THE UNITED STATES
CONFERENCE OF MAYORS

July 13th, 2026
The Honorable Russell Vought
Director, Office of Management and Budget
725 17th Street NW
Washington, DC 20503

Re: Regulation for Federal Financial Assistance; Docket ID No: OMB-2026-0034

Dear Director Vought,

The United States Conference of Mayors ("The Conference" or USCM), the official non-partisan organization of cities with populations of 30,000 or more, appreciates the opportunity to submit comments to the Office of Management and Budget's (OMB) proposed rule **Regulation for Federal Financial Assistance** (published in the Federal Register on May 29, 2026). Local governments rely on federal financial assistance to deliver essential services to residents and implement programs that address local and national priorities, and require federal program rules to be clear, predictable, and administrable. The proposed rulemaking aims to overhaul the Uniform Guidance, the federal guidance governing federal grants, cooperative agreements and other types of federal assistance. Any changes made to the federal grant administration process will have direct impacts on cities' administrative operations, local budgets, and municipal programs; all of which are necessary for addressing community needs.

The Conference **strongly opposes** the proposed revisions to the Uniform Guidance. While OMB states that the proposal is intended to 1) improve transparency, accountability, and oversight; 2) clarify the regulatory status of 2 CFR, and 3) reduce recipient burden, the proposed rule would instead increase compliance costs, create substantial uncertainty for recipients, expand federal discretion in ways that threaten program stability, and ultimately limit cities' ability to access and administer federal assistance. Additionally, the Proposed Rule would impose new and substantially burdensome compliance requirements for cities that extend beyond traditional financial management and program administration. If finalized as proposed, these changes will result in some of the most significant challenges for grant recipients in modern federal grant administration.

Given the significance of the proposed changes and the far-reaching impacts across all federal agencies, we urge OMB to withdraw its Proposed Rulemaking. As the Agency moves forward in considering feedback from local stakeholders, we offer the following concerns and recommendations below.

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A. <u>Accelerated Compliance Timeline</u>

The effective date for the proposed rulemaking is October 1st, 2026. With a published proposal announced on May 29th and comments due on July 13th, the 45-day comment period already represents a compressed deadline for public input, especially for a rulemaking with such wide-ranging impacts. Regardless of the revisions in the proposed rule, the compressed October 1, 2026 deadline is unrealistic and does not give sufficient time for agencies, recipients, and subrecipients to prepare, and will specifically hurt small, rural, and under-resourced communities because they cannot afford the costs associated with rapid compliance. This deadline ignores the administrative and economic impacts that the proposed revision would create. The revisions would substantially rewrite federal grant administration rules for nearly every federal agency and for nearly all stages of the award process, but would only leave a few months for local governments to review policies, train staff, and adjust their compliance systems to this sudden regulatory shift. Furthermore, it remains unclear as to which grants (and in what stages), would be subject to new requirements under this deadline. Local governments need explicit language clarifying this provision, such as if new requirements would also apply to current/existing awards with changes made after October 1st?

We therefore urge OMB to extend the comment period to at least 90-days, and delay the October 1, 2026 effective date to allow for adequate research and compliance preparation.

B. <u>Increased Uncertainty in Federal Funding Decisions</u>

Guidance Becoming a Government-Wide Regulation

USCM takes issue with the removal of the long-standing statement that 2 CFR Subtitle A is "guidance, not regulation." Making the Uniform Guidance a “regulation” would result in future OMB amendments becoming effective government-wide without separate agency rulemaking. A change from Uniform Guidance to Uniform Regulations that is binding upon agencies is problematic as it removes the agencies’ ability to make grant making decisions based on the knowledge of experts in the field. Furthermore, different federal agencies are bound by program-specific statutes, and those statutory obligations may require different procedures, oversight mechanisms, or funding conditions that differ or conflict with Uniform Guidance.

The Uniform Guidance should, therefore, remain “guidance,” not a regulation.

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Pre-Issuance Review and Reduced Objectivity in Award Decisions

The Conference strongly opposes the revisions that all program goals and objectives align with current administration policies and priorities which would create a process where Senior political appointees conduct a pre-issuance review to exclude grant proposals from consideration if the proposal is not consistent with "federal agency priorities." The proposed rule further states that these senior level officials *not* defer to the recommendations of others but instead use their own judgement. We have serious concerns that these outlined principles will result in federal funding being awarded based on political decisions rather than objective applicant merit.

Cities and local governments depend on a federal grantmaking process that is predictable and transparent, with clear and consistent criteria. If federal grantmaking decisions are to be based on the priorities of federal agencies, or how well they advance the President's policy goals, how are local leaders expected to plan for long-term future investments when these priorities may shift in the next Administration or even within the course of the same one? Furthermore, is there an organized process where cities are able to determine whether a project remains aligned with agency priorities?

Additionally, the rulemaking proposes requiring grant recipients to adhere to Executive Order requirements in their applications, which includes ensuring that federal awards are not used to fund, promote, encourage, subsidize, or facilitate: Diversity, Equity, Inclusion, and Accessibility (DEIA), Immigration and Workforce, and Gender Ideology. It is stated that applications should work instead to support federal policy priorities such as faith-based organizations, and advancing the Administration's national goals—with Senior Political Leaders the only arbiters of which faith-based organizations are in favor and what current national goals are a priority. We consider such a process to be arbitrary, adding a high level of uncertainty in determining qualification for federal grants and potential grant terminations.

We are also concerned that cities and localities could face increased scrutiny when proposing to direct resources to address needs such as maternal health disparities or inferior infrastructure in communities where the highest-need populations happen to be disproportionately represented by minority groups or geographic designation. Would this administration then view proposals for targeted investments as an inappropriate use of resources based on any criteria of need or disparities?

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Termination Authority

The Conference also takes issue with the proposed revisions that would allow the federal government to terminate or suspend funds. These revisions give sweeping authority to the administration and to federal agencies to terminate or delay awards on a discretionary basis if the program is deemed inconsistent with "national interest." It is unclear how determinations of national interest are made, but it would allow a new administration to revoke grants that were awarded under a previous administration, even if grantees remain compliant with award requirements. Will recipients have an opportunity to cure deficiencies or appeal any grant revocations before award termination? Furthermore, these provisions create a new level of uncertainty regarding the continuity of federal funding and would force cities to operate federal programs in a shifting environment. The uncertainty means many cities may decide that it is not worth the risk to apply or accept federal funding, leading to gaps in essential services that residents are relying on. This may be particularly the case with smaller and medium-sized communities.

To note, it was only in the past year that federal agencies withdrew or terminated hundreds of millions of dollars of federal grant money going to local communities for a number of wide-ranging programs and projects that were deemed as going against the national policy priorities of the Administration. Local leaders often spend years dedicating staff and resources, developing applications, securing partnerships, matching outside funding, and building infrastructure to support anticipated federal funding awards. Additionally, directives outlined in Executive Orders are not codified by law, and recent court decisions have reinstated grant programs that were erroneously terminated for the reasons stated above. Therefore uncertainty remains as to what specific programs, projects, and actions will fall under these categories? Will mental health programs or housing affordability initiatives targeting lower income and disadvantaged communities be considered DEI if they happen to include diverse populations? Furthermore, if a city is replacing lead pipes, and those lead pipes are in a predominantly minority neighborhood, would this be considered DEI and be terminated?

The drastic shift in federal priorities that led to the sudden cancellation of, in some cases already awarded grants, resulted in communities either absorbing large costs, and the abandonment of major projects, or both. All of which the consequences fall on local governments and taxpayers.

USCM takes issue with the proposal's introduction of arbitrary and capricious subaward reporting to SAM.gov and additional pass-through entity oversight responsibilities that require pass-through entities to ensure subrecipients do not "significantly damage the reputation" of

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the pass-through entity, funding agency, or the U.S. government. The revised Uniform Guidance (Regulation) then requires pass-through entities to consult with relevant federal agencies if a subrecipient engages in reputational harmful activities, with the possibility that the federal agency could terminate the subaward. However, the proposal provides no definitions or examples of what constitutes reputational harm. Cities administer a wide range of federally funded programs through non-profit and community-based partners. This ambiguity increases administrative burdens and could expose cities to enforcement actions made on subjective judgments that are outside their control.

Financial Liability Resulting from Award Termination

The Conference is also concerned that the proposed expansion of Federal agencies' authority to suspend or terminate awards creates significant financial risks that extend well beyond the loss of Federal funding itself.

Local governments frequently make substantial financial commitments in reliance upon Federal awards. Once funding is awarded, cities often enter into construction contracts, professional service agreements, equipment purchases, long-term leases, cooperative agreements, and subawards. In many cases, recipients also issue debt, establish financing arrangements, or commit local matching funds based upon the reasonable expectation that awarded Federal funding will remain available so long as recipients continue to comply with applicable award requirements.

Unlike many private transactions, local governments generally cannot simply abandon projects without significant financial consequences. If Federal assistance is terminated after these obligations have been incurred, cities may remain legally responsible for:

- Payments due under executed construction and procurement contracts;
- Contract termination costs and settlement expenses;
- Professional service agreements already performed;
- Outstanding invoices for completed work;
- Debt service associated with bonds or other financing issued in anticipation of Federal reimbursement;
- Local matching funds already expended;
- Subrecipient obligations;
- Potential litigation arising from cancelled contracts or delayed projects; and
- Costs necessary to safely suspend, secure, or demobilize partially completed projects.

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These liabilities ultimately become obligations of local taxpayers rather than the Federal government, and represent significant financial and budgetary risks to local governments The Conference therefore encourages OMB to recognize that discretionary award termination has consequences extending far beyond the recipient organization. It affects contractors, subcontractors, suppliers, nonprofit partners, employees, bondholders, lenders, local businesses, and ultimately the residents those projects were intended to serve.

Accordingly, the Conference recommends that, except in cases involving fraud, criminal misconduct, or other material violations of law, Federal agencies should provide recipients with meaningful notice of deficiencies, an opportunity to cure identified compliance issues, and reasonable transition periods before exercising discretionary termination authorities. Such an approach protects Federal interests while minimizing unnecessary financial disruption to local governments and private sector partners acting in good faith.

Furthermore, where termination is based upon changes in Federal policy priorities rather than recipient noncompliance, Congress and Federal agencies should recognize that recipients may have already incurred substantial financial obligations in reliance upon previously awarded Federal assistance. OMB should encourage agencies to develop orderly transition mechanisms that allow for the completion of existing contractual commitments or provide equitable reimbursement for unavoidable closeout costs incurred as a direct result of Federal policy changes.

Doing so would preserve confidence in the Federal grant-making process, protect taxpayers from assuming unexpected financial liabilities, and strengthen the Federal government's credibility as a reliable funding partner.

The Conference's position is not to allow a political appointee to terminate a grant at his or her discretion and to avoid the grant making process from becoming subject to political whims.

Safe Harbor for Good Faith Compliance

The Conference recommends that OMB establish a government-wide "good faith reliance" principle for recipients acting in accordance with official Federal guidance. Recipients frequently rely upon Frequently Asked Questions, agency memoranda, webinars, technical assistance documents, and written correspondence when implementing Federal awards. When agencies subsequently revise or clarify their interpretations, recipients should not automatically face adverse enforcement actions for actions reasonably taken in reliance upon previously issued Federal guidance.

Providing recipients with a regulatory safe harbor for documented good faith reliance would promote consistent implementation, encourage proactive communication with awarding agencies, and reduce unnecessary disputes while preserving strong accountability for fraud, waste, abuse, and intentional misconduct.

C. The Administrative and Fiscal Impact of the Proposed Rule

Written Payment Justifications

The proposed rule requires payment requests be submitted to federal agencies and pass-through entities with detailed justifications outlining the purpose of the payment and how it directly relates to the funded award activities. While the revised guidance says these justifications should be brief, it also should include project milestones, project activities, administrative activities, or other requirements that must be completed under the Federal award. Without a limit on the length of the justification, especially when recipients and subrecipients may be faced with discretionary termination, they are likely to provide extensive justifications to demonstrate continued progress and compliance. This requirement creates an additional layer of documentation for recipients, subrecipients, and contractors, and also introduces additional review and approval responsibilities for Federal agencies and pass-through entities. As a result, this requirement could significantly increase administrative burdens and costs while creating significant delays as agencies review the submissions.

Administrative and Fiscal Burden on Local Governments

The Conference respectfully requests that OMB conduct and publish a more comprehensive assessment of the administrative and fiscal impacts the Proposed Rule will impose upon recipients and subrecipients. While the proposed rule seeks to improve accountability and stewardship of taxpayer resources, nearly every significant revision shifts additional administrative responsibilities to recipients without identifying the associated implementation costs or the resources necessary to achieve compliance.
Unlike many federal regulations that affect a single operational function, the proposed revisions require local governments to undertake enterprise-wide organizational changes. Compliance will require jurisdictions to invest significantly in the items below:

- Revise grants management policies and procedures each time a new political interpretation is made;

- Update procurement manuals and contract templates based on politics and not policy;
- Modify financial management systems and enterprise resource planning (ERP) platforms to anticipate the unknowns;
- Reconfigure grant management software and reporting tools based on the whims of political appointees;
- Review and revise human resource policies to address new workforce verification requirements that could be contrary to state and local law;
- Implement multi-tier legal review processes for certifications, assurances, and grant agreements more times than not requiring added expense of specialized outside counsel;
- Modify internal control systems and audit procedures without notice creating more risk instead of less; and
- Develop new monitoring and documentation processes across departments that monitor qualitative data such as reputational risk without the ability to fully define or know who the key stakeholders are.

These activities represent substantial unfunded administrative mandates. The Conference requests OMB to prepare a comprehensive implementation cost analysis estimating the administrative burden associated with the proposed revisions for recipients of varying size and capacity, including small, rural, and under-resourced communities, and to do so as soon as possible.

Without such an assessment, it is difficult to conclude that the proposal satisfies the Administration's stated objectives of improving efficiency and reducing administrative burden.

The Cost of Compliance Is a Program Cost

The Conference further encourages OMB to recognize that every additional compliance requirement consumes resources that would otherwise be devoted to delivering public services. Each additional certification, reporting requirement, documentation standard, and oversight responsibility requires local governments to divert limited staff time away from infrastructure projects, public safety initiatives, housing programs, economic development efforts, and other community priorities.

OMB has been critical of some organization's high indirect cost rates but these proposed changes will only necessitate jurisdictions devoting more funding to administration and indirect costs. Improving accountability should not unintentionally reduce communities' ability to deliver the very programs federal financial assistance was intended to support.

We summarize our opposition to the proposed rule based on the following serious concerns:

- Accelerated compliance timeline
- Guidance becoming a government-wide regulation
- Pre-issuance review and reduced objectivity in award decisions
- Termination authority on a discretionary basis and its associated risks
- Financial liability resulting from award termination
- Increased administrative and fiscal burden on local governments

D. What OMB Should Address: Streamlining Access and Modernizing the Federal Grants Experience

Standardize Federal Grant Applications

For the above reasons, The Conference must oppose the proposed rule because of the serious flaws as currently constituted. The Conference, however, encourages OMB in the future to continue working toward greater standardization of grant application requirements across federal agencies. While programmatic differences will always exist, applicants should not be required to navigate fundamentally different administrative processes, formats, and submission requirements for similar types of federal assistance.

OMB should encourage agencies to adopt common application structures, standardized budget formats, consistent definitions, and shared administrative requirements wherever practicable. Greater consistency would reduce administrative burden, improve applicant understanding, and allow local governments to devote more time to developing high-quality projects rather than navigating varying agency processes.

Increase Predictability in Federal Funding Opportunities

Local governments develop capital improvement plans, budgets, and staffing decisions years in advance. Greater predictability regarding anticipated funding opportunities would improve project planning and increase the quality of applications. The Conference encourages Federal agencies, whenever possible, to publish annual or multi-year grant calendars identifying anticipated Notices of Funding Opportunity, application windows, expected award timeframes, and projected funding cycles.

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Providing applicants with greater planning certainty along with application response time will improve project readiness and reduce rushed applications.

Improve Transparency During Application Review

Applicants often invest hundreds of staff hours developing competitive applications but receive little information regarding award decisions. USCM encourages OMB to establish minimum government-wide expectations for applicant feedback following competitive funding decisions. Such feedback need not be extensive but should identify major strengths and weaknesses to improve future submissions. Providing constructive feedback strengthens applicant capacity while improving future competition.

Continue to Encourage Plain Language

Despite some recent efforts many Notices of Funding Opportunity remain unnecessarily lengthy and difficult to navigate. The Conference supports OMB's efforts to require executive summaries and encourages agencies to further adopt plain language principles by:

- Clearly distinguishing statutory requirements from agency preferences;
- Highlighting evaluation criteria;
- Providing applicant checklists;
- Summarizing required attachments;
- Clearly identifying mandatory versus optional requirements.

Simplifying NOFOs improves accessibility without reducing accountability.

Create a Federal Grants Knowledge Center

The Conference further recommends OMB establish a centralized repository of government-wide grants resources, including:

- Model grant policies
- Procurement templates
- Monitoring guides
- Uniform Guidance implementation tools
- Sample internal controls
- Sample grant agreements
- Cost allocation examples
- Training videos

- Frequently Asked Questions
- Best practices from federal agencies

To be successful, the materials in this repository should be applicable to all agencies and programs and not a continuation of the agency specific silo'ed approaches occurring today. This would build long-term capacity across the grants community while reducing inconsistent interpretations of the Uniform Guidance.

E. Strengthening Federal-State-Local Partnerships Rather Than Expanding Punitive Enforcement

The Conference respectfully encourages OMB to view state and local governments as partners in achieving national priorities, rather than primarily as entities requiring additional oversight and enforcement. Cities are the level of government closest to the American people and are responsible for implementing many of the federal programs that directly impact public safety, housing, infrastructure, transportation, public health, economic development, and disaster recovery.

Federal financial assistance succeeds when every level of government shares responsibility for program outcomes. While accountability is essential, accountability is best achieved through clear expectations, early coordination, technical assistance, and capacity building, not through increased uncertainty regarding award termination or expanded discretionary enforcement after funds have already been awarded.

The proposed rule appropriately emphasizes accountability and stewardship of taxpayer dollars. The Conference shares those objectives. However, we believe these objectives are better advanced through collaborative and cooperative federalism than through additional punitive authorities that may discourage participation by recipients or create uncertainty regarding long-term federal investments.

Strengthening intergovernmental coordination advances the Administration's goals of improving efficiency, accountability, and return on taxpayer investment while reinforcing the constitutional principles of federalism.

Restore and Expand National Grants Coordination

The Conference further encourages OMB to restore and expand successful intergovernmental coordination initiatives. Past federal efforts demonstrated that bringing together federal agencies, states, local governments, inspectors general, grants management professionals, and national stakeholder organizations produced meaningful improvements in grants administration, consistency of guidance, professional education, and implementation of government-wide policies.

Increased intergovernmental coordination could provide an effective forum to address the following:

- Identify implementation challenges before regulations become effective;
- Develop government-wide training and technical assistance;
- Share best practices among federal agencies and recipients;
- Promote consistent interpretation of Uniform Guidance;
- Improve coordination across federal grant-making agencies;
- Reduce unnecessary administrative burden while strengthening accountability; and
- Support the Administration's objectives of improving stewardship of federal financial assistance.

Federal financial assistance has become increasingly complex. The solution is not simply additional regulation, it is stronger collaboration among all levels of government responsible for delivering results.

Build Recipient Capacity

The Conference believes that accountability is most effective when recipients are equipped with the tools necessary to succeed before compliance failures occur. Rather than relying primarily upon expanded termination authorities and post-award enforcement, OMB should encourage agencies to establish comprehensive implementation strategies whenever significant government-wide regulatory changes are adopted. Such strategies should include:

- Government-wide implementation guidance;
- Model policies and procedures;
- Standardized grant management templates;
- Frequently Asked Questions with version control;
- Technical assistance webinars;
- Regional office hours;
- Communities of practice;
- Implementation checklists;
- Sample grant conditions; and
- Agency implementation roadmaps.

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A Partnership Model for Federal Financial Assistance

The Conference respectfully recommends that OMB adopt a partnership model for federal financial assistance built upon five guiding principles:

1. **Clear Expectations** – Provide recipients with timely, consistent, and understandable requirements before implementation.
2. **Meaningful Coordination** – Strengthen communication among federal agencies, states, tribes, territories, and local governments through enhanced intergovernmental review and collaboration.
3. **Capacity Building** – Invest in technical assistance, professional education, and implementation support to help recipients succeed.
4. **Continuous Improvement** – Encourage corrective action and organizational learning before punitive enforcement whenever appropriate.
5. **Accountability Through Partnership** – Preserve strong oversight while recognizing that successful program delivery depends upon mutual trust and shared responsibility among all levels of government.

The Conference believes these principles will better achieve OMB's stated goals of improving transparency, accountability, and stewardship while ensuring that local governments remain effective partners in delivering federal programs and serving the American public.

F. Concerns and Recommendations in Summary

The Conference summarizes its concerns and recommendations below.

1. Withdraw the Proposed Rule.
2. Provide adequate implementation dates to future OMB guidance.
3. Clarify applicability to existing awards, amendments, continuations, supplemental awards, subawards, cooperative agreements, and obligations incurred before the effective date.
4. Eliminate pre-issuance review based on discretion and ill-defined criteria.
5. Eliminate Administration and political appointee discretion to terminate grants.
6. Remove unnecessary burdensome paperwork for payment requirements.
7. Publish comprehensive implementation guidance before the effective date.
8. Develop standardized templates, model policies, and implementation tools, and establish government-wide technical assistance, webinars, office hours, and communities of practice..

9. Restore and expand the intergovernmental advisory bodies and coordination.
10. Adopt a good-faith reliance safe harbor for recipients implementing official Federal guidance.

The Conference shares the Administration's stated goal of improving stewardship of taxpayer resources, increasing transparency, strengthening accountability, and ensuring that Federal financial assistance delivers meaningful results. However, we do not believe the Proposed Rule meets these objectives. We respectfully believe they are best achieved through partnership rather than prescription, capacity building rather than compliance alone, and collaborative federalism rather than increased uncertainty.

The United States Conference of Mayors appreciates the Office of Management and Budget's serious consideration of our comments. If you have any questions about these comments, please contact Dave Gatton at dgatton@usmayors.org.

Sincerely,

Tom Cochran
CEO and Executive Director
The United States Conference of Mayors