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Andrew Reisig
Joel Savary
Office of Federal Financial Management
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

RE: Proposed Revisions to the Office of Management and Budget (OMB) Regulation for Federal Financial Assistance, OMB-2026-0034

The North Carolina Center *for* Nonprofits (the Center) welcomes this opportunity to submit formal comments on the proposed revisions to the OMB Regulation for Federal Financial Assistance, OMB-2026-0034. The Center is a 501(c)(3) nonprofit that connects, educates, and advocates for charitable nonprofits throughout North Carolina. Although the Center does not receive federal grants, many of the Center's 1,200+ member nonprofit organizations provide services to their communities through federal grants and would be directly affected by the proposed changes to the OMB Uniform Guidance in Subtitle A of Title 2 of the Code of Federal Regulations (which are proposed to renamed as the Uniform Grants Regulation or UGR).

The Center has heard from our members about several significant concerns they have with the proposed UGR. The Center also has heard about proposals in the UGR that would improve the federal grantmaking process. These comments share a synopsis of the feedback that North Carolina nonprofits have provided to the Center.

## Positive Improvements in the Proposed Changes

The Center begins our comments by highlighting several areas of the proposed UGR that would be improvements which would help improve the efficiency and effectiveness with which nonprofits can public services in partnership with federal agencies or pass-through entities. ***The Center encourages OMB to maintain the following provisions in its final rule.***

***Improvements to Notice of Funding Opportunities (NOFOs).*** Over the years, the Center has heard from nonprofits that the system of searching for federal grants can be daunting for small nonprofits and organizations lacking significant federal grant experiences. We are appreciative and supportive of the proposed reforms to the Notice of Funding Opportunities (NOFOs) in Section 202.204, particularly the emphasis on using plain language in NOFOs and on limiting the length and complexity of NOFOs. These changes appear to build on improvements to the NOFO process from the 2024 revisions to the OMB Uniform Guidance, which have made the NOFO process more accessible for smaller and rural nonprofits.

***Multi-year awards.*** Over the years, the Center's members that provide public services through government grants have consistently reported that they have experienced challenges from overly complex application and reporting requirements, particularly when they receive grants with one-year award periods and with frequent reapplication requirements. Consequently, the Center appreciates and supports the proposed reform in Section 200.202(f) that would encourage federal agencies to allow for multi-year awards. This change should help reduce many of the administrative inefficiencies that nonprofits experience with recurring one-year grant awards. It also should ensure greater continuity of service delivery for individuals and communities who are the beneficiaries of the programs and services of nonprofits that receive federal grant awards.

**Non-discrimination against faith-based organizations.** In North Carolina, both faith-based and secular charitable nonprofits partner with federal agencies and pass-through entities to provide a wide variety of essential services to our communities. In the Center's experience, both faith-based and secular nonprofits can be highly effective at providing high quality programs and services. Consequently, the Center appreciates and supports the inclusion of the language in Section 200-300(c) that would prohibit federal agencies and pass-through entities from discriminating against or in favor of potential grant applicants because of their religious character, affiliation, exercise, or lack thereof.

**Preserving the 15% d*e minimis* indirect cost rate for federal grantees.** The Center has heard from many North Carolina nonprofits, particularly smaller organizations, that the guaranteed *de minimis* rate for indirect costs of 15% of modified total direct costs in Section 200.414(f) of the current version of the OMB Uniform Guidance has been helpful in ensuring that nonprofit organizations receive at least some indirect cost rate on their federal grants. Consequently, the Center strongly supports OMB's decision to retain this provision in the proposed UGR.

## Concerns about Proposed Changes Made in Accordance with EO 14332

Many of the concerns that the Center has heard about the proposed UGR are based on provisions that appear to have been drafted to comply with President Trump's direction in EO 14332, Improving the Oversight of Federal Grantmaking. The Center appreciates that OMB likely drafted these changes to comply with President Trump's directions from EO 14332. ***The Center strongly encourages OMB to work with the White House on a new Executive Order modifying and/or replacing EO 14332 that removes directions that are the basis for the following provisions that are likely to create challenges for nonprofits and the communities they serve.***

***Pre-issuance review process by senior appointees.*** For nonprofits that provide public services through federal grants, continuity and certainty of grant administration, grant requirements, and grant program expectations are critical to effective, uninterrupted delivery of services. As noted above, the provision in Section200.202(f) encouraging federal agencies to prioritize multi-year grants is a positive step toward providing greater certainty and continuity for nonprofits with federal grants. On the contrary, the language in Section 200.205(b) that would establish a pre-issuance review by senior appointees could create frequent, significant changes in grant administration, grant requirements, and grant program expectations, as political appointees are likely to change much more frequently that career agency staff and the substantive criteria for the pre-issuance review process could change significantly every time there is a new Presidential Administration or new leadership at a federal agency. The resulting uncertainties and discontinuities in grant administration, grant requirements, and grant program expectations could cause significant disruptions in services for individuals and communities that are the beneficiaries of programs and services from nonprofits that receive federal grants. The Center

recognizes that OMB is making this change at the direction of President Trump in Section 3 of EO 14332. ***The Center strongly encourages OMB to work with the White House on a new Executive Order modifying and/or replacing EO 14332 with language that would enable OMB to develop a final rule that either removes the pre-issuance review process altogether or significantly modifies the process to ensure that it is conducted by career staff at federal agencies and that the substance of the review is not contingent on the policy priorities of the then-current Presidential Administration.***

***Alignment of federal grant programs with administration policies and priorities.*** The substance of the proposed pre-issuance review in Section 200.205(b) is also likely to lead to significant uncertainties and discontinuities for nonprofits that provide public services through federal grants. Specifically, the requirement that "[d]iscretionary awards must, where applicable demonstrably advance the President's public priorities" in Section 200.205(b)(1) appears to be overbroad and vague and almost certain to change dramatically every time there is a new Presidential Administration. Likewise, the language in Section 200.205(b)(2) that would prohibit discretionary awards from being used to fund, promote, encourage, subsidize, or facilitate several specific public policy objectives that President Trump has articulated as contrary to his Administration's priorities in EO 14332 and other Executive Orders seems problematic. While Section 200.205(b)(2) appears today to be largely a restatement of Section 200.205(b)(1), it is quite possible that these two paragraphs could contradict one another if a future Presidential Administration has significantly different policy priorities from the current Administration. Further, articulating specific policy positions as disqualifying factors for federal grantees in the UGR invites future Administrations to rewrite the UGR to articulate its own policy priorities – even those that are considerably different from the policy priorities of the current Administration – as prerequisites (and its disfavored public policy positions as disqualifying factors) in the pre-issuance review process. The Center recognizes that OMB is making this change at the direction of President Trump in Section 4 of EO 14332 and that Sections 200.205(b)(1) and 200.205(b)(2) are nearly verbatim to language in Section 4(b) of EO 14332. ***The Center strongly encourages OMB to work with the White House on a new Executive Order modifying and/or replacing EO 14332 with language that would enable OMB to develop a final rule that does not reference the President's policy priorities, either broadly or specifically, in any pre-issuance review process.***

***Preference for applicants with lower indirect cost rates.*** The Center's experience is that there is little to no correspondence between nonprofits' indirect cost rates and their overall effectiveness in delivering high quality programs and services to their communities. In fact, often many types of indirect costs – such as programmatic audits, risk management investments, and background checks for staff and volunteers working with youth, often help ensure that nonprofits are providing services in a more effective and efficient manner. Consequently, the Center is concerned that the language in Section 200.205(b)3) creating a preference for discretionary awards to be given to grantees with lower indirect cost rates (consistent with language in Section 4(b)(iii) of EO 14332) could actually place nonprofits at a disadvantage in the federal grant selection process if they incur indirect costs that make them more efficient and effective service providers. ***The Center strongly encourages OMB to work with the White House on a new Executive Order modifying and/or replacing EO 14332 with language that would enable OMB to remove the preference for grantees with lower indirect costs in the final rule.***

***Termination and suspension provisions.*** The Center has heard from many nonprofits that are concerned that the proposed expansion of the ability of federal agencies to terminate grant awards in Section 200.340 could create significant uncertainty not only for grantees but also for the individuals and communities that they serve. The sudden termination of federal grants would almost certainly lead to discontinuation of the delivery of essential services could have significant negative impacts on individuals and communities. In particular, nonprofits are concerned that the language in Section 200.340(a)(2) that would enable federal agencies to terminate grants if they unilaterally determine that

"a termination is in the interest of the Federal agency or pass-through entity, including if a Federal award does not effectuate program goals, Federal agency priorities, or the national interest as they exist at the time of the termination" is vague and overbroad. In many cases, it would be impossible for nonprofits receiving federal grants to know in advance what may be deemed in "the national interest", so it would be nearly impossible for nonprofits to take appropriate actions to ensure that their organizations and federally-funded programs are acting in a manner that would not lead to a termination of their grant awards. Further, because federal agency priorities and "the national interest" could vary greatly under different Presidential Administrations and with different agency leaders, this provision could force nonprofits with federal grantees to make regular, fundamental changes to their internal operations and program administration. These fundamental changes could create significant organizational costs and inefficiencies and could lead to major program disruptions for the individuals and communities receiving services from nonprofits whose federal grants have been terminated. The Center recognizes that OMB is making this change at the direction of President Trump in Section 5 of EO 14332. ***The Center strongly encourages OMB to work with the White House to modify or replace this provision in EO 14332 with language that would enable OMB to maintain the current termination provisions in the existing Section 200.340.***

**Other Proposed Changes that Would Be Problematic for Nonprofits and the Communities they Serve**

Some of the concerns that the Center has heard about proposed provisions in the UGR appear to be outside the scope of President Trump's directions from EO 14332. ***The Center encourages OMB to reconsider the following provisions as it develops the final rule implementing the updated UGR.***

***Applicant risk assessment.*** While the language in Section 200.206 requiring federal agencies to conduct risk assessments of prospective grantees appears to intended to mitigate potential risks that could reduce the effectiveness of federal grant programs, many of the factors identified for consideration in this risk assessment process appear to be subjective, vague, and/or overbroad. Specifically, the "ability to effectively implement requirements" and "history of questionable practices" items could lead to subjective and inconsistent risk assessments of grantees by some federal agencies, and the inclusion of past activities of staff of prospective grantees in the "history of questionable practices" item could create negative risk assessments for some nonprofits due to past activities of their staff that are unrelated to the operations and practices of the nonprofit itself. ***As OMB develops its final rule, the Center encourages OMB either to remove or to modify the "ability to effectively implement requirements" and "history of questionable practices" criteria in the applicant risk assessment in Section 200.206 to be clearer and narrower and to focus on actions of organizations that are applying for federal grants rather than individual staff of these organizations.***

***Elimination of fixed amount awards.*** North Carolina nonprofits have reported to the Center that cost-reimbursement method of grant funding – which would be the alternative to fixed amount awards – frequently leads to excessive and redundant reporting requirements and significant delays in payments, particularly when federal grants are administered through state and local pass-through entities. Consequently, the Center has significant concerns about the language in Section 200.201(b) that would prohibit federal agencies from using fixed amount awards unless expressly authorized by statute, since this will create significant new inefficiencies and payment delays for grantees, limiting their effectiveness at providing services. ***As OMB develops its final rule, the Center encourages OMB to maintain the current language of Section 200.201(b) of the existing OMB Uniform Guidance.***

***Expansion of current prohibition on use of federal awards for lobbying.*** Section 200.450 would expand the current prohibition on the use of federal grant funds for lobbying (*i.e.*, influencing legislation) to also

prohibit the use of federal grant funds for voter registration activities, most forms of issues advocacy or public messaging, and influencing state executive branch agencies and officials. This language is problematic and would likely contravene the purpose (and potentially the statutory requirements) of many federal grant programs. Some nonprofits engage in nonpartisan voter registration with citizens receiving services as part of their existing federal grants. In other cases, nonprofits may need to advocate for state agencies to have regulations and policies that are consistent with the goals and terms of federal grants programs. And in many circumstances, nonprofits' public messaging and issue advocacy can complement the programs and services that are funded through federal grants. The proposed changes to Section 200.450 would limit the ability of nonprofits to use federal grants for all of these beneficial activities. ***As OMB develops its final rule, the Center strongly recommends that OMB maintain the current prohibitions on lobbying in Section 200.450 of the exiting Uniform Guidance rather than expanding these prohibitions.***

***Prior approval for use of federal grant funds to pay for training and conferences.*** Nonprofits often attend conferences and other training events to improve their capacity for delivering programs and services to communities in the most effective and efficient manner. Often, these conferences and training are directly related to the provision of services pursuant to federal grants. Further, nonprofits frequently pay to attend training events that are highly responsive to current developments and therefore are available on relatively short notice. The language in Section 200.432 requiring express prior approval for grant funds to be used to cover the cost of attending conferences and training events could preclude many grantees from benefitting from these important capacity-building opportunities. ***As OMB develops its final rule, the Center encourages OMB to maintain the current language of Section 200.432 of the existing OMB Uniform Guidance.***

***Objections, hearings, and appeals of terminations.*** The Center is concerned that the addition of the last sentence to Section 200.342 ("The Federal agency is not required to allow for objections, hearings, and appeals related to any reason for termination except termination for noncompliance.") could restrict the due process rights of nonprofits whose grants are improperly terminated by federal agencies. As noted above, the termination of federal grants and the related discontinuation of the delivery of essential services could have significant impacts on individuals and communities served by nonprofits providing services through federal grants, and the right of a nonprofit grantee to object to, and appeal, an improper termination could help prevent this harm to individual and communities. ***As OMB develops its final rule, the Center encourages OMB to remove the last sentence of the proposed change to Section 200.342 that would limit the rights of grantees to object to, have hearings on, or appeal terminations of their grant awards.***

Thank you for the opportunity to submit these comments on behalf of North Carolina's nonprofit sector.

Respectfully submitted,

David R. Heinen
Vice President for Public Policy and Advocacy
North Carolina Center *for* Nonprofits
dheinen@ncnonprofits.org