July 7, 2026

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

Re: NADO Public Comment Response to OMB-2026-0034-0001, Regulation of Federal Financial Assistance

Dear Director Vought:

On behalf of the National Association of Development Organizations (NADO), we appreciate the opportunity to submit comments on the Office of Management and Budget's (OMB) proposed rule to revise Title 2 of the Code of Federal Regulations (CFR), Subtitle A, published May 29, 2026 (91 FR 32198).

Founded in 1967, NADO is a national membership association representing over 500 Regional Development Organizations (RDOs), often known locally as Councils of Governments (COGs), Planning and Development Districts (PDDs), Regional Planning Councils (RPCs), Area Development Districts (ADDs), or by other similar names. Across the country, RDOs serve as a critical link between federal agencies and local governments: they assist cities, counties, towns, and tribal governments in identifying, applying for, and administering federal grant programs, and help ensure that federal resources reach rural, small, and economically distressed communities that lack the staff capacity to adequately navigate federal requirements on their own. Through this work, NADO's members are responsible for delivering billions of dollars in federal investment annually — and the administrative rules governing that investment directly impacts their ability to serve the communities that depend on them.

While we appreciate the intent of OMB's proposed rule to reduce grant recipient burden and "strengthen transparency, accountability, and oversight in federal grantmaking," we offer the following comments on its anticipated impacts to grantees and the administration of federal assistance programs. We support several provisions that would meaningfully improve the federal grantmaking experience for grantees administering these funds, and we urge OMB to carry those forward. At the same time, we remain concerned that several provisions, as currently drafted, may produce unintended consequences that undermine these shared goals, particularly for smaller grantees operating with limited staff capacity. We are also concerned that the suggested implementation timeline would make compliance difficult, even for well-resourced grantees. Taken together, these factors could significantly disrupt program delivery, while also limiting access to federal resources for the rural and economically distressed communities these programs were originally designed to serve. Our comments below address both areas, and we look forward to working with OMB to ensure the final rule achieves its stated objectives.

As OMB proceeds with modifying 2 CFR 200, we request you consider the following recommendations.

<u>Proposed Revisions that NADO Supports</u>

Objective 3: Reducing Recipient Burden

NADO welcomes several provisions in the proposed rule that reflect meaningful, common-sense improvements to federal grantmaking, which would reduce administrative burden while improving predictability for the regional organizations that administer a myriad of federal programs on behalf of the localities and communities within their region.

Multi-Year Awards: OMB's proposed revision to 2 CFR § 200.202(f) encourages agencies to structure discretionary grant programs as multi-year awards with budget periods extending beyond the typical single fiscal year, when legally permissible. For RDOs, whose work routinely spans multiple fiscal years, this shift would bring meaningful stability and predictability to federal grant programs.

Regional planning and economic development work, from comprehensive economic development strategies (CEDS) to regional transportation plans and hazard mitigation frameworks, takes years to plan, implement, and measure. Requiring them to do this work based on annual funding cycles can create significant constraints. Staff can get furloughed between award cycles, which can weaken momentum and erode community trust. Further, recruitment and retention of high-quality staff is difficult when organizations cannot offer stable employment opportunities. Additionally, single fiscal year funding incentivizes a narrower focus towards what can be delivered within a grant timeline, instead of the sustained, intentional work that actual regional capacity building requires.

Multi-year awards would provide a foundation that would make long-term regional planning more stable and effective, creating a stronger return on the federal investment and for the communities it is meant to serve. **NADO suggests that OMB provide clear agency**

guidance on the scope of "when legally permissible," so that ambiguity does not become an unintended barrier during implementation of the rule.

Clarity on Eligibility: The proposed revision to 2 CFR § 200.202 would help grantees more easily navigate federal programs by requiring agencies, to the extent permitted by law, to clearly specify in each notice of funding opportunity (NOFO) which types of tax-exempt organizations are eligible or ineligible. This is particularly meaningful for NADO members, whose tax structures vary considerably based on state requirements and the services they provide, often making it difficult to determine which federal programs they qualify for.

Notices of Funding Opportunities: There are several proposed revisions to 2 CFR § 200.204 that could make federal funding opportunities more accessible for small, rural RDOs:

- Require agencies to post discretionary funding opportunities on Grants.gov and generally require applications through the same platform. Requiring agencies to post all discretionary funding opportunities on Grants.gov and accept applications through a standardized platform creates a single-entry point for identifying and pursuing federal grants, reducing the burden on smaller RDOs and EDDs that lack the capacity to monitor multiple agency portals and application processes.
- Require agencies to write NOFOs in plain language. Plain language requirements, and instituting limits on NOFO length and complexity, would make federal funding more accessible to organizations with limited grant-writing staff, often serving small, rural communities most in need of federal investment.
- Strongly encourage the use of short "Statements of Interest" before requiring a full application when high application volumes or lengthy proposals are expected. Statements of Interest would allow entities to gauge their competitiveness and the overall fit of a funding opportunity before committing to a full application. This small change could help save these entities significant time and resources when submitting proposals with a low likelihood of selection. In addition to making organizations operate more efficiently, this could also foster increased participation in grant programs, making federal resources more likely to reach the organizations best equipped to deliver results, improving the overall quality of awards and strengthening the return on the federal investment.
- Require clearer timelines, including anticipated award dates, while preserving a minimum 30-day application window unless the agency documents exigent circumstances. A preserved minimum application window would improve predictability for planning and budget cycles, while allowing smaller organizations a set timeframe to prepare and submit applications.

- <u>Direct agencies to consider whether program-specific requirements must be satisfied at the application stage or could instead be required only after selection</u>. Like the Statement of Interest provision, this would save time and resources for unsuccessful applicants by reducing unnecessary up-front work.
- <u>Require agencies to periodically review their own programmatic and administrative requirements to identify unnecessary requirements not mandated by law or the regulation</u>. This provision would create an ongoing accountability mechanism that goes beyond this rulemaking, signaling a sustained commitment to the kind of continuous improvement that effective grant administration requires. Federal programs are only as successful as the grantees administering them and reducing the friction between federal intent and on-the-ground delivery is a shared responsibility that benefits both agencies and the communities they fund.

Taken together, these proposed changes would directly benefit NADO members by lowering the barriers to participating in federal grant programs, while helping agencies attract stronger, better-matched applicants and improve the overall quality of the programs they administer.

<u>Proposed Revisions that NADO Opposes</u>

Objective 1: Improve Transparency, Accountability and Oversight

Alignment with Administration Priorities: OMB's proposed revision of 2 CFR § 200.202 would require federal agencies to design discretionary programs with clear goals and objectives that "align with administration policies and priorities." The pre-issuance review mechanism at § 200.205(b) implements this standard by requiring that discretionary awards "demonstrably advance the President's policy priorities" before they can be issued. We understand the administration's goal of aligning federal investments with current priorities — but as written, this standard creates a second design requirement that runs alongside (and in some instances supersedes) the purposes Congress set for each program. For regional entities whose eligibility and mission are derived from legislation like the Public Works and Economic Development Act (PWEDA), we remain concerned that agencies could narrow eligibility, restructure objectives, or reorient selection criteria outside the ways Congress intended during authorization. To reiterate a previous point, our members operate on long time horizons, coordinating investments and strategies across multiple funding cycles and partner commitments. When program design standards can shift between the time a NOFO is issued and the time an award is made, it becomes genuinely difficult for these organizations to plan, staff, and implement projects with the consistency their communities depend on. **NADO encourages OMB to clarify that**

administration priorities should supplement, not supplant, the statutory intentions established by Congress when it authorized and funded these programs.

Grantee and Proposal Selection: The proposed revision to § 200.205(b) would require senior political appointees to conduct pre-issuance review of every discretionary award, with peer review recommendations explicitly designated as advisory and not to be "ministerially ratified or routinely deferred to." As stated above, NADO recognizes the administration's interest in ensuring awards reflect national priorities, but the complete subordination of technical and merit review introduces meaningful unpredictability into award timing and outcomes. RDOs invest significant staff time and organizational resources in preparing competitive grant applications. When award decisions can be overridden at the pre-issuance stage based on criteria that were not disclosed in the original NOFO, applicants have no meaningful way to standardize their proposals or simply understand why they were not selected. **NADO recommends the final rule preserve a structured role for merit review in the selection process and requires that any pre-issuance modifications to selection outcomes be documented and communicated to applicants.**

Elimination of Fixed-Amount Awards: Additionally, the proposed elimination of fixed-amount awards and subawards, as discussed in § 200.201 and § 200.333 would impose barriers. Fixed-amount subawards are an important tool that allow pass-through entities to provide funding in a predictable manner, particularly for smaller organizations with limited administrative capacity. Shifting entirely to cost-reimbursement models would require extensive documentation that would limit regional organizations' staff planning capacity and increase compliance burden on subrecipients. **NADO proposes retaining fixed amount subawards; however, OMB should require agencies to establish scaled monitoring requirements that align with award size and risk and consider the resource capacity of the awarded entity.**

Limitation on Repeat Grantees: Another proposed revision to 2 CFR § 200.205 would require federal agencies to limit repeat awards to grantees. While we recognize the benefits to casting a broad net to encourage involvement by a variety of applicants, including those who have not received federal awards before, it should not be at the detriment of other grantees who have positive performance records. **NADO urges OMB to not arbitrarily punish grantees with years of positive performance in the final rule.**

Awards Tied to Indirect Cost Rate: Also, in 2 CFR § 200.205, OMB seeks to tie discretionary grant awards to a grantee's indirect cost rate, by "if all else is equal," provide a preference for discretionary awards for the institution with the lower indirect cost rate. We fear that this assumes that all indirect cost rates are calculated on the same basis and are readily comparable. In practice, rates vary based on the differing charging practices that non-federal organizations are permitted to use, as well as the direct cost base—salaries and wages; salaries, wages, and fringe benefits; or modified total direct costs—chosen for making financial claims. **NADO recommends OMB remove this provision from the final rule.**

Councils of Governments Exemption: The removal of the Councils of Governments (COGs) indirect cost exemption in § 200.444 would disproportionately burden regional organizations that are oftentimes under-resourced and under-staffed in rural areas. Currently, the exemption allows COGs to recover administrative costs without requiring cost documentation. The nature of COGs requires significant operational flexibility. COGs fundamentally depend on shared staff that work across multiple funding streams and programs, operating under service delivery models that do not always align with single funding awards. **NADO recommends retaining the COG indirect cost exemption. If retention is not feasible, we recommend a simplified indirect cost methodology that considers the integrated and resource-constrained nature of COGs.**

Applicant Risk Assessment: The proposed revision to § 200.206 would broaden the risk criteria agencies may use to deny awards based on an applicant's membership in or affiliation with organizations deemed to advocate the overthrow of the U.S. government or to undermine public safety or national security. The broadness of the preamble's framing of "anti-American" or "extremist" activity that it could be applied to a wide range of advocacy, coalition, or membership activity that are entirely lawful. Many NADO member organizations participate in regional coalitions, policy advocacy networks, and intergovernmental associations as a routine part of their advancing their mission. **NADO urges OMB to accurately define these terms and to ensure that affiliation-based risk assessments are limited to conduct that is independently verified and directly relevant to the applicant's capacity to perform under a federal award.**

Ability to Terminate or Suspend Funds: For nearly fifty years, OMB Circulars, Common Rules, and guidance documents confined termination to three exclusive bases: withdrawal by the recipient, mutual agreement of the parties, or recipient non-compliance. This approach was consistent with 31 U.S.C. § 1501(a)(5), which establishes an executed grant agreement as a binding obligation of the federal government. In 2020, OMB revised the Uniform Guidance to add a new basis for termination: that an award "no longer effectuate[s] program goals, Federal agency priorities, or the national interest as they exist at the time of termination." The proposed revision to § 200.340 would carry this 2020 language forward, authorizing agencies to terminate active discretionary awards on that same basis.

Paired with the proposed revision to § 200.342, which would eliminate administrative hearing rights for discretionary terminations, this creates a substantial due process disparity. A recipient that designs and executes a project in good faith under the statutory purposes of its authorizing program should not face termination because executive priorities shifted after the award was made. Additionally, a grantee facing termination should not be denied meaningful recourse to contest that decision. **NADO recommends the final rule restore the exclusive, longstanding bases for termination in place prior to 2020, and that it restore administrative hearing rights for all termination actions regardless of the stated basis.**

Termination for Reputational Harm: The proposed revision to § 200.332 would require pass-through entities to ensure subrecipients do not take actions causing "significant reputational harm" to the pass-through entity, the awarding agency, or the federal government, and would authorize subaward termination or termination of the pass-through entity's own award if such harm occurs. NADO is concerned that "significant reputational harm" is undefined in the proposed rule and could therefore be used subjectively, creating a standard that cannot be reliably implemented in subrecipient agreements or monitoring frameworks. RDOs that serve as pass-through entities under EDA, USDA, and other programs would bear compliance responsibility for a standard they have no meaningful way to enforce with specificity. Conversely, RDOs also frequently serve as subrecipients under grants awarded to state agencies and other pass-through entities, placing them on both sides of this standard at once, thus compounding the compliance burden. **Ideally, this provision should be struck from the final rule, but at a minimum, NADO recommends, that "significant reputational harm" is well defined prior to enactment to reduce grantee confusion and potential unintended liabilities.**

New Terms and Conditions: OMB's proposed revision of 2 CFR § 200.208 would expand agency authority to amend specific conditions throughout the period of performance based on an increased set of "risk factors" that are broad and loosely defined, while also introducing a new program-level specific conditions authority that is triggered by "elevated programmatic risks." The proposed rules omission of defining these key terms leave grantees with little clarity on the basis upon which conditions may be added or changed. **NADO opposes expanding agency authority to alter award conditions throughout the period of performance. If OMB nonetheless includes this provision in the final rule, we urge OMB to clearly define these terms so grantees have the clarity needed to navigate the grant cycle effectively.**

Conference Attendance and Professional Development: There are two separate proposed revisions (2 CFR § 200.432 and 2 CFR § 200.454) that could significantly restrict how grantees use federal resources for professional activities. Under the proposed rule, it removes the ability for grantees to use federal funds to cover the cost of membership in professional, technical, civic, or business organizations. Further, if enacted, it would only allow grantees to use federal funds to cover the costs of conference attendance, only if participation is expressly approved by the agency and is included in the terms and conditions of the award.

For NADO members who largely operate on lean budgets, membership in professional associations and attendance at conferences where federal program guidance is shared should not be seen as simple discretionary expenses, but vital tools for doing the work agencies explicitly fund them to do. **We urge OMB to reconsider both provisions.**

These two changes compound each other by weakening grantee capacity while adding new administration burdens onto agency staff. Government-wide workforce reductions over the past year, through Reduction-In-Force efforts, deferred resignations, and attrition, have drastically impacted agencies critical to NADO members' work. Asking these same agencies to individually pre-approve conference attendance for every grantee doesn't reduce oversight burden; it shifts it to a smaller workforce with less capacity to absorb a new discretionary review function, in addition to its existing monitoring and oversight duties. **We urge OMB to weigh this compounding effect and consider whether its oversight goals are better served by preserving agency capacity for substantive grant monitoring than by adding a new categorical pre-approval requirement.**

Domestic Preference (Buy America) Requirements: OMB's proposed revision to 2 CFR § 200.322 would require federal agencies to include provisions in their grant terms and conditions that maximize the purchase of American-made products, extending beyond its current requirement mostly in federally-assisted infrastructure projects. Though NADO shares the laudable goal of strengthening domestic manufacturing, we remain concerned that this provision could add significant compliance issues, in addition to higher project costs and completion timelines.

In a final rule, we urge OMB to include clear guidance on waiver procedures, domestic content definitions, and subrecipient monitoring expectations. Given that many NADO members serve as pass-through entities, without this clarity, compliance verification for them could impose additional administrative costs that will divert resources from programmatic purposes.

Objective 2: Clarify the Status of the 2 CFR Regulatory Text as an OMB Regulation.

2 CFR as OMB Regulation: While NADO supports OMB's efforts to clarify the status of 2 CFR in § 200.110, the implementation approach that is being undertaken to designate this text as regulation exceeds OMB's authority and will invite legal challenge. The proposed framework's removal of the opportunity for secondary rulemakings also risks undermining effective implementation across agencies by limiting opportunities for agency specific engagement and feedback.

Agencies administer diverse programs with differing statutory authorities, operational structures, and levels of stakeholder engagement. Constraining agency-level comment opportunities will reduce the ability to identify practical implementation challenges, programmatic nuances, and sector-specific impacts prior to publication of the final rule.

Additionally, removing agencies' ability to adopt or issue secondary rulemakings alongside this rule, except in the case of codified exceptions, will likely limit the effectiveness of these reforms. Agencies play a critical role in translating uniform requirements into operational practices that are workable within specific program contexts.

NADO proposes that OMB maintain 2 CFR as "Uniform Guidance" in alignment with explicit statutory authority. NADO supports implementing one government wide effective date on OMB rulemakings; however, agencies should be granted the ability to conduct secondary rulemakings even in the absence of a codified exception.

Conclusion

NADO appreciates OMB's continued efforts to streamline federal grant administration and the opportunity to provide comments on the proposed revisions to 2 CFR Part 200. We urge OMB reconsider the provisions outlined above, each of which risks undermining the operational capacity of grantees to deliver federally funded programs effectively in the regions they serve.

NADO stands ready to serve as a resource to OMB as it finalizes this guidance and welcomes further dialogue on how these revisions can be refined to advance the administration's goal of strengthening program quality and effectiveness, while also providing administrative relief to grantees. Should you have any questions regarding these comments, please contact Michael Matthews, NADO's Director of Government Relations, at mmatthews@nado.org.

Sincerely,

Joe McKinney
Executive Director