

New OMB Provisions for all Federal Financial Assistance **Potential Impact to 501c3 Arts Organizations**

Background

On May 29, 2026 the Office of Management and Budget (OMB) [released proposed changes](#) to guidance on how federal grants and other financial assistance (often called The Uniform Guidance for Federal Awards) work. The proposed changes are extensive and, if finalized, will transform how federal-funded projects are solicited, managed, and reported. Forty Federal agencies, including the National Endowment for the Arts, National Endowment for the Humanities, and Institute of Museum and Library Services, are named in the proposal to adopt new rules for Federal grants and cooperative agreements. Currently, Uniform Guidance governs agency activity, and each independent agency further adapts grantmaking policy through additional guidelines and grant terms and conditions. If the proposal is approved, the new Uniform Guidance would greatly expand official federal regulation, and would go into effect with awards made or amended on or after **Oct. 1, 2026** for most federal funding streams.

Summary of Proposed Changes

There are many analyses of the proposed changes including: [National Council of Nonprofits](#) (NCN), [Council on Foundations](#) (COF), [the National League of Cities](#) (NLC), [National Conference of State Legislatures](#) (NCSL), [National Association of Counties](#) (NACO), and [Government Finance Officers Association](#) (GFOA). Additional resources specifically for nonprofits: [Proposed Changes to Federal Grant Rules: What Nonprofit Leaders Should Know](#) and [6 Things Non-Profits Need to Know About OMB's Major Proposed Overhaul of the Federal Grant Rules](#).

Below are a few of the key provisions and their potential impacts to the arts and culture community. This may be used in further advocacy through the public comment period or in advocacy to members of Congress.

	Proposed Changes	Impact on Grantees
§ 200.202 Program planning and design	Calls for federal programs to be designed “(1) With clear goals and objectives that: (i) Aim to achieve meaningful results; (ii) Are consistent with the public purpose of the program as authorized by law; and (iii) Align with administration policies and priorities” Encourages agencies to design multi-year awards.	As arts and culture organizations plan months or years in advance, creating programs that align with administration policies that are subject to change could prevent qualified organizations from applying. Multi-year awards would be beneficial to grantees and would reduce the administrative burden of

		applying every year. Multi-year awards could be burdensome though if coupled with shifting policies and priorities.
§ 200.204 Notices of funding opportunities (NOFOs)	Directs federal agencies to use Statements of Interest when it anticipates a large volume of applications to reduce the burden on applicants. Directs federal agencies, when feasible, to strive to ensure that NOFOs are accessible to a broad range of applicants, including those that have not previously received federal awards.	Offering shorter Statements of Interest, NOFOs written in plain language, and striving for accessibility across the applicant base could benefit the arts and culture reach across every Congressional District.
§ 200.205 Federal agency merit review of proposals	The proposal would require that “agencies must ensure that proposals selected for funding are consistent with applicable law, Federal agency priorities, and the national interest. Consistent with the Executive order, senior appointees must conduct these reviews and apply specific principles when evaluating proposals.” Standards for this review also include but are not limited to: • Discretionary awards must, where applicable, demonstrably advance the President's policy priorities. • Discretionary awards must not be used to fund, promote, encourage, subsidize, or facilitate: ○ (i) Racial preferences or other forms of racial discrimination by the recipient, including activities where race or intentional proxies for race will be used as a selection criterion for employment or program participation; ○ (ii) Denial by the recipient of the sex binary in humans or the notion that sex is a chosen or mutable characteristic;	Pre-Issuance Review: The NEA, NEH, and IMLS statutes already require Chair review of all awards. Arts education awards are adjudicated through peer review at the Department of Education. Presidential Policy Priorities: As stated above, grantees would be operating with unclear and/or shifting criteria. The National Foundation on the Arts and the Humanities Act directs the NEA to base all grant decisions on artistic excellence and artistic merit. The introduction of non-statutory criteria could constitute viewpoint discrimination. Promote, encourage, subsidize, or facilitate: Without thorough explanation from the government, OMB, or agencies, of what it means to “promote, encourage, subsidize, or facilitate” these terms and conditions, arts and culture applicants would be faced with an immense administrative burden to

	○ (iii) Illegal immigration; or ○ (iv) Any other initiatives that compromise public safety or promote anti-American values. ● All else being equal, preference for discretionary awards should be given to institutions with lower indirect cost rates. ● Discretionary awards should be given to a broad range of recipients.	be in compliance. Further, as determined in the recent ruling regarding <i>American Council of Learned Societies and the Author's Guild v. National Endowment for the Humanities</i>, "An agency – or any entity acting with or through it – may not exercise binding authority affecting private rights or federal programs unless it possesses powers that Congress confers upon it". The ruling goes on to state that "In sum, while the government retains some discretion in administering grant programs, that discretion is bounded by the First Amendment. It may define programmatic objectives and allocate resources accordingly, but it may not deny or withdraw funding because it disagrees with the ideas expressed." Also, review criteria that consider gender ideology factors appear to be in conflict with legal rulings in <i>Rhode Island Latino Arts v National Endowment for the Arts</i>, creating a compliance ambiguity.
§ 200.206 Federal agency review of risk posed by applicants.	The proposal directs agencies to conduct a risk assessment of applicants before the award decision. Considerations in the assessment can include the applicant's record of "managing previous and current Federal awards" and questionable practices such as "activities or initiatives that are inconsistent with federal civil rights laws, or engaging in activities or initiatives that are inconsistent with religious liberty laws. The assessment can also include the applicant's "membership in or affiliation with organizations engaged in activities that violate Federal law, undermine public safety or national security, or advocate for the overthrow of the United States Government"	For arts and culture institutions, more clarification on what OMB means by "affiliation" would be needed to fully be in compliance.

Ability to Terminate or Suspend Funds (§ 200.211, § 200.340, § 200.341, § 200.342, § 200.343)	The proposal would create a new discretionary termination provision that the Federal agency or pass-through entity may terminate a Federal award in part or its entirety if determined that a termination is in the interest of the Federal agency or pass-through entity. The proposed regulation specifies that this includes if a Federal award no longer effectuates “program goals, Federal agency priorities, or the national interest as they exist at the time of the termination.” The proposal also states that federal agencies and pass-through entities may temporarily suspend an award for up to 90 days in part or its entirety if the federal agency or pass-through entity determines that a suspension is “in the interest of the federal agency or pass-through entity.” Discretionary termination notices would include a brief summary of the reason or reasons why an agency decided to terminate an award or class of awards. The proposal also states that a federal agency is not required to allow for objections, hearings, and appeals related to any reasons for termination except termination for noncompliance.	The proposed discretionary termination clause would be incredibly harmful to arts and culture organizations. As indicated above, the vague and unclear criteria for promotion, encouragement, subsidization, and facilitation of certain ideology and “national interest” could impose viewpoint discrimination as a cause for discretionary termination.
Prohibition of discriminatory event services (§ 200.219)	The proposal specifies that “public entities that are a recipient or subrecipient of Federal financial assistance must not discriminate on the basis of the viewpoint, content, or subject matter of speech—including on the basis of political, ideological, or religious affiliation or perspective—in providing services for events, meetings, or other expressive activities.” This requirement “would ensure that public	Without further clarity on OMB’s definition of “events, meetings, and other expressive activities” , arts and cultural institutions would have to navigate vague and unclear guidance as it pertains to programmatic activities that would regularly be included in an NEA, NEH, or IMLS award.

	entities do not improperly use control over facilities or services to disadvantage or suppress the speech of disfavored groups.” The proposed text further provides that it applies “regardless of whether an event is directly funded by the Federal award if it occurs on property or facilities under the control of the public entity.”	The second proposed provision would extend the scope beyond the Federally funded project to an arts and culture venue.
Prohibition of Using Federal Funds for Covered Foreign Collaborations (§200.220)	The proposed § 200.220 establishes a government-wide baseline rule prohibiting recipients and subrecipients from using Federal funds to support bilateral or multilateral collaborations, agreements, programs, or activities with covered foreign countries or covered foreign entities, unless expressly authorized by Federal statute or approved by the Federal agency in accordance with the proposed exception authority and applicable law. This provision is intended to ensure that Federal financial assistance is not used, directly or indirectly, to support activities that may pose a risk to U.S. national security, defense, or intelligence interests. Congress has expressly determined that such a risk exists in the case of some agencies.	International touring and collaboration are cornerstones of the arts ecosystem. By extending national security restrictions government-wide, federal funds—including indirect facility overhead—are completely barred from supporting any project, exchange, or artist originating from “covered countries” (like China, Russia or Cuba). Even if an organization uses private funds to host artists from banned countries, the extreme accounting burden required to prove there was no commingling of federal dollars in administrative overhead costs will effectively freeze grassroots international cultural exchange from these countries.
Internal Controls (§200.303)	All recipients and subgrantees would be required to use the Department of Homeland Security’s E-Verify program to confirm the employment eligibility of any employees or contractors that perform work associated with a federal award. Failure to follow E-Verify rules and notices would be grounds for award termination. All payees would be subject to screening through the Treasury Department’s Do Not Pay system (or a state equivalent) to “prevent improper payments.”	E-Verify would require grantees and subgrantees to navigate federal systems and play immigration enforcement roles that fall outside the purview of nonprofit arts organizations. Small subgrantees, in particular, may not be equipped to manage these additional requirements on top of standard I-9 forms.

This resource was prepared by the Cultural Advocacy Group, a collaboration of arts and culture stakeholders working collectively to advance federal policy.