NATIONAL ASSOCIATION of COUNTIES NACo

Policy Insider

A biweekly webinar series on federal and intergovernmental policy.

July 2, 2026

COMMENT DEADLINE

July 13, 2026

Docket: OMB-2026-0034

NACo KEY ASKS

- Extend effective date past Oct. 1
- Clarify termination and stop-work process
- Clarify pass-through obligations

What Is Uniform Guidance?

- Also known as Uniform Grants Guidance (UGG) or 2 CFR Part 200 — established 2014, with major rewrites in 2020, 2024 and now 2026
- **Congress Appropriates:** establishes legislative intent for federal spending
- **Agencies Organize:** design reporting requirements and define how recipients report back
- **OMB Oversees:** sets the Uniform Grants Guidance and audit standards, including the Single Audit

Why it matters: over $1 trillion a year in federal financial assistance flows through this framework. Counties are expected to maintain responsive systems of internal control — grants administration, internal controls, indirect cost allocation and SEFA preparation.

Is This New? Context and Scale

- An August 2025 executive order, “Improving Oversight of Federal Grantmaking,” set the direction this rule follows through on
- Published in the Federal Register on May 29, 2026
- Roughly 412 pages; touches nearly every section of 2 CFR Subtitle A
- Co-sponsored by virtually every federal grantmaking agency
- Comments due on or about July 13, 2026
- If finalized, effective October 1, 2026, for new and renewed awards

“The Government holds tax revenue in trust for the American people, and agencies should treat it accordingly.”
— Executive Order, Improving Oversight of Federal Grantmaking, Aug. 7, 2025

How Is the Focus of Federal Assistance Changing?

Historical Focus	Focus Moving Forward
• OMB guidance to departments • Program performance • Financial accountability • Compliance	• OMB governmentwide regulation • National policy priorities • Workforce verification • Recipient eligibility • Risk indicators • Real-time oversight • Federal discretion

OMB's stated goals: improve transparency, accountability and oversight; clarify 2 CFR as regulation; reduce recipient burden.

Four Broad Sections — and the Dates That Matter

1. **Administrative Changes**
2. **Pre-Award Rules**
3. **Grant Administration (Post-Award) Rules**
4. **Audit Requirements**

Key Dates

- **May 29, 2026** — published in the Federal Register
- **July 13, 2026** — public comments due (Docket No. OMB-2026-0034)
- **October 1, 2026** — effective date for new and renewed awards, if finalized
- **Late 2026 / early 2027** — plausible window for a final rule

Administrative Changes

KEY SHIFT: Uniform Guidance becomes binding regulation — not agency-adopted guidance

- **Guidance becomes regulation:**
  - OMB amendments *apply automatically, government-wide* — agencies no longer separately adopt changes, eliminating the second checkpoint counties relied on for input and exceptions

- **New discretionary termination authority (by political appointee):**
  - Agencies may terminate awards "in the interest of the federal agency," including shifting priorities; block, formula and disaster recovery grants are categorically exempt

- **New stop-work authority & political appointee review:**
  - Up to 90-day suspension via written stop-work order — no defined standard or appeal process yet; senior political appointee conducts pre-issuance review of competitive proposals

Pre-Award Requirements

KEY SHIFT: streamlined NOFOs, paired with expanded merit and risk screening

- **Streamlining (the favorable side):**
  - NOFOs and applications move through Grants.gov; plain-language and 500-word executive summary required
  - Minimum 30-day posting period; Statements of Interest encouraged pre-application in certain cases
- **Expanded screening (the burden side):**
  - Merit review now weighs national policy priorities and “unlawful DEI”; risk review expands to undefined “affiliations” and “questionable practices”
  - Treasury Do Not Pay required for states; E-Verify required for all recipients
  - New reputational-risk standard for pass-throughs: counties may be required to monitor for actions damaging recipient, agency or federal reputation — with no defined measurement standard

Grant Administration (Post-Award)

KEY SHIFT: subrecipient monitoring tightens; new costs arrive with no new recovery mechanism

- **Subrecipient monitoring:**
  - Internal transfers to county hospitals, housing authorities, water districts and affiliated nonprofits must now be logged as subawards in SAM.gov
  - Failure to report is grounds for termination — no cure period specified; a subrecipient's actions can trigger termination of the county's own award
- **New documentation & cost restrictions:**
  - Payment justifications required for advance payments and reimbursements, flowing agency → recipient → subrecipient
  - New cost principles restrict advertising, conferences and membership costs charged to grants
  - Fixed-amount awards eliminated; nonprofit cost-accounting exemption narrowed — while indirect cost rates remain frozen

Highest-Impact Items for Counties to Consider

- **Guidance → Regulation:** OMB changes take effect immediately, government-wide — no agency-level checkpoint
- **Discretionary Termination:** competitive grants may be cancelled mid-stream on shifting federal priorities
- **Undefined Content Conditions:** new prohibitions use undefined terms — risk of retroactive cost disallowance
- **Subaward Reclassification:** internal transfers to county-affiliated entities now require SAM.gov subaward reporting
- **Frozen Indirect Cost Recovery:** new compliance costs arrive with no mechanism to recover added overhead
- **State-Law Conflicts:** ~20 states require disparate-impact analysis — a compliance-choice problem with no safe harbor

SPOTLIGHT: Viewpoint Neutrality – Beyond Federally Funded Activities

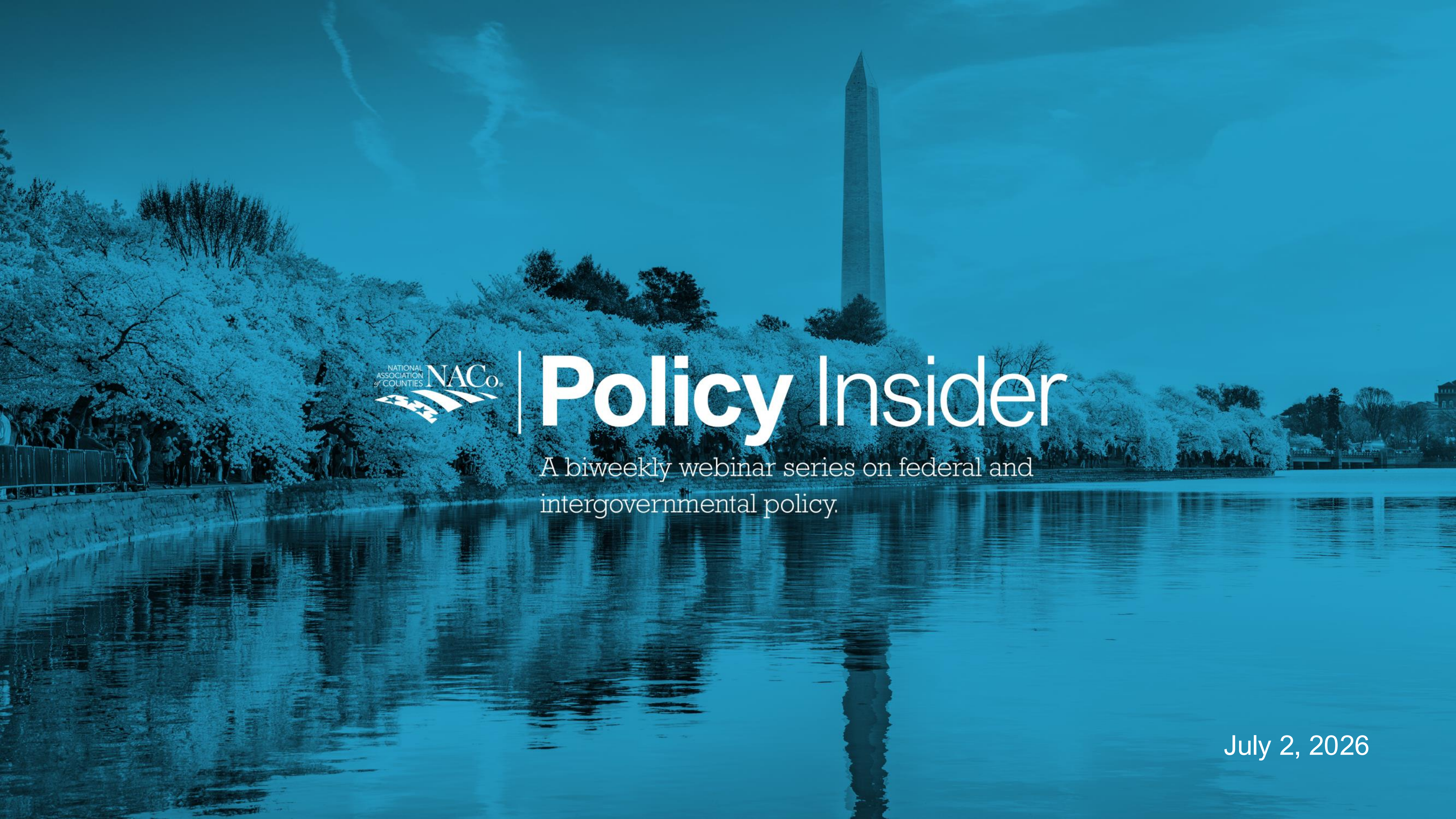
Unlike most provisions in this rule, this requirement applies to activities NOT funded by any federal grant — as long as they occur on county-owned, leased, or controlled property.

- **Viewpoint-neutral feeds and policies**
  - Counties cannot charge different feeds or apply different policies based on viewpoint, content, or political, ideological, or religious perspective of speakers or events.
- **Applies to ALL events on county-owned property**
  - This covers every event sponsored, hosted, or permitted on property the county owns, leases, or controls — **even events with zero federal funding involved.**
- **May go further than the First Amendment already requires**
  - Although OMB frames this as a free speech protection, the provision may impose obligations beyond what the First Amendment already requires of state and local government entities.

How Can Local Governments Respond?

Immediate administrative actions — start now, regardless of comment strategy

- **Assess exposure now:**
  - Monitor all grants across the organization, not just high-dollar awards
  - Inventory subrecipient relationships, including transfers to affiliated entities
  - Review payment verification processes and assess E-Verify readiness
  - Evaluate exposure across the full grant portfolio
- **Submit a comment by July 13, 2026:**
  - regulations.gov, Docket No. OMB-2026-0034 — lead with the section number in brackets, e.g. [200.340]
  - Be specific: name grants, dollar amounts and quantify burden in staff hours or cost
  - Share submitted comments with your House member and two U.S. Senators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