

NEW RULES FOR FEDERAL FUNDS?

What Workforce Boards Need to Know About Proposed Changes to Uniform Grant Guidance



A Call to Action and Toolkit for Workforce Development Leaders

*Developed by the National Association of Workforce Boards (NAWB) and
the National Association of Workforce Development Professionals (NAWDP)*



INTRODUCTION

On May 29, 2026, the U.S. Office of Management and Budget (OMB) released a [sweeping proposal to overhaul the Uniform Guidance](#) — the federal framework that governs grants and cooperative agreements. These proposed rules, formally known as the Uniform Grant Guidance (UGG), found in *2 CFR Part 200*, would impose significant new burdens and regulations on *all* federal grantees.

If adopted, these changes would reach far beyond federal agencies. They would affect workforce boards, community colleges, training providers, local governments, nonprofit organizations, one-stop operators, fiscal agents, and thousands of employers and jobseekers who rely on the workforce system every day.

While some provisions apply primarily to discretionary grants, many others—including new cost principles, oversight requirements, and administrative obligations—would apply broadly across federal grant programs, including formula-funded programs such as the Workforce Innovation and Opportunity Act (WIOA).

For workforce development specifically, formula funding under WIOA, community colleges, education funding, and training and development (including conference attendance and association memberships) would be impacted by these proposed changes. More broadly, a host of essential services, including housing, economic development, health, education, food, and disaster recovery, would have new requirements that could impact services and operations.

As drafted, the proposal would introduce significant financial and operational uncertainty for federal grantees — including workforce development boards (WDBs) and the entities and organizations they partner with to deliver services. The proposal would grant broad new authority to the current administration (and any future administration) to withhold, suspend, or terminate awards, or to alter terms and conditions in the middle of a grant cycle with limited exceptions.

Taken together, these changes would force grantees to operate in an unpredictable environment, undermining long-term planning, service continuity, and the ability to meet community and employer needs.

The proposal also raises concerns about transparency, political influence, and restrictions on constitutionally protected speech and related activities, all of which could affect the workforce system's ability to serve workers and employers equitably and effectively.

Public comments are due July 13, 2026.

The rule is slated to go into effect on October 1, 2026.

This timeline could change if Congress steps in, or if OMB determines that it needs more time to review public feedback, which so far includes tens of thousands of public comments.

WHAT IS PROPOSED TO CHANGE: KEY PROVISIONS RELATED TO WORKFORCE BOARDS

A. Expanded Federal Authority to Terminate or Suspend Funds (Sec. 200.340)

The proposal allows federal agencies to terminate grants and cooperative agreements “if a federal award does not effectuate program goals, federal agency priorities, or the national interest as they exist at the time of the termination.” *This discretionary termination provision would apply to discretionary awards, not funds such as block grants, formula grants (like WIOA), or disaster recovery funds.*

This means:

- Certain awards could be ended or suspended mid-performance
- Terms and conditions could be changed during the grant cycle
- Grantees would have limited recourse and no assurance of reimbursement of previously allowable costs

B. Political Review of Awards (Sec. 200.205)

Senior political appointees would be empowered to review every discretionary award to determine whether it “demonstrably advances the President’s policy priorities” and avoids “anti-American values.” The peer review process would be advisory only and can be disregarded under these new revisions. *This provision would apply to discretionary awards, not funds such as block grants, formula grants (like WIOA), or disaster recovery funds.*

C. Restrictions on DEIA Activities (Secs. 200.300 and 200.205(b)(2))

The proposal seeks to prohibit federal funds for what it calls “unlawful” DEIA activities, even though many referenced practices are lawful and widely used. *This provision applies to all grants and cooperative agreements, which includes formula programs like WIOA, not only discretionary awards except for Sec. 200.205(b)(2), which only applies to discretionary awards.*

However, the proposal includes a provision (Sec. 200.101(d)), applicable across the whole rulemaking, that stipulates that *the underlying statute would take precedence whenever a conflict between these proposed changes and a program's statutory requirements, like WIOA's, would potentially conflict.* This is a continued area of uncertainty in the rulemaking as currently structured, particularly given other aspects of this provision indicate that this new UGR would supersede other regulatory provisions not otherwise included in the statutory language of a program.

D. New Cost Principles Affecting Workforce Boards and Associations

Several longstanding allowable costs would become unallowable or require prior explicit approval along with the formal inclusion of these costs in a grant’s award terms and conditions. This provision applies to all grants and cooperative agreements, which includes formula programs like WIOA, not only discretionary awards.

These costs include:

- Professional subscriptions and membership dues (Sec. 200.454)
- Conference attendance (Sec. 200.432)
- Marketing and advertising of services (Sec. 200.467)
- Publication and printing (Sec. 200.461)
- Activities deemed “issue advocacy” (Sec. 200.450; limited exceptions)

These changes would increase administrative burden and reduce access to training, technical assistance, professional development, research, and professional networks that serve to ensure the efficient and proper use of official funds.

E. New Subrecipient Monitoring Requirements (Sec. 200.332)

Pass-through entities would have to “ensure” subrecipients take no actions that “could significantly damage the reputation” of the pass-through entity or federal government. This newly proposed standard is undefined and would be difficult to operationalize. *This provision applies to all grants and cooperative agreements, which includes formula programs like WIOA, not only discretionary awards.*

F. Prohibition on Fixed-Amount Subawards (Sec. 200.333)

Fixed-amount subawards, which are often used for small, well-defined projects, would be eliminated entirely. *This provision applies to all grants and cooperative agreements, which includes formula programs like WIOA, not only discretionary awards.*

G. Payment Justification and Improper Payments (Sec. 200.305)

Payments to subrecipients and other service providers would require additional written justification. These changes would increase administrative burden on local boards as oversight increases. Boards should expect more frequent requests for documentation and heightened expectations for real-time reporting. *This provision applies to all grants and cooperative agreements, which includes formula programs like WIOA, not only discretionary awards but would only apply to non-state recipients and all subrecipients.*

“We all want federal funds to be efficiently managed and carefully stewarded. However, there are innumerable questions to be addressed, including an analysis of the burdens, costs, and unintended consequences of such a change being implemented in such a short timeframe. Therefore, NAWB is urging OMB to reconsider this proposal, delay the implementation of any of these rules, and exempt formula programs such as WIOA, especially for the proposed revisions to the cost principles.”

Andrew Bercich, CEO
National Association of Workforce Boards

WHY THIS MATTERS FOR WORKFORCE BOARDS

Reduced Local Flexibility

Workforce boards are designed to respond to the unique economic conditions and workforce needs of their local communities. These proposed changes could shift greater decision-making authority away from local leaders and toward federal priorities, reducing the flexibility boards rely on to innovate, respond quickly to employer demand, and tailor services to regional labor market conditions. Over time, boards may find themselves spending more time ensuring compliance with evolving federal expectations than designing solutions that best serve local workers and businesses.

Threats to Funding Stability

Workforce boards make long-term commitments every day—hiring staff, entering into contracts with service providers, investing in technology, and launching multi-year workforce initiatives. Increased uncertainty surrounding federal awards and grant conditions could make it more difficult to confidently make these investments. Even when WIOA formula funding is not directly affected by certain provisions, uncertainty surrounding discretionary funding and changing grant requirements could disrupt strategic planning, delay new initiatives, and make it more challenging to sustain services for employers and jobseekers.

Increased Administrative and Legal Risk

Many of the proposed changes would require workforce boards to devote additional staff time and resources to documentation, monitoring, oversight, payment justification, and compliance activities. Boards could also assume greater responsibility for the actions of subrecipients and contractors under new and less clearly defined standards. For organizations already operating with lean administrative capacity, these additional requirements could divert valuable time and resources away from direct customer service and increase the risk of audit findings or compliance disputes.

Impacts on Equity and Access

Local workforce boards are responsible under WIOA for serving individuals with barriers to employment and ensuring broad access to workforce services across their communities. Uncertainty surrounding proposed restrictions on certain diversity, equity, inclusion, and accessibility (DEIA) activities could cause boards and their partners to reconsider or delay initiatives intended to expand access for eligible populations. Even where WIOA statutory requirements remain unchanged, uncertainty about how these provisions will be interpreted and enforced may create hesitation that ultimately limits outreach, partnerships, and innovative service strategies designed to connect more people with employment and training opportunities.

STAKEHOLDER-SPECIFIC IMPLICATIONS

Fiscal Agents may face increased documentation requirements, payment justification standards, cash-flow pressures, and compliance monitoring responsibilities.

One-Stop Operators could experience issues with service continuity planning and contract management. Performance accountability may become increasingly important under expanded oversight structures.

Training Providers may encounter issues with provider eligibility and new monitoring expectations. New administrative requirements may be burdensome, especially for smaller organizations.

Community-Based Organizations may experience disproportionate administrative burdens and reduced flexibility under expanded compliance requirements.

State Workforce Agencies may face increased oversight obligations while also serving as the primary conduit for implementation guidance and technical assistance.

Jobseekers could face reduced services such as career coaching, training, job placement and supportive services as funds are directed towards addressing new administrative requirements.

Employers rely on WDBs to execute customer hiring strategies, facilitate work-based learning and apprenticeships, provide labor market data and coordinate workforce partnerships. These could be impacted by the reduced flexibility and increased administrative burden that would impact the system's ability to respond to changing business needs.

Taken together, these proposals have the potential to fundamentally change how workforce boards administer federal grants, manage risk, collaborate with community partners, and deliver services.

While many of the full impacts remain uncertain until OMB issues a final rule, the breadth of the proposed changes warrants careful review and active engagement from every workforce board.

WHAT YOU CAN DO NOW: A CALL TO ACTION

- **Submit Comments by July 13.** Boards, local governments, partner organizations, and individuals can submit comments through the Federal Register. NAWB encourages boards to:
 - Describe how the proposed changes would affect service delivery
 - Highlight risks to workers, employers, and communities
 - Provide examples of how stability and flexibility support successful local outcomes
 - **Visit [this page](#)** and scroll down to the GREEN heading that says “Submit A Public Comment”
 - **Review NAWB’s Tips** for Submitting Effective Comments (see next page)

- **Sign the National Council of Nonprofits Coalition (NCN) Letter.** NCN is coordinating a [national sign-on letter](#) and NAWB encourages you to sign on. NAWB has already joined the letter.

NOTE: It is not sufficient to simply sign-on to this letter in lieu of sending your own letter. It is vital that OMB hears from as many affected parties before the July 13 deadline.

- **Engage Your Elected Officials.** Congress has the power to block this proposal from taking effect. Local leaders such as county executives, mayors, and state legislators, and your Governor need to understand how these changes could affect workforce services in their communities. Contact them right away.

- **Prepare Your Team.** It is unclear how OMB will manage this process and what if any changes will be made to this regulation.
 - **Share this Toolkit** with board members, CEOs, fiscal staff, business partners, and chief elected officials.
 - Evaluate exposure, especially to discretionary funding, multi-year grant commitments, and impacts on subrecipients.
 - Gather feedback and questions from stakeholders and include this information when you [Submit a Comment](#).

TIPS FOR SUCCESSFUL COMMENTS

Don't worry about the format. Your comment can be one sentence, a paragraph, a letter, a list of questions, or a multiple-page analysis. You can upload your comment as a pdf or cut and paste it as plain text in the Federal Register comment system.

Personalize the comments. In the federal regulatory context, comments that strictly adhere to a template will not be reviewed with as much fidelity (which is why NAWB is not providing a template for this effort). By personalizing your comments, there is a better chance your message will be heard and required to be responded to.

Introduce yourself. Describe your interest in the issue, and how you, your organization, and those you serve could be affected.

Make specific suggestions but keep it simple. Pick one or two issues and provide specific ideas for improving the regulations. You could ask for a delay in implementation. You could suggest they start over with a more narrowly targeted regulation, or that they abandon the effort altogether.

Give examples of how your operations would be affected. Describe new barriers that would be imposed, the uncertainty you may face, or the service interruption your clients may experience. Constructive examples strengthen your case. Don't be afraid to talk about the challenge you may experience because of this new regulation.

Discuss the financial implications. What are the financial impacts of new regulations? Will the results from previously expended funds be sustained? If you have made investments such as hiring staff or acquiring physical assets, describe how the proposal could affect those investments.

Discuss the impact on your clients. How would your specific communities be harmed if your work is more expensive, less effective, or impracticable?

Ask specific questions. The Comment period is designed to help the Administration address issues that they may not have considered. Ask any questions you have.

Be respectful. Focus on the policies, not the personnel. Even if you feel anger or frustration about the policy, always frame your comments constructively. We all want effective stewardship of federal funds.

Submit your comment by July 13. The system will not accept anything late.

Know that your comments will be made public. Do identify yourself and your organization, but do not include any personally identifiable information that you would not want to be made public.

You can do this, and your voice matters. You may have a question or issue that hasn't yet been raised. Your comment may just move the needle on an important issue.

TIMELINE AND WHAT HAPPENS NEXT

- May 29, 2026 – The proposed regulation is announced.
- May 30, 2026 – Members of Congress begin requesting briefings, asking questions about the scope and implementation, and meeting with constituents to assess the potential impact of these changes. NOTE: While Congress has the power to appropriate funds, OMB is the federal agency responsible for managing federal agency performance.
- June 3, 2026 – Rep. Rosa DeLauro (D-CT) offers an amendment in the House Interior Appropriations Subcommittee markup to block the OMB Uniform Guidance rewrite from going into effect. The amendment garners bipartisan support but is defeated.
- June 30, 2026 – A Congressional oversight hearing featuring OMB director Russ Vought was held by a House Appropriations Subcommittee on Financial Services and General Government. Rep. Rosa DeLauro asks for a 45-day extension to the comment period. Director Vought denies the request.
- July 13, 2026 – The comment period closes.
- After July 14 – OMB will review comments and may revise the rule.
- October 1, 2026 – Implementation is slated to begin, although this date is subject to change.

“The workforce system's greatest asset is its people. Workforce professionals are responsible for implementing complex federal programs, serving employers and job seekers, and ensuring responsible stewardship of taxpayer dollars.

Professional development, technical assistance, and collaboration are not optional—they are essential to strong program performance.

NAWDP encourages OMB to preserve the current Uniform Guidance provisions that support workforce system capacity while avoiding unnecessary administrative burdens that ultimately divert time and resources away from serving our communities.”

Melissa Robbins, CEO
National Association of Workforce Development Professionals

ADDITIONAL RESOURCES

Read the Federal Register Notice: *Proposed OMB Uniform Guidance Changes Regulation for Federal Financial Assistance* (Document No. 2026-10817)

<https://www.federalregister.gov/documents/2026/05/29/2026-10817/regulation-for-federal-financial-assistance>

Submit A Public Comment by scrolling down to “Submit a Public Comment”

<https://www.federalregister.gov/documents/2026/05/29/2026-10817/regulation-for-federal-financial-assistance>

Issue Summary, prepared by the National Council of Nonprofits

<https://www.councilofnonprofits.org/files/media/documents/2026/2026-proposed-omb-uniform-guidance-comment-guide.pdf>

Recorded Webinar (60 minutes) Produced by some of NAWB’s partner organizations, the National Association of Counties, National League of Cities, US Conference of Mayors, Government Finance Officers Association, International City/County Management Association, and the International Municipal Lawyers Association.

<https://www.naco.org/event/understanding-proposed-rewrite-2-cfr-what-omb-uniform-guidance-proposed-rule-means-local#watch>

News Article, written by the National League of Cities

<https://www.nlc.org/article/2026/06/17/new-omb-rules-for-grantees-could-override-local-authority/>

CONCLUSION

This is a critical time for communities and individuals served by public programs and public funding. Sharing our questions and concerns about the OMB proposal, both in formal comments to OMB followed by communications with Congress about our feedback, is essential to postponing or stopping these provisions from being enacted.

Please reach out to NAWB’s government relations and advocacy team at nawb@nawb.org with questions or to share the steps you are taking.