



To: Andrew Reisig
Joel Savary
Office of Management and Budget
Office of Federal Financial Management
725 17th St., NW
Washington, DC 20503
Via electronic submission: www.regulations.gov

Re: Docket ID OMB-2026-0034-0001, Regulation for Federal Financial Assistance

Dear Mr. Reisig and Mr. Savary:

The Project On Government Oversight (POGO) submits the following comment to oppose the proposed revision of the “Regulation for Federal Financial Assistance” published in the Federal Register on May 29, 2026.¹

Founded in 1981, the Project On Government Oversight (POGO) is a nonpartisan, independent watchdog that investigates, exposes, and champions reforms on systemic corruption, abuse of power, and waste.

POGO recommends that the Office of Management and Budget (OMB) withdraws the “Regulation for Federal Financial Assistance” proposed rule, as the change ignores the statutory authority of federal programs, inviting more opportunities for waste and abuse within the federal government. Additionally, the proposed rule by OMB violates the Impoundment Control Act as well as the separation of powers doctrine, and it therefore lacks constitutional grounds. This public comment addresses certain parts of the proposed rule that we find especially alarming and provides sufficient reasons for withdrawal.

If the administration’s intent is to ensure that federal funding is administered objectively and based on recipients’ needs, POGO has previously proposed structural spending reforms that would help government operations better identify how taxpayer dollars are used.²

The Proposed Rule Violates the Separation of Powers

POGO believes the proposed rule violates the separation of powers doctrine. Executive orders and regulations cannot override laws and statutes. The 1974 Congressional Budget and Impoundment Control Act established a budget and appropriations process with clear

¹ Regulation for Federal Financial Assistance” 91 Fed. Reg. 32198-32305 (proposed May 29, 2026), <https://www.federalregister.gov/documents/2026/05/29/2026-10817/regulation-for-federal-financial-assistance>.

² Faith Williams, “Fact Sheet: Increase Federal Spending Transparency,” Project On Government Oversight, January 20, 2025, <https://www.pogo.org/fact-sheets/fact-sheet-increase-federal-spending-transparency>.

boundaries.³ Under the law, it is illegal for an administration to withhold funds appropriated by Congress, except through a specific rescission process that involves Congress.

Congress appropriates grant funding for specific causes, with the public interest in mind. Over the years, Congress has established over 1,800 federal assistance grant programs, with the goal of administering each program fairly and objectively across all states.⁴ Through this rule, OMB proposes to require that federal funding be aligned with “the President’s policy priorities,” which fails to respond to improving processes and does not necessarily align with the established public interest of each program.⁵ When OMB seeks to inject the president’s priorities into the federal funding process, it changes the purpose of federal funding. This shift would prioritize executing the president’s agenda over implementing statutorily established programs and effectively using congressionally approved funds. These differing objectives risk heightened tensions between the executive and legislative branches, which ultimately harms constituents.

The purpose of federal grant programs is not to execute the president’s agenda, but to reinvest taxpayer money back into the American people and improve the quality of life in the U.S. Discretionary grants have been historically administered based on statutory, programmatic, and technical criteria. Oftentimes, these grants depend on regional or recipient needs. How would the proposed guidance reconcile a scenario in which the needs of the public differ from the administration’s priorities? As the language stands, it doesn’t. Instead, it would create more opportunities for waste and abuse, while dubiously encroaching on the legislative branch’s authority. If the administration wants greater control over discretionary grants, it will have to get Congress to pass a new law granting such powers to this and all future administrations.

Questionable Termination Authority Is Costly and Disruptive

Compounding the concerns raised so far, Section 200.340 proposes that federal agencies could terminate discretionary awards at any time based solely on a determination that the award no longer advances “agency priorities” or the “national interest,” further exacerbating the potential waste of taxpayer dollars and the instability brought upon recipients.⁶ This provision would be highly disruptive to important federal programs that serve people across the country.

For example, a multi-year Department of Transportation infrastructure grant could be terminated under this provision after years of design approvals, permitting, and construction work. It could be especially wasteful if funding were pulled when a project was nearly complete. Numerous government resources would be expended throughout the process with no real payoff in the end.

³ 2 U.S.C. §§ 681-688 (1974),

<https://uscode.house.gov/view.xhtml?path=/prelim@title2/chapter17B&edition=prelim>.

⁴ Maria Kreiser and Kathleen E. Marchsteiner, “Searching for Federal Grants: An Overview of Resources,” *Congressional Research Service*, Congress.gov, February 13, 2025, https://www.congress.gov/crs-product/IF12910?_cf_chl_tk=Ip6DXJXb82kVSbk.YcuCRl67TywFLfEbV0JHfYBgdm-1783615059-1.0.1.1-Ca093jYqeLPR2lHsAQaeWIDQ9prlgwQDGgdUhfVpUw.

⁵ *Federal Register*, 32212 [see note 1].

⁶ *Federal Register*, 32212 [see note 1].

The underlying rationale for the administration’s proposed termination authority is overly broad and forgoes any government accountability for its decisions. The proposed language lacks any real constraint on agency discretion. Language such as “agency priorities” or the “national interest” is ever-changing. While it is reasonable that noncompliance should carry consequences, including termination of funds, that determination should follow a process that adequately evaluates and investigates the alleged misconduct before funding is pulled.

Section 200.342 eliminates administrative hearings and appeal rights specifically for discretionary terminations. These rights currently exist for recipients contesting termination based on noncompliance after termination has occurred, reflecting the due-process principle the United States Supreme Court recognized in *Goldberg v. Kelly*, which held that government benefits cannot be terminated without notice and an opportunity to be heard.⁷ Should these due-process rights, to which recipients are entitled, be taken away, recipients would have no formal avenue to contest the government, even when the decisions rest on vague grounds. The proposed rule weakens an important aspect of government accountability that the executive branch should seek to preserve.

Arbitrary Standards Politicize Grant Funding

The proposed Section 200.205 introduces changes “to strengthen requirements for agency merit review and to establish a new pre-issuance review process consistent with Executive Order 14332.”⁸ That order implemented an unprecedented grant review process that worked, in part, to assess grants on whether they “promote Anti-American values.”⁹ The order identifies only two such values by name (“Marxism,” and “class warfare propaganda”) and decries grants which fall under a larger umbrella of “diversity, equity, and inclusion and other far-left initiatives.” Given this framing, along with the administration’s other attacks on diversity, equity, and inclusion (DEI) initiatives, it seems likely this rule change could justify an arbitrary ban on grant projects that mention DEI or anything that resembles such to the reviewer.

Even if the current administration believes that many DEI projects are ill-advised, a full ban on DEI subjects — even if not explicitly framed in such a way — is an overly broad and clumsy policy that would disrupt programs and grants where inclusion of some DEI language is simply common sense.

Extra Bureaucracy Will Slow Programs Down

The proposed guidance suggests requiring a senior appointee to review every discretionary award before issuance, and it directs the senior appointee to use independent judgment rather than deferring to peer reviews. Subordinating the peer review system in favor of leaving decisions up to a political appointee politicizes the federal funding process. It disregards years of

⁷ *Goldberg v. Kelly*, 397 U.S. 254 (1970), <https://supreme.justia.com/cases/federal/us/397/254/>.

⁸ *Federal Register*, 32212 [see note 1].

⁹ “Improving Oversight of Federal Grantmaking,” *Federal Register*, August 12, 2025, <https://www.federalregister.gov/documents/2025/08/12/2025-15344/improving-oversight-of-federal-grantmaking>.

staff experience and bottlenecks final funding decisions. It would also add an unnecessary layer of bureaucracy that would leave agencies, states, grant recipients, and beneficiary families across the country under continual uncertainty.

Administration of federal grant programs by agencies is already a complex and challenging undertaking. Limited and often overburdened program staff at agencies must balance statutory requirements, financial oversight, and program performance. The proposed rule would introduce additional burdens and requirements to the administration of these programs, almost certainly resulting in delays and confusion around federal grant funding. Delayed awards, inconsistent implementation, and increased implementation costs at the agencies would reduce the efficiency and effectiveness of grant programs, which only harms the public.

Conclusion

Thank you for the opportunity to provide a comment regarding the proposed revision of the “Regulation for Federal Financial Assistance” rule. The issues discussed in this comment are simply the most serious concerns POGO has with the proposed rule. Time constraints of the short public comment period prevent us from producing a longer set of comments detailing the many other concerns we have with the proposed rule. We find the proposed rule so fundamentally flawed in its scope and approach that we do not believe the issues can be adequately addressed through edits and revisions.

Rather than making specific suggestions for changes, POGO strongly recommends OMB withdraws the proposed rule and undertakes redrafting the rulemaking with a clearer focus on strengthening financial oversight and improving identification and prevention of waste, fraud, and abuse within federal grant programs. The newly drafted rulemaking should also better endeavor to recognize and respect Congress’s constitutional authority to create and fund federal assistance programs.

If you have any questions about this public comment or our recommendations, please contact Sean Moulton at sean.moulton@pogo.org and Janice Luong at janice.luong@pogo.org.

Sincerely,

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