July 10, 2026

Subject: Docket No. OMB-2026-0034; Regulation for Federal Financial Assistance, 91 FR 32198 (May 29, 2026)

Public Health Institute (PHI) submits this comment on the White House Office of Management and Budget's (OMB) proposed rule, Regulation for Federal Financial Assistance, 91 FR 32198 (May 29, 2026), Docket No. OMB-2026-0034.

PHI is a national 501(c)(3) nonprofit public health institute based in Oakland, California. We provide the operational and administrative infrastructure for 40 public health programs. We focus our comment on five provisions where the rule reaches furthest into the research and programs we support and the people they serve. Protecting the health of communities today and into the future depends on a federal funding system stable enough to sustain scientific and public health work in the long term. That stability in turn depends on award decisions rooted in scientific merit. Each of these five provisions as proposed weakens those conditions. The rule, as drafted, would create a tumultuous environment, in which an agency can abruptly end fully compliant research and programs, and would undermine the predictability that serious research and public health require. When that predictability gives way, the health of individuals and communities ultimately bears the impact.

1. Eliminating Fixed Amount Subawards Shifts Burden onto the Smallest Organizations in the Federal Funding Chain (Section 200.333)

The proposed rule eliminates fixed amount subawards entirely. Fixed amount subawards tie accountability to performance and results, verified through reporting and routine monitoring, rather than line-item receipt documentation. This reduces administrative burden without reducing oversight of how funds are used. Eliminating this mechanism will not increase accountability. Rather, it will shift every subaward to cost-reimbursement, which means more detailed financial documentation requirements for organizations that often have the least administrative capacity to absorb them. The organizations most affected by this change will be the small, community-based partners furthest down the funding chain but closest to the people being served. **OMB should retain fixed amount subawards as an available mechanism.**

2. Discretionary Termination Without Defined Process Undermines the Stability Multi-Year Public Health Work Requires (Sections 200.340 through 200.342)

The proposed rule allows a federal agency to terminate an award at its discretion if it determines that termination is in the agency's interest, including alignment with administration priorities "as they exist at the time of termination." This applies even where a recipient is in full compliance with the terms of its award.

Public health programs and research are frequently structured as multi-year awards because the underlying work—building community trust, conducting longitudinal research, and sustaining service delivery—depends on continuity over multiple years. A standard that allows termination based on a change in priorities, applied retroactively to a fully compliant recipient, introduces instability that is in tension with the rule's own stated goal of encouraging multi-year awards.

The consequences of mid-stream termination are both human and fiscal. When a compliant service program is cut off abruptly, the people it serves lose services and support they depend on, and the community relationships built to deliver that care are difficult and costly to rebuild. When a multi-year study is halted before completion, the years of data already collected often cannot yield valid findings, so the federal dollars invested in it produce no usable result. The loss is not only fiscal. Research halted before completion may foreclose findings that would have guided future care and prevention, so the health gains that work was meant to deliver never reach the people who would have benefited. Termination in these cases forfeits the value and potential for positive impact of the investment the government has already made. **OMB should remove the provision authorizing termination based on a change in priorities. Termination for noncompliance is a separate and well-established authority that is sufficient to protect the government's interest. Exposing fully compliant recipients to termination whenever priorities shift after an award is made cannot be reconciled with the rule's own stated goal of encouraging multi-year awards.**

3. The Compliance Costs This Rule Imposes Will Undercut Its Own Preference for Lower Indirect Cost Rates (Section 200.205)

Section 200.205(b)(3) directs that, all else being equal, preference for discretionary awards should be given to institutions with lower indirect cost rates. At the same time, the rule's new documentation, monitoring, and payment justification requirements will increase the indirect costs that every recipient, including PHI, must bear to remain in compliance.

These two provisions work against each other. The more the rule raises the cost of compliance, the more it narrows the very distinction Section 200.205(b)(3) is designed to preserve. We also note that the new payment justification requirement under Section 200.305 layers a documentation requirement on top of the Single Audit already required of any non-federal entity expending more than $1,000,000 in federal funds annually, which already tests internal controls and compliance with award terms. The additional requirement adds cost without adding meaningful oversight. We recognize that OMB has stated that the indirect cost rate negotiation system itself is outside the scope of this rulemaking, and we are not asking OMB to revisit that system here. **We are asking OMB to reduce or eliminate the compliance burden created elsewhere in this rule that is in tension with the preference OMB has chosen to establish in Section 200.205(b)(3).**

4. The Reputational Harm Standard for Pass-Through Entities Is Undefined and Unworkable (Section 200.332)

Section 200.332 requires pass-through entities to ensure that subrecipients do not take actions that could "significantly damage the reputation" of the pass-through entity, the awarding agency, or the federal government. The proposed rule requires a pass-through entity that determines a subrecipient has caused such harm to consult with the federal agency, which may then direct termination of the subaward or the entity's own award. However, the rule does not define reputational harm or set a threshold for it.

For an organization like PHI, which manages a large and diverse portfolio of subrecipients, this standard creates an untenable compliance burden. We would be expected to monitor and judge each subrecipient's reputational risk without any objective standard we could apply consistently or a subrecipient could anticipate. A federal agency could reach a different conclusion about the

same conduct based on its own judgment. **OMB should either define reputational harm with specificity or remove this provision.**

5. The Reclassification of 2 CFR from Guidance to Binding Regulation Creates Unresolved Tension with Statutory Program Authority (Section 1.105, Section 200.101(d))

Section 1.105 would eliminate the existing framework under which individual agencies adopt OMB's grants policies through their own regulations, and instead make 2 CFR binding, government-wide, through a single OMB rule. This is a structural change with effects well beyond this rulemaking, since it gives OMB the ability to revise grants policy government-wide in the future without separate agency action.

This change interacts directly with Section 200.101(d). Paragraph (d)(1) correctly preserves the primacy of federal statute over this part. But paragraph (d)(2) directs agencies to apply OMB's government-wide policy "to the greatest extent permitted by law" in non-statutory conflicts, without specifying how that standard applies to agency program regulations that implement statutory mandates.

PHI administers awards authorized under the Public Health Service Act, including programs through HRSA, CDC, and SAMHSA. These programs carry their own statutory purposes and program-specific regulatory requirements. We do not read Section 200.101(d)(2) as overriding those statutory mandates, and paragraph (d)(1) should prevent that result. But the rule's text leaves room for an agency to read its "greatest extent permitted by law" instruction as favoring OMB's government-wide policy in close cases, including cases involving program-specific statutory requirements. **OMB should clarify in the final rule that Section 200.101(d)(2) does not affect the primacy of program-specific statutory mandates under PHSA-authorized or similarly authorized programs.**

Conclusion

PHI supports strong stewardship of federal funds and oversight of those dollars. We have serious concerns with a paradigm that makes the continuation of compliant scientific and public health work dependent on shifting political alignment rather than objective merit. Each of these five provisions, left unchanged, does that in its own way. The federal financial assistance system underwrites much of the nation's capacity to protect the public's health and advance the important science that underlies the work. Rules that trade the predictability of that system for discretion exercised at the priorities of the moment will not strengthen it. They will erode it, and over time, the cost will fall to the people these programs exist to serve. We urge OMB to address each of these provisions before finalizing the rule.