



July 13, 2026

Re: OMB-2026-0034, Regulation for Federal Financial Assistance

We, the undersigned organizations who represent state and local governments, market leaders, and regional entities, write today on behalf of the Public Finance Network (PFN) to provide comments on the U.S. Office of Management and Budget (OMB) et. al proposed rule “Regulation for Federal Financial Assistance” (OMB-2026-0034), that would substantially revise the Guidance for Federal Financial Assistance – the “Uniform Guidance.” Collectively, our organizations represent state and local governments and nonprofit organizations administering public programs funded by federal appropriations.

We share the administration’s goal to improve and streamline the grant application process and compliance pipeline. State and local governments and the communities we serve deploy sophisticated systems of internal controls, informed by decades of continuous improvement and technological advancement. We support the administration’s effort to make consistent improvements to these processes; however, as we emphasize in this letter, we remain concerned that the proposed timeline and comprehensive changes will require recipients to revise long-standing policies and procedures in a short time frame, retrain staff, and absorb significant administrative costs or risk funding delays to critical services and functions on which residents rely.

Our collective comments cover important general points about the proposed rule and detail risks and impact borne by all affected recipients of federal funds. We encourage regulators to also evaluate the more detailed remarks submitted individually by state and local public finance organizations such as the Government Finance Officers Association, the National Association of Counties, and the National League of Cities.

Our collective membership cannot ignore the very intricate relationship between local and state financing and federal funding, all of which governments leverage to serve millions of people nationwide. This is why it is imperative that we address the challenges state and local governments and the communities we serve will face if these proposed changes become effective by October 1, 2026.

Consider the following points for revision:

The proposed effective date of October 1, 2026, deprives state and local governments of the time needed to effectively change systems and processes to comply immediately. Most governments, particularly thousands of small, rural, and Tribal governments, will not be able to change the comprehensive policies and procedures they have already in place to aid in compliance by October 1. We share in the administration's agenda to empower small and rural governments by reducing federal red tape and complex grant processes. However, this proposed implementation timeline would force these very small governments to overhaul their systems of internal controls for current funding compliance. Moreover, new approaches to federal funding from smaller entities will be substantially delayed. Any rule of this magnitude has the potential to be transformational but if the implementation process is rushed, the administrative burden and operational disruption necessary to comply will minimize the positive intentions spelled out in the executive summary.

Federal agencies will need to provide guidance that cannot be easily administered without a longer runway for implementation. Virtually every federal agency administering grants or other financial assistance awards will have to make significant changes as a result of these proposed rules. These changes will include comprehensive oversight and reporting requirements, elimination of fixed-amount awards, and treatment of Uniform Guidance as binding regulation. As written, the proposed changes apply to all grant programs of the federal government, with exemptions to discretionary terminations specifically described as "programs where legislation establishes an entitlement to the funds on the part of the recipient such as block grants, those awarded based on a statutory formula, or disaster recovery grants." We respectfully request a comprehensive list of the exempted programs so that recipients may understand specific applications of these proposed regulations to all federal funds. For example, how does the exemption apply to programs where federal financial assistance is structurally blended with state matching funds, interest earnings, and loan repayments. All recipients and pass through entities should have the ability to track applied principles of these proposed changes and implementation policies and procedures, including portal and/or technology advancements to aid compliance, throughout all levels of the administration.

The proposal would place a significant burden on pass-through entities and award administrators to increase oversight and monitoring of all subrecipients significantly adding to the overall cost and administrative burden (§§ 200.305(c), 200.329(b), 200.329(h),

200.331(c), 200.332(g)–(l), 200.333). Collectively, **state and local governments and the communities we serve** account for over a trillion dollars in funding flowing to our nation’s communities per year. It would be impossible to serve the millions of people utilizing public services and systems without relying on subrecipients such as local service providers, school districts, nonprofit organizations, contractors, and other parties. As currently written, the proposed rule would make the pass-through entity responsible for preventing subrecipients from taking any action that “could significantly damage the reputation” of the pass-through entity, the Federal Government, or the awarding agency. We are concerned that this proposed requirement is so broad that it poses substantial financial and legal risks for all parties involved. This risk has the potential to extend throughout the economy, as Moody’s Ratings has indicated that discretionary termination and suspension provisions could be a credit negative to issuers of tax-exempt municipal bonds that have accepted federal awards¹. A modified or phased approach, beginning with awards of substantial size relative to the recipient would allow for the pass-through entities to begin a process of review that could achieve the goals of accountability and public trust. We share in the goal of alignment among all entities involved in using federal dollars to positively impact all Americans.

Conclusion

PFN members administer, receive, finance, monitor, and support billions of dollars in federal assistance through a wide variety of governmental, utility, infrastructure, housing, education, and public service entities. Thus, we remain steadfast in our commitment to be good stewards of federal funds to the benefit of millions of Americans nationwide who depend on our entire network to deliver effective services. The proposed rule stated goals are commendable, but successful implementation requires sufficient transition time, clear federal guidance, and administrable compliance expectations.

To minimize the negative externalities from such swift changes and ensure successful implementation, we urge:

- Extending the comment period to ensure all voices are heard and points are considered
- Articulating specific programs that are exempted from parts of the proposal and extending the proposed rule’s implementation date to at least one year, to ensure all federal agencies and recipients alike can overhaul all relevant systems and processes with minimal operational disruption
- Providing more flexibility to pass through entities to reduce the administrative burden of monitoring thousands of subrecipients without risking the very funding needed to put constituents first and operate efficiently

We stand ready to work with the OMB and federal agencies to ensure implementation of the final regulation is efficient, practical, and consistent to the benefit of everyone impacted by the federal funding landscape.

¹ The Bond Buyer, "Moody's Warns Proposed Political Review of Grants a Credit Negative," June 15, 2026, <https://www.bondbuyer.com/news/moodys-warns-proposed-political-review-of-grants-a-credit-negative>

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