



July 13, 2026

Office of Management and Budget
Office of Federal Financial Management
Executive Office of the President

Re: OMB–2026–0034, Regulation for Federal Financial Assistance

Grantmakers In Health (GIH) appreciates the opportunity to comment on the Office of Management and Budget's (OMB) proposed Regulation for Federal Financial Assistance (OMB-2026-0034). GIH is a nonprofit, educational organization that supports foundations and corporate giving programs working to improve the health of people and communities nationwide. Our network includes more than 200 funding partners supporting initiatives focused on maternal health, mental health, aging populations, and communities of color.

Federal grant funding is a critical resource enabling state, local, Tribal, and community-based organizations to deliver essential services, reduce health disparities, and respond effectively to emerging public health challenges. It also catalyzes innovation and cross-sector collaboration at a scale philanthropy alone cannot achieve. For many communities, particularly rural communities, federal grants represent a primary and often irreplaceable source of support. Therefore, it is essential to preserve and strengthen the accessibility, stability, and flexibility of these funding streams, while minimizing administrative burden and ensuring accountability for results.

Federal financial assistance has historically been guided by clear statutory authority, objective review criteria, and demonstrated community need. Several proposed revisions could make the federal grantmaking process less predictable. For example, expanding agency discretion to revise award conditions or terminate funding based on shifting priorities could create uncertainty for grantees mid-performance, making it more difficult for organizations, (particularly smaller, community-based organizations), to plan effectively, manage resources, and provide critical services.

Grantmakers In Health recommends that the proposed rule be withdrawn. However, if OMB chooses not to do so, we offer the following recommendations in response to the proposed rule.

Pre-Award Review Process

OMB is proposing to introduce a new pre-award review process requiring discretionary funding proposals to align with Administration priorities and the “national interest.” Consistent with Executive Order [14332](#), senior political appointees would conduct these reviews to ensure awards advance the President’s policy priorities and comply with applicable law.

The proposed rule would also prohibit the use of federal funds to support activities that violate applicable federal antidiscrimination laws. The provision specifically references unlawful DEI practices, including racial preferences or other forms of racial discrimination, but does not clearly define what activities would be considered prohibited. Additionally, many federally supported programs are specifically authorized by Congress to reduce health disparities and improve outcomes for underserved populations.

These proposals would depart from established grantmaking practices grounded in statutory authority and merit-based review. By introducing broad, undefined selection criteria and allowing proposals to be rejected based on factors not clearly authorized in statute, the proposal reduces transparency in the award process. In addition, these changes would require grantees to operate in a more uncertain and shifting funding environment, as priorities may change across administrations without corresponding legislative direction. The proposed changes risk undermining objective, competitive grantmaking processes—such as peer review, programmatic fit, and demonstrated need—and instead introduce the possibility that funding decisions are shaped by inconsistent or nontransparent considerations. Vague terms such as “public safety” or “anti-American values” are particularly concerning, as it could give agencies broad discretion to reject otherwise qualified organizations or eliminate programs serving critical community needs.

Recommendations:

- GIH encourages OMB to clearly define and narrowly tailor any “national interest” or similar criteria used in discretionary award selection and provide transparent guidance on how those determinations are made.
- GIH encourages OMB to reaffirm the central role of competitive, evidence-based review processes—including peer review, demonstrated need, and programmatic effectiveness—in federal award decisions.
- GIH encourages OMB to ensure these provisions do not inadvertently limit participation by community-based organizations or reduce the diversity of qualified applicants.

Indirect Cost Rate

The proposed rules establish a preference in discretionary awards for applicants with lower indirect cost rates, when all other factors are equal. Indirect cost rates reimburse recipients for the administrative and operational expenses necessary to manage federal awards, including financial management, compliance, information technology, and facilities. A lower indirect cost rate does not necessarily indicate greater efficiency or program performance; rather, it often reflects an

organization's ability to subsidize administrative costs through unrestricted funding, endowment income, or other non-federal revenue sources.¹

Prioritizing lower indirect cost rates may inadvertently disadvantage organizations that rely on full recovery of allowable indirect costs to administer federal programs. This may include nonprofit and community-based organizations with limited unrestricted funding or financial reserves, which may lack the capacity to absorb unreimbursed administrative expenses.

Philanthropic organizations often provide flexible funding to support infrastructure and administrative functions that are not fully covered by federal awards. Policies that incentivize organizations to minimize recovery of allowable indirect costs may divert these limited philanthropic resources away from innovation, capacity building, and other community priorities.

Recommendation:

- GIH encourages OMB to consider the downstream implications of this policy. Incentivizing reduced recovery of allowable indirect costs may weaken nonprofit capacity and divert philanthropic resources away from community priorities.

Expanded Agency Authority to Modify Terms and Terminate Awards

The proposed rule would require agencies to include termination provisions allowing each federal award to be terminated, in whole or in part, for noncompliance or when continued funding is determined not to advance program goals, agency priorities, or the “national interest.” Agencies would also be permitted to temporarily suspend awards without requiring formal objections, hearings, or appeals for discretionary terminations.

Overall, these provisions introduce significant uncertainty into the federal grantmaking process. Allowing agencies to modify award conditions during the period of performance makes it more difficult for grantees to fully understand requirements at the time of application, increasing both operational and financial risk once funds are awarded. Additionally, the potential shift to reimbursement-based payments is particularly concerning for nonprofit organizations, many of which lack sufficient reserves to front program costs.

Expanded authority to suspend or terminate awards based on evolving priorities or interpretations of the “national interest,” coupled with limited opportunities for appeal, also raises concerns about transparency, due process, and program stability. Collectively, these changes may discourage participation in federal grant programs—particularly among smaller, community-based organizations—and could disrupt services in communities that rely on these grants.

¹ [Rethinking Indirect Cost Rates to Support Nonprofit Financial Health - PEAK Grantmaking](#)

Recommendations:

- GIH encourages OMB to maintain flexibility in payment structures, including continued use of advance payments where appropriate, to ensure that nonprofit organizations can sustain operations and deliver services without undue financial strain.
- GIH encourages OMB to ensure termination and suspension authorities are applied in a manner that preserves program stability, particularly for awards already in progress and aligned with statutory program goals.

Conclusion

GIH appreciates the opportunity to comment on the proposed Regulation for Federal Financial Assistance. As stated above, we recommend rescinding the proposed rule since the revisions may introduce unnecessary uncertainty and administrative complexity across the federal grantmaking ecosystem, while increasing financial and operational risk for nonprofit organizations, philanthropic partners, and the communities they serve.

If OMB chooses not to rescind the rule, GIH encourages OMB to prioritize clarity, transparency, and administrative feasibility. Maintaining predictable funding structures, clearly defined award criteria, and stable award conditions throughout the period of performance will be critical to ensuring continued participation in federal programs and effective service delivery.

Thank you for your consideration of these comments. Should you have any questions, please reach out to Ann Rodgers at arodgers@gih.org.

Sincerely,

Cara V. James
President and CEO
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