TSG ADVISORS EDUCATION

Research and Policy Brief

A Changing Federal Grants Landscape

What Proposed EDGAR Revisions Could Mean for Education Institutions

---

Prepared by:
Carrie E. Henderson, Ph.D.
TSG Advisors – Education
henderson@tsgadvisors.com

Date:
August 25, 2026

Executive Summary

The U.S. Department of Education has proposed significant revisions to the Education Department General Administrative Regulations (EDGAR), which govern the administration of federal education grants.

While many of the proposed revisions are technical or intended to streamline grant administration, several could have meaningful implications for colleges, school districts, state agencies, nonprofit organizations, and other recipients of Department funding. The changes affect both how institutions compete for federal grants and how they manage awards after receiving funding.

The most consequential proposed changes include:

Area	Proposed Change
Competitive Preference for Lower Indirect Costs	ED could give competitive preference to applicants that voluntarily reduce their indirect cost rate, creating a tradeoff between competitiveness and cost recovery.
Continuation Funding & Unspent Balances	Future funding would not be guaranteed, and significant unspent balances could affect award amounts, increasing the importance of performance and timely spending.
Grant Termination	ED would clarify its authority to terminate discretionary grants, including for convenience when permitted by law, increasing uncertainty after award.
Selection Criteria, Merit & Evidence	Revised selection criteria, merit requirements, and evidence definitions could affect both how applications are evaluated and how awards must be administered.

Other proposed changes address Grants.gov and Federal Register notices, frontloading of multiyear awards, compliance with applicable Executive orders for State-administered programs, nonprofit status documentation, and several technical and procedural updates to EDGAR.

Taken together, the proposed revisions signal greater Department discretion across the grant lifecycle and an environment in which institutions may need to place greater emphasis on strategic budgeting, demonstrated performance, evidence, and proactive post-award management.

Background

The Education Department General Administrative Regulations (EDGAR) establish many of the requirements governing U.S. Department of Education grants, including direct and State-administered programs, application and selection procedures, grant administration, and definitions used across Department programs. EDGAR operates alongside program-specific statutes and regulations and the government-wide Uniform Guidance.

On August 24, 2026, the Department published a [Notice of Proposed Rulemaking (91 FR 54666)] proposing revisions to several components of EDGAR, along with related provisions in 2 CFR Parts 3474 and 3485. The proposal includes technical updates, but also more substantive changes affecting how grant opportunities are announced, the criteria used to evaluate discretionary applications, indirect cost recovery, multiyear and continuation awards, unspent balances, grant termination, merit requirements, and federal evidence standards.

The NPRM begins the formal rulemaking process and provides an opportunity for public comment before the Department issues final regulations. Accordingly, the provisions discussed in this brief are proposed and are not currently in effect; the final rule may differ based on comments received and other considerations during the rulemaking process.

Key Changes to Watch

While the proposed rule includes numerous technical and administrative revisions, four changes are particularly significant for institutions that compete for and manage U.S. Department of Education grants.

Competitive Preference for Lower Indirect Costs

Proposed § 75.228 would allow the Department to give **competitive preference to applicants that voluntarily reduce their indirect cost rate,** with reduction tiers ranging from 5 to 50 percent or more, including an option to charge no indirect costs. Applicants selecting a lower rate would be required to maintain that reduction for the life of the grant.

For institutions, this creates a new strategic tradeoff between competitiveness and indirect cost recovery. Because the preference is tiered, institutions may need to decide not only whether to reduce their rate, but by how much. The Department anticipates that this would shift more grant funding toward direct project activities.

Continuation Funding & Unspent Balances

The proposed rule would reinforce that approval of an application or initial grant award does not obligate the Federal Government to make an additional, supplemental, continuation, or other award. It would also clarify the Secretary's discretion in making continuation decisions, including the ability to consider relevant information from the original application and previous grantee activity.

The proposal also addresses unspent balances. **If Federal funds available for a budget period, including balances carried forward from prior periods, exceed the grantee's needs for that period, the Department could adjust the award by deobligating the excess**.

For institutions managing multiyear grants, these provisions increase the importance of documented performance, timely implementation, and appropriate expenditure of available funds throughout the award period.

Termination of Discretionary Grants

Proposed revisions to § 75.901 would clarify the Department's **authority to terminate discretionary grants for convenience when permitted by law,** while also addressing other grounds and procedures for termination.

Combined with the continuation funding provisions, this change underscores the Department's discretion after an award is made and increases the importance of continued compliance, performance, and alignment with applicable award requirements throughout the grant lifecycle.

Selection Criteria, Merit & Evidence Standards

The proposed rule would **revise how the Department evaluates discretionary grant applications, including greater emphasis on target populations, career outcomes, personnel, partnerships, evidence, evaluation, and scaling**. It would also **introduce merit requirements both as grant conditions and potential application scoring factors**, including requirements related to hiring, admissions, participant selection, and personnel decisions. Finally, revisions to federal evidence definitions and a new "evidence framework" could affect how applicants demonstrate that proposed strategies and evaluations meet evidence requirements.

Other Proposed Changes

Other proposed changes would shift certain grant notices and priorities from the Federal Register to application notices and Grants.gov; establish procedures for frontloading multiyear awards; require States and subgrantees to comply with applicable Executive orders; require nonprofit applicants to document their nonprofit status; and add severability provisions to EDGAR. While generally less significant than the changes highlighted above, these provisions could still affect institutional grant monitoring, administration, and compliance practices.

Looking Ahead

The proposed EDGAR revisions could meaningfully change how education institutions compete for and manage U.S. Department of Education grants. The most consequential provisions to watch include the proposed competitive preference for reduced indirect costs, changes to continuation funding and unspent balances, expanded termination authority, revised selection criteria, and the new evidence framework.

Because these changes remain proposed, institutions and other stakeholders can weigh in before the regulations are finalized. Public comments on the NPRM are due September 23, 2026, and the Department specifically invites feedback on several provisions and their potential impacts. Institutions should consider whether the proposed changes, particularly those affecting indirect cost recovery and post-award funding decisions, warrant institutional or association-level comments.

As the rulemaking process moves forward, institutions should monitor the final regulations and subsequent Department guidance and begin assessing how their grant prospecting, budgeting, application development, and post-award management practices may need to evolve.

ABOUT TSG ADVISORS – EDUCATION

TSG Advisors seeks to serve as a leading partner in education and workforce consulting by bridging policy development with strategic implementation. We work alongside public institutions, nonprofits, government agencies, philanthropy, and private partners to develop practical strategies that support effective programs, strengthen alignment between education and workforce systems, and advance high-impact practices across the education landscape. Grounded in deep experience across the education sector, the TSG Advisors team brings subject matter expertise and a shared commitment to improving outcomes through collaborative, evidence-informed approaches.

For questions about this analysis or to learn how TSG Advisors can support your institution in understanding and preparing for changes to federal education grant policy and administration, please reach out to our Education practice.

- **Website:** www.tsgadvisors.com/education/
- **Email:** education@tsgadvisors.com