Require for Department of Homeland Security's E-Verify program (applicable to contractors)
  - (g) States must conduct pre-payment verifications
- 200.305 – Federal Payments
  - (c) requires payment requests from recipients and subrecipients other than States to include justifications describing the purpose of the payment and the specific award-related work – DOGE Exercise
- 200.329 - Monitoring and reporting program performance
  - (h) Confirm in performance report of any subaward reporting to SAM.gov
  - (e) New reporting requirement for research categorization

Subpart D -Post Federal Award Requirements

- 200.340 – Termination and suspension.
  - (a) (4) NEW Discretionary termination provision – “or the national interest as they exist at the time of the termination”
  - Similar to FAR termination for convenience
  - Must include the 4 standard reasons for termination in all Federal awards
  - Agency can add a 5th standard for termination in the T&C
  - New Paragraph (d) – temporary suspension

Subpart E – Cost Principles

Comparison

2024 Version
(a) Publication costs for electronic and print media, including distribution, promotion, and general handling, are allowable. These costs should be allocated as indirect costs to all benefiting activities of the recipient or subrecipient if they are not identifiable with a particular cost objective

2026 Proposal
(a) In general, except as provided in paragraph (b) of this section, 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) are unallowable under Federal awards. Printing costs (including distribution and general handling) are allowable

- 200.461 - Publication and printing costs.
  - include page charges and article processing charges (APC), open access fees for publications
  - Unallowable unless expressly required or approved

Pre-Amble for 200.461, page 112

Publication costs are not inherently necessary to carry out the core programmatic objectives of most Federal awards. In many cases, such activities are discretionary, vary widely in scope and costs, and may serve institutional, professional, or reputational interests rather than the specific objectives of the Federal program.

Attain Partners

Indirect Cost Process - For Future Reconstruction

- Discussed in Pre-Amble section IX – Indirect Cost Rates
- No proposed changes due to restrictions from 2026 Appropriation bills
- Future RFI to develop new approach
  - "Please no comments at this time"
- Discussed JAG's FAIR and multiple reports on indirect costs
- 200.205 Federal agency merit review of proposals.
  - *(b) (3) All else being equal, preference for discretionary awards should be given to institutions with lower indirect cost rates.*

Attain Partners

Update on Current Indirect Cost Environment

Current Negotiated Indirect Cost Rate Model Still In Effect

15% Flat Rate:
NIH – Injunction Upheld by Appeals Court
DOE – Withdrew Appeal
NSF – Withdrew Appeal
DOD -Withdrew Appeal

Appropriation Act Bills – FY 2026
Prevents OMB and agencies from altering the manner in which negotiated indirect cost rates have been implemented & applied under the Uniform Guidance.
This is the LAW

OMB expected to propose Uniform Guidance major revisions with **NO CHANGES** to the Indirect Cost Process

Outcome: The current UG process of submitting indirect cost rate proposals and negotiating indirect cost rates remains in effect and should remain for the foreseeable future

OMB's Uniform Guidance Revisions

<u>OMB</u> expected to propose Uniform Guidance major revisions with **NO CHANGES** to Indirect Cost Process

Expected 45-day comment period and the revisions effective for awards starting 10/01/26 (FY 2027); the major revisions will be for how grants are reviewed and awarded (in accordance with the directives of Executive Order 14332)

Consideration of New Indirect Cost Rate Models Pushed to the Future

Appropriation Act for FY 2027 might consider new models. Any new model is expected to have a 2-year implementation period. FY 2029?

Joint Association's Group (JAG) proposed the FAIR model (Financial Accountability in Research) – Two Year Implementation period proposed

OMB might develop their own indirect cost model for FY 2027 and release for comment. No sign of that currently.

Current Indirect Cost Model can be updated in future revisions to Uniform Guidance
Preserve the current process but add more limitations or less allowable costs

Attain Partners

Update on GAO Study

GAO Study on Indirect Costs and Oversight

The United States Congress, Committee on Science, Space, and Technology, requests that GAO conduct a comprehensive review of the indirect costs of conducting federally supported research and examine federal agency oversight of indirect costs – June 17, 2025

Key Focus Areas:

- What is considered a direct and indirect cost for federal research grants
- What is the process for determining allowable indirect costs
- What efforts have federal science agencies made to coordinate and ensure the consistency of their indirect cost rates for research
- What information do grantees provide to the federal science agencies on their indirect costs
- How do agencies ensure grant recipients adhere to the appropriate rate

GAO Study on Indirect Costs and Oversight

- Mainly focusing on colleges & universities
  - GAO selected 10 universities to interview and learn more about the indirect cost rate proposal and negotiation process, as well as the application of rates to federal awards
  - Questions have mostly focused on the proposal, review and negotiation process
  - GAO is following up with on-site visits to the campuses to see some research lab environments
- GAO has a number of federal agencies in their scope:
  - DOD, HHS/NIH, DOE, NSF, NASA
  - Examining the differences in reviews and rate negotiations between HHS-Cost Allocation Services (CAS) and DOD-Office of Naval Research (ONR)

GAO Study on Indirect Costs and Oversight

- Common questions on the “process”
  - What documentation, if any, do agencies provide to universities with justification or explanation of how the agency came to an indirect cost rate after reviewing the university’s rate proposal?
  - What types of documentation do universities typically exchange when negotiating indirect cost rates and is there value in making rate component sheets part of rate agreement?
  - How extensively do single audits examine application of indirect cost rates by a university? What specific checks do they conduct?
- Timeline
  - GAO is planning site visits in June and July
  - Would not expect the GAO report to be released until at least late in the calendar year

Attain Partners

Summary of Attain Partners AAU-COGR Indirect Cost Rates and Recovery Report

AAU-COGR Indirect Cost Rates and Recovery Report

Report prepared by Attain Partners

- Report was commissioned by our clients, the Association of American Universities (AAU) and COGR.
- Purpose of the report is to explain the indirect cost reimbursement system, including the safeguards to protect fraud and abuse, and answer the following questions:
  - What are the differences in indirect cost rates and recovery among the research performing entities?
  - How does the federal reimbursement policy for universities compare with that for private industry?
  - Are there differences in reimbursement policies between private and public universities?
- AAU and COGR have decided to make the report publicly available on their respective websites, given the significance of the findings and the current policy environment.

Key Report Findings

1

Universities already subsidize a substantial portion of the indirect costs required to conduct federally funded research; often paid upfront by universities and only partially reimbursed through negotiated F&A rates.

2

On average, the effective reimbursement rate for universities' actual indirect costs is likely lower than that of private industry.

3

Federal national laboratories—both government-owned, government-operated (GOGO) and government-owned, contractor-operated (GOCO)—receive more comprehensive reimbursement for indirect costs than universities conducting similar research using their own facilities.

4

Private industry laboratories operate with uncapped indirect cost rates and fewer restrictions; their indirect cost structures vary widely and are not directly comparable to university indirect cost rates.

5

The differences in indirect cost rates between public and private universities are not driven by differing federal rules or negotiation processes, but rather by the types of research, the location of the schools, the cost subsidy provided by the states, and the volume of research

Attain Partners

HHS Salary Rate Limitation

Salary Rate Limitation on Executive (Indirect) Salaries

- NIH Salary Cap was implemented in 1990 through the Consolidated Appropriations Act for NIH (Not tied to Executive Level II)
- Cap initially at $120,000 then later tied to Executive Level II ($228,000 for 2026)
- In 2022 HHS OIG suggested that the Cap should also apply to Executive salaries
  - HHS Audit Report - Cost Allocation Services Needs To Update Its Indirect Cost Rate-Setting Guidance, June 2022 https://oig.hhs.gov/oas/reports/region6/62001000.pdf
- CAS kicked this ruling up to the HHS Grants Office and OMB, but it was decided in later 2024 that the implementation of the Cap will move forward
  - Effective on October 1, 2024
  - CAS will not be sending out a notification
  - CAS includes this into the checklist for IDC rate submissions
  - Applies to overhead cost pool salaries (O&M, Library, GA, DA, SPA)

Salary Rate Limitation on Executive (Indirect) Salaries

Observations

- Since 1990 and up until October 1, 2024, both CAS and ONR applied the cap only to the direct salary and wages on awards
- The Cap on indirect salaries and wages will minimally affect colleges and universities
- Non-profits and hospitals likely to have a greater impact
- Salary Rate Limitation only applies to HHS awards
- The Cap may require different rates for Non-HHS projects (NSF, NASA, DOD, EPA)
- Compliance with this mandate will be included in the organization's rate agreement

Subaward and Equipment Threshold Changes

Attain Partners

Uniform Guidance Threshold Changes

OMB increased the allowable threshold for equipment (up to $10,000) and subawards in the MTDC base (up to $50,000), made available for fiscal years beginning October 1, 2024, and later

BREAKING NEWS

- On April 20, 2026, the National Institute of Health (NIH) notice NOT-OD-26-72 rescinds the subaward threshold up to $50,000, reverting back to $25,000
- Current and future proposals to NIH must use the $25,000 threshold to calculate the total budget
- The equipment threshold remains at $10,000
- Other Federal agencies are not affected, and the higher threshold is allowed (as long it is reflected in the negotiated rate agreement)
- You may still propose the higher subaward threshold during the F&A negotiations with the federal cognizant agencies for indirect costs. However, for recovery, the approved rate can only be applied to the first $25,000 on NIH awards

Uniform Guidance Threshold Changes

Regardless of the NIH notice NOT-OD-26-72 rescinding the subaward threshold up to $50,000, things to consider in whether to continue pursuing having your threshold changed

- The $50,000 threshold will still apply to all federal awards other than NIH awards
- This rescinding from NIH to $25,000 could be changed in the near future, and you wouldn't want to have to wait until a future negotiation for the opportunity to get the threshold back to $50,000

Process for Threshold Changes

Negotiated rates

- No change in equipment and subaward thresholds until new rates are established (200.110)
  - 200.110(b) "Existing negotiated indirect cost rates will remain in place until they expire…"
  - Can only change thresholds in conjunction with next IDC rate base year
- What if your rate is predetermined through FY 2028 with FY 2027 base year?

Process for Threshold Change Using FY 2026 as IDC Base Year

- Submit FY 2026 Base Rate Proposal
- Notify CAS of your intent to change the thresholds
- Submit a cost impact analysis to CAS before the rate negotiation
  - Determine the desired threshold for each
  - One cost impact analysis for equipment and one for subaward

If you have a proposal or rate extension already submitted and under review

- Notify CAS of your intent to change the thresholds
- Submit to CAS a cost impact analysis (for equipment and subawards) for establishing rates for FY 2027 and beyond
- ONR will not allow changing the thresholds for a rate extension

2024 UG Revisions Impact on Indirect Costs

Higher Thresholds

Subawards ($50K)

- Higher indirect cost recovery

Equipment ($10K)

- Administration Burden Reduction for Equipment
- Less number of equipment items for maintenance, property inventory and report to Federal agencies
- Less equipment items for prior approval requirement

Cost Impact Analysis – Equipment

Equipment threshold from $5,000 to $10,000 (From Base Rate Proposal)

1. Identify the amount purchased on research grants for assets between $5,000 and $10,000 (A).
   - Add the equipment value (A) to the Research MTDC base (B) (as they are now treated as supplies)
2. Determine the amount of depreciation allocated to research for assets between $5,000 and $10,000 (C).
   - Subtract value of what went to research for these assets (C) from the depreciation cost pool
3. Determine the undepreciated balance for assets between $5,000 and $10,000 (D).
   - This amount will be claimed over multiple years (3-4 years)
4. Recalculate the new Facility cost pool (E) by subtracting (C) and adding (D)
5. Calculate New Facility Rate (F) :
   (E) divided by (B)

RATE IMPACT
Current Facility Rate – New Facility Rate
(Normally a wash in the negotiation period)

Attain Partners

Cost Impact Analysis – Equipment

Subaward threshold from $25,000 to $50,000 (From Base Rate Proposal)

- Assumption: The base year rate proposal has $2M of subaward costs included in the research base
- Impact will be to double the $2M to $4M
  - For impact analysis we will include the additional $2M in the base
- The $2M will be included in the base over a 5-year period (portfolio turns over 25% per year) – Not all grants start on July 1
  - First year expenditures would be 15% of $2M ($300,000)
  - Second year expenditures would be 40% of $2M ($800,000)
  - Third year expenditures would be 65% of $2M ($1,300,000)
  - Fourth year expenditures would be 90% of $2M ($1,800,000)
  - Fifth year would be the first year the full $2M would be included in the base

NOTE
Only new subawards will increase to $50,000 for IDC recovery. Current subawards stay at $25,000

Current Practice and New Strategies on Fringe Benefit Charging

Attain Partners

Fringe Benefits

Current Practice of Negotiating Fringe Benefit Rates

- HHS-CAS negotiates fringe benefit rates as a courtesy to the grantee and to assist federal awarding agencies
- CAS has decreased from a staff of 47 down to 12; four regional offices down to two
- HHS-CAS needs at least 6 months to assign a submitted fringe benefit rate proposal
- Assigned CAS negotiator needs approximately 6-12 months to start and complete review
- CAS has many fringe benefit proposals open for FY 2023 and 2024 base years, to Fix rates for FY 2025 and 2026
- Large number of FY 2025 base year proposals submitted over the last few months
- CAS strategizing to try to negotiate multiple submissions/years at one time

Fringe Benefits

What Many Are Not Aware Of

- Regulations do not require grantees to have negotiated fringe benefit rates
- The majority of grantees do not have fringe benefit rates, they use specific-identification
- Many educational institutions still use specific-identification of fringe benefit costs
- CAS is not required to negotiate fringe benefit rates
- In the past, many institutions developed fringe benefit rates internally and these rates were applied to federal awards

Fringe Benefits – Negotiated Rates vs Specific Identification

Advantages of Negotiated Rates

- Budgeting
- Efficient/Easier to apply to awards
- Full Recovery
- Negotiated annually lowers risk of non-compliance

Disadvantages of Negotiated Rates

- Reliance on federal negotiator
- Large swings with carryforwards
- Rate components may not match employee's eligibility
- Need to wait for rate agreement from federal government

Advantages of Specific Identification

- Accuracy
- Internally developed
- Timing – no negotiations
- No carryforwards

Disadvantages of Specific Identification

- Difficult to budget for
- Tracking benefits by employee is complicated
- May miss specific fringe benefit costs or may not be approved by CO
- More concerns on regulatory compliance

Attain Partners

Fringe Benefits – Other Options

Continue Negotiating Rates with the Federal Government

- Continue preparing and submitting fringe benefit proposals but expect delays in review and rate negotiations
- If your institution is proposing the same rate as the currently negotiated rates on your last rate agreement, continue using the same rates after the rates become Provisional Rates
- If your institution is proposing a lower fringe benefit rate than the rates on your last rate agreement, implement the lower rate in order to avoid an over-recovery
- If your institution is proposing a higher fringe benefit rate than the rates on your last rate agreement, you need written approval before implementing the higher rate
- For a higher rate, you may request that CAS allows the higher rate to be implemented by receiving an email from CAS stating:
  - *Your institution may use the currently proposed fixed rates in place of the approved provisional rates, with the understanding that any adjustments identified during the review process will be incorporated into future fixed rates and any applicable carryforward amounts.*

Fringe Benefits – Other Options

Internally-Developed Fringe Benefit Rates

- Return to Internally-Developed Fringe Benefit rates
- CAS is currently working with HHS and awarding agencies to accept internally-developed rates
- Fringe benefit rates would be developed and applied similar to a service center
- Advantage is no more fringe benefit proposal submissions to CAS, no more waiting for review and negotiation of fringe benefit rates, eliminates timing issues
- For many institutions, it would be how it was done in the past
- Rates subject to audit
- If interested, request this change to CAS
- Rate agreement will need to reflect that the institution develops their fringe benefit rates internally, and the rates will not be included on the rate agreement

Fringe Benefits

- Any switch from a Negotiated Fringe Benefit Rate to Specific Identification (Direct-Charging) or Internally-Developed Fringe Benefit Rates requires closing out open completed years with federal government:
- Fixed Rates that have not been finalized
- Years completed on provisional rates

Questions

To Continue the Discussion

Mark Davis, Managing Partner
Phone: 703.857.2165
mcdavis@attainpartners.com
attainpartners.com

Attain Partners