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GENERAL MEMORANDUM 26-038

Senate's Continuing Resolution Would Temporarily Block New Grants Rule

On August 2, 2026, Senate appropriators announced a bipartisan deal to delay implementation of an Office of Management and Budget proposed rule revising the government-wide regulations governing federal financial assistance. Under the Senate provision, the federal government would be prohibited from implementing the proposed changes through December 11, 2026. The temporary delay gives Congress additional time to determine whether to pursue a longer-term legislative solution before the pause expires in December.

The proposed rule, if implemented, would significantly change how agencies review, award, manage, and terminate federal assistance. It would expand political oversight of discretionary awards by requiring senior political appointees or their designees to ensure each award aligns with the President's priorities. It would also tighten grant administration by eliminating most fixed-amount awards, restricting allowable costs, and implementing new compliance requirements. The proposal further prohibits the use of federal funds to support activities related to disparate-impact liability or diversity, equity, and inclusion (DEI) initiatives. Finally, while the rule preserves the primacy of the Indian Self-Determination and Education Assistance Act (ISDEAA) in cases of direct conflict with the proposed rule, it removes language permitting other federal regulations to govern if there is a conflict. This could inadvertently lead to ISDEAA regulations being overruled in favor of the proposed rule if the ISDEAA is not specific enough.

The proposed rule was met with concern and caution by many Tribes and Tribal organizations, as well as other groups, who worried that it could lead to increased administrative requirements, slowed award review, and reduced flexibility. Many members of Congress have shared these concerns, leading to the Senate's provision to delay its implementation.

The provision to temporarily block the proposed rule was included in a Senate-negotiated continuing resolution to keep the government funded into FY 2027. Because this is must-pass legislation, its inclusion suggests the provision has a strong chance of becoming law. However, the House of Representatives and the White House have not yet weighed in, and the continuing resolution must ultimately be agreed to by all three before the provision can be enacted.

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