NATIONAL LEAGUE OF CITIES
A CENTURY OF STRENGTHENING CITIES

July 13, 2026

The Honorable Russell T. Vought
Director
Office of Management and Budget
725 17th Street NW
Washington, DC 20503

Re: OMB-2026-0034, Office of Management and Budget (OMB) Regulation for Federal Financial Assistance

Dear Director Vought,

The National League of Cities (NLC), which represents over 19,000 cities, towns and villages across the United States, respectfully submits the following comments on OMB's proposed revisions to 2 CFR Part 200, the Uniform Guidance governing federal grants administration.

Federal revenue sharing and financial assistance are critical components of the federal-local partnership. Grant dollars support investments in infrastructure, transportation, public safety, public health, affordable housing and workforce development, among other shared local, state and federal priorities. These investments help local governments address emerging challenges while advancing national priorities. As stewards of taxpayer dollars, we agree with the need to be constantly vigilant for cases of waste, fraud and abuse, but believe this proposal would increase the cost and complexity of administering federal funding without meaningfully reducing waste, fraud or abuse.

NLC requests an extension of the comment period and the opportunity to engage OMB to address our most significant concerns. NLC is opposed to the proposed rule in its current form and urges its withdrawal before the pending enactment date.

Our questions and concerns include:

Increased Administrative Burdens on Local Governments

The majority of the nation's 19,500+ municipalities, particularly rural, small and mid-sized communities, operate with tight budgets, limited administrative capacity and often lack dedicated grant management staff. Municipal personnel – from mayors and clerks to police chiefs and librarians - learn to apply for, manage and administer federal grants in addition to their primary responsibilities.

Rather than streamlining the grant process, the proposed expansion of documentation, monitoring and compliance requirements would divert limited resources away from municipal operations and services. Moreover, several provisions would increase the time required for federal grant decisions to be announced, reimbursements to be approved and grant modifications resolved. As a result, infrastructure may take longer to build, public safety dollars supporting emergency response could be delayed and affordable housing construction costs could increase. Local governments already comply with extensive financial management, procurement, reporting and audit requirements under federal and state laws, including the Uniform Guidance and Single Audit framework. Several proposed changes, such as § 200.305 (c), would require municipalities to submit information already provided to the federal government in multiple forms. NLC encourages OMB to maintain streamlined administrative requirements for local governments and continue to use risk-based oversight approaches that align compliance obligations with grant size, complexity and recipient capacity.

Additionally, NLC encourages OMB to revisit the elimination of fixed amount awards for specific situations (§§ 200.201 and 200.333). Fixed amount awards have been particularly useful for smaller municipalities that nonetheless maintain costly infrastructure systems such as storm and waste-water and manage growth of transportation and housing needs.

The cumulative burdens that would be added by the proposed rule may discourage participation in federal grant programs, particularly among smaller and more rural communities with limited resources. Smaller municipalities already face additional challenges competing for and administering federal grants. We encourage OMB to prioritize flexibility, technical assistance and streamlined grant administration practices that allow communities of all sizes to access federal funding.

Before finalizing these provisions, NLC urges OMB to answer the following questions that remain unaddressed or unclear in the proposed rule:

- Will the proposed changes be made to already signed grant contracts or just to grant contracts moving forward?

- Can OMB provide examples of additional terms and conditions that could be added to new and existing grant awards (§ 200.208)?

- Can OMB provide examples of what would prompt a federal agency to add new terms and conditions to existing grant awards (§ 200.208)?

- Will OMB or specific federal agencies be providing technical assistance for communities that must learn how to use the E-Verify program (§ 200.303(f))? Will there be real human beings available to talk to communities having trouble accessing the program? If so, will that technical assistance be available in perpetuity to account for staff turnover on the municipal level?

- Will there be a waiver process available for the Buy America-style provisions (§ 200.322)? What happens if the United States doesn't have the domestic production capacity for certain products?

Need for Stability and Predictability of Federal Funding

NLC is particularly concerned with proposed revisions that would expand federal agencies' authority to terminate discretionary awards when an agency determines that an award no longer advances program goals, agency priorities or the national interest (§§ 200.340 and 200.341).

Many grant programs support national priorities – from Safe Streets and Roads for All to the Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program – and require long-term staffing and procurement decisions. Expanded termination authority would create uncertainty, discourage local investment and undermine the effectiveness of these programs. Smaller, less resourced and rural communities may decide to forgo federal funding for a more reliable funding source, such as municipal bonds or increased taxes. Where these are not practical options, reductions in operations and services will be the most likely outcome.

NLC urges OMB to establish clear standards, transparent procedures and due-process protections before grants may be suspended, modified or terminated, particularly after recipients have begun implementing approved projects and spending grant dollars.

Before finalizing the grant termination provisions, NLC urges OMB to answer the following questions and provide additional information on how grant terminations would work:

- Will agencies provide at least a 30-day notice to communities before terminating a grant?
- Will communities be reimbursed for all funding the community has spent until the grant termination is finalized?
- How will the federal government aid communities that have half-done brick-and-mortar projects and no additional funding to finish them?
- Will the federal government provide contract templates for communities to use with business contractors, allowing communities to cancel their contract at any point during the project should their federal award be terminated?
- Will communities have a process to request reconsideration of the termination?
- Will communities be told why their grant was terminated?

Additional Requirements for Pass-Through Funding and Subrecipient Oversight

NLC is concerned about the impact of the proposed rule on federal grants that flow through states before reaching local governments (§§ 200.329-200.332). Many grant programs – especially public safety grants, such as the Homeland Security Grant Program (HSGP) and Emergency Management Performance Grant (EMPG) - depend on effective coordination among federal, state and local partners.

Additional recipient and subrecipient monitoring requirements could increase administrative costs, lengthen approval timelines and create duplicative reporting obligations. Municipalities often rely on timely grant awards to support preparedness activities, cybersecurity improvements, training, equipment purchases and emergency management personnel.

OMB should ensure that any new oversight requirements are risk-based, targeted and designed to avoid unnecessary burdens while promoting timely distribution of federal funds to local governments.

Before finalizing these provisions, NLC urges OMB to answer the following questions that remain unaddressed or unclear in the proposed rule:

- Can OMB provide examples of what “reputational harm” may look like (§ 200.332 (i))?
- Will OMB provide guidance on how communities can ensure that subrecipients do not cause “reputational harm” to the community, granting federal agency, or the federal government (§ 200.332 (i))?
- For federal funding that communities receive from states as a pass through, will the Do Not Pay (DNP) system delay funding from the state to communities (§ 200.305)?
- If a community is determined to be ineligible for funding under DNP, is there a reconsideration process (§ 200.305)?

Increased Politicization in Federal Grants

The vast majority of local elected positions are non-partisan. Local governments are on the front lines of public safety, emergency response and disaster recovery. Federal grants are most effective when they support a strong federal-local partnership built on trust, flexibility and shared responsibility.

NLC is concerned about proposed revisions that would require additional review of discretionary awards by senior political appointees (§ 200.205). While federal agencies should retain discretion in funding decisions, additional layers of review could slow award decisions and create uncertainty for local governments seeking federal assistance for upgrades and improvements that benefit all residents. Many municipal programs operate on tight timelines tied to hiring cycles, procurement schedules, preparedness activities and emerging threats. Delays in award decisions can hinder local governments' ability to address urgent community needs. We encourage OMB to prioritize using career subject-matter experts, who are tasked with following congressional statute, assessing the capacity of grant applicants, and determining which grant applications meet the stated goals and expectations. Federal grants should remain politically neutral and focused on outcomes.

Before finalizing these provisions, NLC urges OMB to answer the following questions that remain unaddressed or unclear in the proposed rule:

- Will OMB provide detailed descriptions or definitions on what “history of questionable practices” mean and how far back the federal government will consider (§ 200.206 (vii))?
- Will the requirement that political appointees approve each grant award slow down the grant process? If so, what is OMB’s estimate on the slowdown?
- Will OMB provide detailed guidance on how federal agencies and private individuals and organizations will coordinate in pursuing private causes of action for grant noncompliance, and what guardrails will exist to prevent abuse (§ 200.339 (6b))?
- Can OMB provide detailed guidance on how communities should enforce § 200.219, which states that grantees not “discriminate on the basis of the viewpoint, content or subject matter of speech — including on the basis of political, ideological or religious

affiliation or perspective — in providing services for events, meetings or other expressive activities," regardless of whether those activities are federally funded, including if municipal-owned property, such as parks, which are frequently rented out by the public, are included?

Recommendations

To ensure federal financial assistance remains accessible and effective for communities, NLC recommends that OMB:

- Maintain streamlined administrative and reporting requirements for local government recipients.
- Ensure compliance and oversight requirements are proportionate to grant size, risk and recipient capacity.
- Establish clear standards and due-process protections before grants may be suspended, modified or terminated.
- Minimize duplicative reporting requirements for pass-through grants and subrecipients.
- Promote timely obligation and distribution of federal funds to local governments.
- Withdraw or substantially revise provisions that would allow political appointees to review and approve individual grant awards.
- Expand technical assistance and grant management support for communities with limited administrative capacity.
- Continue meaningful consultation with local governments during implementation of any final rule.

In the event OMB proceeds with any portion of this rule, NLC urges OMB to extend the implementation deadline beyond October 1, 2026, and provide a phased timeline that allows state and local governments to adjust laws, regulations and procurement rules accordingly.

There are several streamlining provisions that NLC supports and encourages OMB to implement including:

- Reinforcing the requirement that Notices of Funding Opportunities (NOFOs) should be written in "plain language" (§ 200.204).
- Requiring that applicants apply for federal grants using Grants.gov unless a program-specific exception is expressly authorized (§ 200.204).
- Encouraging agencies to use Statements of Interest (SOIs) as part of the application process when high application volume or lengthy proposals are expected (§ 200.204).
- Requiring executive summaries (generally limited to 500 words) in NOFOs, with limited exceptions (§ 200.204).

- Requiring NOFOs to be posted for at least 30 days (§ 200.204).

- Encouraging agencies to strive to ensure that NOFOs are accessible to a broad range of applicants, including those that have not previously received federal awards (§ 200.204).

Conclusion

Local governments are entrusted by their residents to be responsible stewards of taxpayer funds. That requires adhering to balanced budgets and carefully prioritizing which projects receive funding. Several of these proposed changes would undermine the reliability that local governments endeavor to provide residents. Local governments depend on this predictability from the federal government when planning and budgeting for federally funded projects. As OMB revises the federal grants framework, it should ensure that new requirements strengthen accountability without creating barriers that undermine local governments' ability to protect residents and deliver essential services.

NLC supports efforts to improve accountability and transparency but urges OMB to ensure that regulatory changes do not discourage localities from seeking necessary assistance or create unnecessary barriers to accessing and administering federal assistance. We appreciate the opportunity to provide these comments and look forward to working with OMB and federal agencies to improve grant administration while preserving local governments' ability to advance shared goals.

Sincerely,

Clarence Anthony
CEO and Executive Director
National League of Cities