July 13, 2026

Russell T. Vought
Office of Management and Budget
Office of Federal Financial Management
Executive Office of the President
Washington, DC 20503

RE: Comments on Proposed Rule – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200)

Dear Director Vought:

On behalf of Special Districts across the country, the National Special Districts Association (NSDA), thank you for the opportunity to comment on the Office of Management and Budget's proposed revisions to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200).

Special Districts are independent units of local government that provide essential public services including for example, drinking water, wastewater, fire protection, emergency medical services, flood control, roads, bridges, ports, airports, public transit, healthcare, conservation, parks and recreation, libraries, irrigation, mosquito control, and other critical infrastructure. Acting as an intergovernmental partner on behalf of 40,000 Special Purpose Districts in the United States, NSDA provides education, technical assistance, and resources related to federal grant administration and compliance for special districts.

NSDA supports efforts to strengthen accountability, transparency, and stewardship of federal financial assistance. However, several proposed revisions may unintentionally reduce the effectiveness of federal grant programs by increasing administrative burdens, limiting access to professional expertise, creating uncertainty for long-term infrastructure investments, and introducing operational and fiscal risks for local governments responsible for delivering essential public services.

Expanded Grant Termination Authority (§ 200.339)

NSDA is concerned with provisions that expand federal agencies' authority to terminate discretionary grants when an active, contractual award is determined to no longer advance agency priorities or the national interest.

Special districts routinely undertake multi-year infrastructure, conservation, transportation, public safety, water resource, and environmental contractual projects requiring extensive planning, engineering, contractual commitments, and substantial local financial investment and coordination. The possibility that funding could be withdrawn after project initiation due to changing federal priorities, rather than recipient performance, may complicate long-term capital planning, delay project implementation, and expose local taxpayers to substantial financial liabilities when contractual obligations continue despite the loss of anticipated federal funding.

NSDA respectfully urges OMB to follow clear statutory standards, establish transparent decision-making procedures, meaningful recipient notice requirements, and appropriate appeal or review processes before discretionary grants may be terminated for reasons unrelated to recipient contractual performance or compliance.

Merit-Based Awards and Applicant Risk Review (§§ 200.205 & 200.206)

Federal grant programs are most effective when funding decisions are based upon objective, transparent, merit-based evaluation criteria that advance the purposes established by Congress.

NSDA is concerned that during applicant risk reviews the role of technical merit evaluations and peer review will decrease. Special districts invest significant public resources preparing competitive grant applications and developing long-range capital improvement plans and budgets. Predictable, transparent review processes help ensure that federal investments support projects delivering the greatest public benefit while preserving public confidence in the integrity of federal financial assistance programs.

Restrictions Affecting Public Policy Engagement (§§ 200.450 & 200.206)

Special districts routinely provide technical expertise to federal, state, and local policymakers regarding water management, wildfire mitigation, emergency preparedness, infrastructure resilience, conservation, transportation, public health, and other matters directly affecting their statutory responsibilities. Participation in these discussions is an essential component of effective intergovernmental cooperation and informed public policymaking. We are concerned that the proposed revisions may unintentionally restrict the ability of local governmental entities and nonprofit organizations to engage in this activity.

We are also concerned that aspects of the proposed applicant risk review process could create uncertainty regarding how agencies evaluate applicants' public policy activities or positions that are unrelated to financial management or grant performance. Existing OMB regulations prohibit the use of federal funds for lobbying activity that seeks to influence specific federal or state policies. NSDA encourages OMB to clarify that recipient eligibility and risk assessments should remain focused on objective measures of financial integrity, grants management capacity, and program performance rather than lawful public policy engagement conducted outside the scope of federally funded activities.

Administrative Burden and Procurement Requirements

NSDA is concerned that several proposed additional contractor verification requirements, expanded subrecipient monitoring obligations, and more complex procurement compliance standards may reduce competition for public contracts, limit participation by qualified local firms, delay project implementation, and increase overall project costs. These cumulative impacts could be particularly significant for rural and small governmental entities that already face workforce and procurement capacity constraints.

We encourage OMB to carefully evaluate whether the cumulative administrative burden imposed by these provisions is appropriately balanced against the intended compliance benefits and to consider additional flexibility for smaller governmental recipients where appropriate.

Professional Development and Organizational Capacity

NSDA also remains concerned about proposed limitations affecting reimbursement for professional memberships, subscriptions, conferences, and related educational activities. Federal grant administration is complex, requiring recipients to remain current on evolving compliance requirements, financial management standards, cybersecurity, procurement regulations, environmental requirements, and audit expectations. Participation in professional associations, educational conferences, and technical training programs provides cost-effective opportunities for local government staff to maintain competency, share best practices, and strengthen grant management capacity.

Reducing access to these professional development resources may ultimately increase compliance risks rather than reduce them.

Conclusion

Federal financial assistance represents a vital partnership between the federal government and local communities. Special Districts overwhelmingly act as responsible stewards of taxpayer resources and NSDA appreciates OMB's efforts to strengthen accountability within federal grant programs.

However, several proposed revisions could unintentionally increase administrative costs that will ultimately be borne by the public, reduce access to technical expertise, create uncertainty for long-term infrastructure investments, complicate procurement and project delivery, and introduce additional financial risks for local governments responsible for delivering essential public services.

Thank you for considering NSDA's comments. We appreciate the opportunity to participate in this rulemaking process and would welcome continued dialogue regarding the practical impacts of these proposed revisions on special districts, local governments, nonprofit organizations, and the communities they serve.

Respectfully submitted,

Ann Terry

President,
National Special Districts Association