

Summary: OMB Regulation for Federal Financial Assistance, Docket Number: 2026-10817

On May 29, 2026, the Office of Management and Budget (OMB), working alongside a wide range of federal grant-making departments and agencies, issued a proposed regulation titled [*“Regulation for Federal Financial Assistance.”*](#) The proposal would update the government-wide rules that govern grants, cooperative agreements, and other forms of federal funding.

The proposal would codify aspects of Executive Orders issued in 2025 and 2026 and transform previously nonbinding “guidance” into a formally binding regulation. The proposed rule is wide-ranging, seeking to formalize the administration’s efforts to increase control and oversight of federal grantmaking, with the overarching goals of:

- aligning funding with the president’s funding priorities;
- prohibiting federal funding for a range of “ideological” issues; and
- promoting the current administration’s approach to “Gold Standard Science” across research funding, which would require agencies to prioritize institutions demonstrating alignment with these standards, as defined by the administration.

Broadly, the proposed rule would introduce new government-wide conditions tied to civil rights enforcement and national interest considerations, mandate that senior political appointees conduct a pre-review of all notices of funding opportunities and all final discretionary awards, and provide agencies with broad authority to suspend or terminate awards on discretionary grounds.

For recipients of federal grant funding, the practical effect would be earlier and more extensive compliance obligations with greater risk if an agency determines that an award no longer supports program goals, agency priorities, or national interest. Institutions such as hospitals, universities, academic medical centers, and other research-focused organizations would be particularly affected.

Public comments are due by July 13, 2026. OMB indicates that it aims to finalize the rule by October 1, 2026, for it to go into effect as of FY 2027.

Given that this proposal applies across all major grant-making agencies, it is highly consequential for psychology.

Impacts on Federal Grant Funding for Psychological Science

A. More federal control over what research gets funded

- Agencies must ensure funded projects align with executive branch priorities and the “national interest”, with senior political appointees involved in review.
- Peer review becomes advisory, not determinative, shifting decision authority away from traditional expert-driven processes.

B. New restrictions on allowable research topics and framing

- Funds cannot be used for activities viewed as “unlawful discrimination” or certain equity-based approaches, potentially including health disparities, structural inequities, and identity-related outcomes. All of which may face new scrutiny or exclusion depending on interpretation.

C. Increased risk of grant termination or suspension

- Agencies gain expanded authority to terminate grants midstream, if executive branch priorities change, and suspend work immediately.

D. Shift toward domestic research funding

- Would prioritize U.S.-based entities for research awards, with foreign recipients allowed only in certain circumstances. International collaboration within domestic projects would require clear justification tied to scientific necessity and national interest.

E. Stronger reporting, compliance, and audit expectations

- This includes new rules on payment justification, subaward tracking, and fraud disclosures.

Impacts on Education and Training of Psychologists

A. Limits on training content tied to grant funding

- Federal funds would not be able to support training activities framed as advancing certain policies or social perspectives deemed unrelated to the award's statutory purpose.
- Graduate programs, internships, and workforce training programs supported by federal grants may need to revise curricula, remove or reframe diversity, equity, or social determinants content.

B. Shift to “merit-based” and outcome-focused awards

- Programs must demonstrate clear, measurable outcomes aligned with statutory purpose.
- Training grants (e.g., for health service psychology) may be required to prioritize workforce outputs or service delivery metrics over broader educational or societal goals.

C. Reduced flexibility in program design

- Agencies encouraged to limit “add-on” requirements and standardize funding opportunities, which could leave less room for innovative or interdisciplinary training models that integrate, for example, community engagement, prevention science, or social-context frameworks.

Impacts on Behavioral Health Services (State & Community Level)

A. Stricter limits on how grant funds can be used

- Funds must be used only for explicitly authorized purposes. This may lead to community mental health programs scaling back outreach or prevention activities and culturally responsive services, if not clearly justified under the grant's statutory purpose.

B. Restrictions on public messaging and advocacy

- Federal funds cannot support public messaging or advocacy on policy issues deemed to be “unrelated to program goals.”

C. Greater federal oversight of state and local recipients

- States must verify payments (fraud prevention systems) and track subawards more closely, including to state mental health agencies and community providers.

D. Potential instability in service funding

- Expanded authority for termination based on shifting executive branch priorities risks disruption to ongoing service programs, especially those tied to discretionary grant programs.