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Office of Management and Budget
725 17th Street NW
Washington, DC 20503

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

To the Office of Management and Budget:

The National Association of Regional Councils (NARC) appreciates the opportunity to provide comments on the Office of Management and Budget's proposed Regulation for Federal Financial Assistance (Docket OMB-2026-0034).

NARC serves as the national voice for regional councils and believes regional cooperation is an effective approach to addressing community planning, infrastructure, economic development, public safety, environmental, and other community development challenges. For 60 years, NARC has represented regional organizations before Congress and federal agencies and promoted collaboration among governments and stakeholders across the United States.

Regional councils—also known as councils of governments, regional planning organizations, and similar entities—are public organizations that undertake intergovernmental cooperation across municipal, county, and state boundaries and help communities address challenges that extend beyond individual jurisdictions. Regional councils convene elected officials and local leaders to develop shared solutions, coordinate investments, and improve efficiency in the delivery of public services. Many regional councils serve federally designated functions, including Metropolitan Planning Organizations (MPOs), Area Agencies on Aging (AAAs), Economic Development Districts (EDDs), Workforce Development Boards (WDBs), public safety and emergency communications systems, and other federally supported programs. Regional councils also provide technical assistance, planning, grant administration, and project implementation services to local governments that may lack the capacity to perform those functions independently.

NARC appreciates OMB's efforts to improve transparency, accountability, and oversight of federal taxpayer funds. We also support several provisions intended to reduce recipient burden and achieve programmatic goals, including multi-year awards, plain-language Notices of Funding Opportunity (NOFOs), Statements of Interest, greater use of simplified application systems, and clearer award timelines.

Additionally, NARC respectfully requests clarification regarding several provisions that may create uncertainty, increase administrative burdens, or unintentionally reduce the capacity of regional councils to carry out federally funded activities. Because regional councils frequently act as intermediaries between federal, state, and local governments, clarity and predictability are particularly important.

Support for Grant Streamlining

NARC strongly supports the proposed revisions to § 200.204 to simplify and modernize the federal grant process. Encouraging plain-language NOFOs, greater use of Grants.gov, and more transparent timelines have the potential to reduce administrative burden for federal agencies and applicants alike. Similarly, Statements of Interest may reduce unnecessary application costs for both applicants and federal agencies by identifying strong candidates before requiring the preparation of full proposals.

In addition, **we support the use of multi-year awards proposed at § 200.202(f).** Regional councils often administer complex projects and programs that extend over multiple years and involve numerous local partners. Multi-year awards can reduce repetitive administrative burden, and provide greater certainty for staffing, planning, procurement, and project implementation.

NARC encourages OMB to retain these streamlining provisions in the final rule and to work with federal agencies to ensure consistent implementation.

Indirect Costs for Regional Councils of Government

NARC recommends preserving the existing simplified indirect-cost methodologies for councils of government and regional entities or providing practical alternatives and adequate transition periods (2 CFR § 200.444).

Changes to 2 CFR § 200.444 to eliminate the simplified treatment of indirect rates for Councils of government would result in increased documentation requirements while not fully accounting for the operational capacity necessary to administer federal programs effectively. Many regional councils operate shared administrative structures that support multiple federal, state, and local programs across a wide array of issue areas, from transportation to economic development to housing and more. Executive management, financial systems, human resources, legal support, information technology, procurement, and other administrative functions are often centralized to provide efficiency and reduce costs. Lower negotiated indirect cost rates do not necessarily reflect greater efficiency and may instead disadvantage organizations carrying out substantial governmental responsibilities. NARC recommends either preserving the existing indirect-cost methodologies or providing practical alternatives.

Indirect Cost Preference

The changes proposed to §200.205(b)(3) would require preference be given to agencies with lower indirect cost rates. However, indirect cost-rates are not calculated uniformly among regional entities. Differences in cost-allocation practices, organizational responsibilities, and the direct-cost bases used to calculate rates can produce significant variation among recipients. Consequently, indirect cost rates alone may not provide a reliable measure of efficiency or value.

NARC respectfully requests clarification regarding how agencies would apply this preference and how they would account for the differences in approved indirect cost methodologies among applicants.

Reputational Risk Standard

NARC supports appropriate oversight of federal funds and agrees that recipients and subrecipients should be held accountable for complying with award terms and applicable laws. However, NARC is concerned about the proposed addition of 2 CFR § 200.332(i), which would require pass-through entities to ensure that subrecipients do not engage in conduct that could cause "significant reputational harm" to the pass-through entity, the awarding agency, or the federal government. Because the proposed rule does not define what constitutes "significant reputational harm," the vague reputational risk standard creates a subjective standard that may be interpreted inconsistently by federal agencies, pass-through entities, and auditors.

Regional councils frequently serve as both pass-through entities and subrecipients under federal programs, placing them on both sides of this requirement. Many regional councils carry out federally authorized planning, technical assistance, and public engagement activities that involve presenting data, analyzing community needs, and developing recommendations that reflect regional priorities and public input. In many cases, regional councils work with local governments, nonprofit organizations, and service providers that deliver programs on behalf of federal agencies. Overly broad liability standards may discourage participation in federal programs and reduce service delivery capacity, particularly for smaller and rural providers.

An additional concern is that the "reputational risk" standard would apply to *all* activities of subgrantees and pass-through entities, not just the activities being carried out in accordance with the specific federal funding program. It is unclear if "significant reputational harm" applies to work pertaining to federal funding, or also to all work undertaken by a grantee with non-federal money. For example, if a regional council accepts federal funding to perform a transportation study, but also undertakes a housing study, using solely non-federal funding for the housing study, does the work, findings, and conclusions of the housing study still impact the "reputational risk" standard because they accepted federal money for transportation? The effect is compounded when pass-through entities are considered; it could require regional councils to monitor all activities, federally funded and non-federally funded, of all pass-through entities and subgrantees, which would place an undue burden on the regional council and hinder their ability to effectively implement the Congressional intent and objectives of a federal program.

Furthermore, all states, regional organizations, counties, municipalities, and non-profits rely on a combination of federal and non-federal funding to carry out their work. Because of the reliance on federal funding, an expansive interpretation of "reputational risk" that includes non-federally funded activities would, in effect, "federalize" all activities of sub-federal units of government (e.g. filling potholes, firefighting activity, etc.), even if they were funded by non-federal funding. This may invite constitutional and legal challenges to the proposed OMB rule based on the Tenth Amendment to the Constitution, or be considered unconstitutional as a "coercive" condition, established by the Supreme Court under *South Dakota v. Dole*, 1987 and *National Federation of Independent Business v. Sebelius*, 2012, due to the cumulative hundreds of billions of dollars in federal grants awarded to states and local governments.

NARC therefore recommends that OMB remove this provision from the final rule or, at a minimum, revise it to rely on clearly defined, award-related criteria that is easily

understood in an objective manner. Any such standard should be limited to conduct that is directly connected to the federal award, materially affects award performance, or violates applicable law or award conditions, and should include written findings, notice, and an opportunity for the affected entity to respond and address concerns within a reasonable amount of time before adverse actions are taken.

Disparate Impact Activities

The proposed changes to 2 CFR § 200.218 prohibit use of federal awards for disparate-impact liability, studies, or litigation and 2 CFR § 200.300(b) ensures awards do not violate federal anti-discrimination laws.

Regional councils frequently prepare plans and analyses that identify underserved areas, infrastructure deficiencies, workforce gaps, or unmet service needs. These activities may include workforce development planning, transportation planning, aging services programs, infrastructure planning, or other community needs, that may involve demographic analysis and discussion of pre-existing differences in service levels including but not limited to rural areas, distressed communities, low-income populations, or aging and senior populations. **NARC requests confirmation that preparing such analyses and directing resources in accordance with statutory program objectives remains permissible under the final rule.**

Public Outreach, Communications, Publications, and Printing Costs

NARC requests clarification regarding proposed limitations on public-relations activities and other communication-related costs as it pertains to 2 CFR § 200.421. Regional councils routinely conduct public engagement, outreach, and communication activities that are required by federal law, grant agreements, and programmatic guidance. While the proposal recognizes exceptions for federally required activities, those activities are not clearly defined at 2 CFR § 200.421. Without additional guidance, recipients may hesitate to undertake important outreach efforts necessary for public participation, public accountability, project implementation, safety education, recruitment, and compliance with federal requirements.

In addition, OMB proposes to revise 2 CFR § 200.461 related to publication and printing costs. We fully recognize the intent with regard to academic publications and take no position on the matter of academic publications but inquire as to the full definition of "publication and printing." Regional councils may print hand-outs or design large-form posterboard presentations to communicate proposed community improvements and seek feedback. Such public outreach is essential and fundamental to the collaborative and cooperative nature of regional councils which undertake work to plan for future growth in their communities. **NARC requests clarification of what qualifies as allowed or disallowed printing costs and requests that OMB allow "printing costs" that serve the purpose of public outreach, to ensure the public is able to participate in discussions of and comment on plans for the future of their community.**

Conferences, Professional Development, Memberships, Certifications, and Subscriptions

NARC supports reasonable oversight of costs associated with conferences, professional memberships, certifications, and subscriptions. We are concerned, however, that requiring agency approval for each individual conference, membership, or subscription could create significant administrative burdens for both recipients and federal agencies while discouraging valuable professional development activities (2 CFR § 200.432 and § 200.454).

Regional councils rely on professional development through conferences, technical publications, educational memberships, and national professional associations to maintain expertise in grant management, financial administration, procurement, transportation planning, public safety, emergency management, economic development, and other specialized disciplines. Engaging in these activities allows staff to improve their administration and implementation of federally funded activities, share best practices, and learn from cutting-edge leaders in the field who are maximizing the value of federal funds—such as those who have won federal agency awards for their innovative practices.

These resources, particularly memberships and subscriptions, also play an important role in ensuring that regional councils remain informed about regulatory changes, program requirements, and best practices.

Requirements for individual preapproval of conferences, restrictions on professional certifications, and limitations on memberships and subscriptions may reduce staff development opportunities to meet federal program objectives while increasing administrative burden on invoicing and increased documentation of costs.

NARC recommends allowing blanket approvals through approved work programs, budgets, grant agreements, or agency guidance to allow organizations to continue participating in necessary professional activities without requiring repeated approvals.

Domestic Preference Requirements

NARC recognizes and supports the objective of strengthening domestic manufacturing and supply chains. The proposed revisions to 2 CFR § 200.322 could significantly expand the application of domestic preference requirements beyond traditional infrastructure programs and create new compliance responsibilities for recipients and pass-through entities. While the proposal appropriately leaves agencies discretion to determine whether such requirements are practicable and legally authorized for particular programs, broader implementation could increase project costs, extend procurement timelines, and add administrative complexity for federally funded activities that historically have not been subject to Buy America requirements. The resulting compliance burden may be particularly challenging for smaller organizations and rural communities with limited procurement and grants-management resources.

To support consistent implementation and avoid unnecessary administrative costs, **NARC requests that OMB provide clear guidance regarding domestic content standards, waiver**

and exception procedures, documentation requirements, and subrecipient monitoring expectations. Clarification in these areas will help recipients understand their responsibilities, promote uniform implementation across federal agencies, and reduce the risk of inconsistent audit findings or compliance determinations. **NARC also encourages OMB to ensure that any expanded domestic preference requirements are accompanied by practical implementation tools and guidance to assist new and smaller entities with compliance.**

Grant Termination and Suspension Authority

NARC supports the federal government's responsibility to ensure that federal funds are used lawfully, effectively, and in accordance with program requirements. Federal agencies should have appropriate tools to address noncompliance, fraud, statutory ineligibility, or other legitimate award-performance concerns. However, NARC is concerned about the proposed termination authority in 2 CFR §§ 200.340–343, which would allow discretionary awards to be terminated if they are determined to no longer advance current federal agency priorities or the national interest.

Many federal grants administered by regional councils are multi-year investments that span multiple administrations and are awarded through competitive processes based on priorities established at the time of award. Recipients often hire staff, enter into contracts, make long-term commitments, and expend substantial effort in reliance on an executed federal award. Terminating a grant solely because agency administrations or priorities have changed after the award was made could undermine project delivery, create uncertainty for recipients and partners, and result in the waste of federal funds already invested in work that remains consistent with the program's statutory purpose.

Additionally, the rule does not provide a clear definition of the “national interest,” leading to confusion from grantees who seek to comply with the rule and potential subjective canceling of grants from well-meaning agency staff who do not have clear criteria to refer to when evaluating if a grantee is in compliance with the national interest. A more detailed definition that delineates what qualifies as the national interest would help both grantees and agency staff understand the boundaries of this directive.

NARC therefore recommends that OMB remove or substantially narrow provisions that allow termination based solely on changes in administrative priorities, and clearly defines the national interest. At a minimum, discretionary termination authority should be limited to circumstances directly related to award performance, compliance, legal eligibility, or other objective award-related factors.

NARC is also concerned that the proposed rule does not fully outline mechanisms for recipients to contest a termination decision or seek review of the determination when the termination is based on administration priorities. Furthermore, we appreciate the attention the rule gives to paying out already-incurred costs and support fully reimbursing recipients for those costs when a grant is terminated. **NARC strongly supports including provisions that provide reasonable notice, written justification, an opportunity to respond or appeal to termination decisions, and recovery of allowable costs for work already performed.** These safeguards would help

protect both federal investments and recipient organizations while promoting predictability and responsible stewardship of taxpayer resources.

Conclusion: Improving Transparency, Reducing Regulatory Burden, and Supporting Intergovernmental Project Delivery

NARC appreciates OMB's efforts to improve the management and accountability of federal financial assistance and supports proposals that simplify grant administration and improve transparency.

Regional councils play a critical role in helping federal, state, and local governments work together effectively. NARC looks forward to continuing engagement with OMB and federal agencies to ensure that the final rule strengthens accountability while preserving the flexibility and capacity necessary for regional organizations to carry out federally authorized responsibilities on behalf of the communities they serve.

Should you have any questions, please do not hesitate to contact the National Association of Regional Councils for additional information.

Sincerely,

Erich Zimmermann
Executive Director
National Association of Regional Councils