

July 7, 2026

Mr. Russell Vought, Director
Office of Management and Budget
725 17th Street, NW
Washington, D.C., 20503

RE: Comments on Office of Management and Budget (OMB) proposed Regulation for Federal Financial Assistance, 91 Fed. Reg. 32198 (May 29, 2026)

Dear Mr. Vought:

This letter provides comments on behalf of the California Community College Chancellor's Office ("we" or the "Chancellor's Office") regarding the Office of Management and Budget's (OMB's) proposed revisions to 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The Chancellor's Office shares OMB's commitment to ensuring federal funds are managed responsibly, transparently, and with strong accountability. We also believe colleges need clear, predictable rules to make sound decisions on behalf of students, taxpayers, employers, and the communities they serve.

Several provisions in the proposed rule move in the opposite direction. By expanding federal discretion throughout the grant process and making funding decisions subject to changing federal priorities, the proposal introduces significant uncertainty for colleges as they plan and manage federal grants and other funding sources. For California community colleges, that affects their ability to pursue grants, plan multi-year programs, hire faculty and staff, purchase equipment and build the employer and community partnerships needed to deliver results.

More importantly, the proposed rule is unnecessary. Federal Financial Assistance is currently implemented through a stable, competitive, objective, peer reviewed process that has a demonstrated track record of success. The proposed rule introduces uncertainty into the process that affects the ability of California community colleges to use federal funds effectively in service to their communities. We submit this comment to oppose the proposed rule.

I. About the California Community Colleges

The California Community Colleges is the largest system of higher education in the United States, serving nearly 2.3 million students across 116 colleges. Our students represent every stage of life, from high school students earning college credit through dual enrollment, to veterans transitioning to civilian careers, to working adults using Credit for Prior Learning and short-term credentials to advance in the workforce.

The California Community Colleges are the state's primary engine for workforce development and economic mobility. We prepare nurses, teachers, first responders, advanced manufacturing technicians, cybersecurity professionals, and countless other workers who are essential to California's economy. Through dual enrollment, Credit for Prior Learning, apprenticeships, short-term workforce credentials, and transfer

pathways, we help students reach their educational and career goals while meeting the workforce needs of employers.

These programs depend on stable, predictable federal partnerships and independent, objective funding competition processes. The comments that follow reflect the operational realities of administering federal investments at the nation's largest higher education system and are intended to help ensure those investments continue producing strong outcomes for students, employers, and taxpayers.

II. Objective 1: Transparency, Accountability, and Oversight

A. Merit-Based Selection Requirements (§§ 200.204 – 200.206)

The proposed revisions to § 200.205 would expand the role of senior political appointees in the review of Federal funding opportunities. This will not accomplish the stated goals of clarity and transparency. Peer review should remain the primary basis for evaluating grant proposals because it provides the expertise, consistency, independence, and objectivity needed to ensure that federal investments are awarded on merit.

Peer review has long been a cornerstone of American research, innovation, and economic competitiveness. It brings subject matter expertise, transparency, and consistency to funding decisions, helping ensure that Federal investments are directed toward the strongest ideas and the greatest public benefit. This approach has helped the United States build one of the world's most successful research, education, and innovation ecosystems.

California Community Colleges develop programs in close partnership with employers, workforce boards, and local communities to address documented regional needs. Whether the focus is artificial intelligence, advanced manufacturing, behavioral health, clean energy, or workforce development, Federal investments are most effective when proposals are evaluated on their technical merit, demonstrated need, and potential impact on the regions they serve.

A strong peer review process ultimately strengthens more than individual grant competitions. It supports the development of a skilled workforce, strengthens regional economies, expands economic opportunity, and helps ensure America's long-term economic vitality.

B. National Policy Requirements (§§ 200.218, 200.219, 200.300)

The proposed provisions related to Diversity, Equity, and Inclusion (DEI) are unnecessary. Federal law already prohibits exclusion of on the basis of race or other protected characteristics, as well as affirmative action or quotas.

C. Disparate-Impact Liability Prohibition (§ 200.218)

The proposed rule would establish a government-wide policy prohibiting the use of Federal financial assistance to promote or support theories of disparate-impact liability based on federally protected characteristics. However, disparate-impact standards are embedded in several Federal civil rights statutes, including Title VII of the Civil Rights Act of 1964, where Congress expressly codified disparate-impact liability

through the Civil Rights Act of 1991. The proposed rule creates a conflict between compliance with these existing legal obligations and compliance with the grant process. As with other aspects of the proposed rule, this creates uncertainty and instability in the process.

For California Community Colleges, this uncertainty extends beyond legal interpretation. The proposed final rule will also create a conflict with existing Federal law with respect to data collection, program evaluation, and compliance activities.

D. Termination and Suspension Authority (§§ 200.340 – 200.343)

The proposed discretionary termination authority in § 200.340 would allow awarding agencies to terminate grants mid-award if a project is later determined to no longer align with current Federal agency priorities, even when the recipient is fully complying with the terms and conditions of the award. This is one of the most consequential changes in the proposed rule because it introduces substantial risk into the administration of discretionary grants after awards have already been made. Federal funding priorities appropriately evolve as national needs change. Investments may shift over time from agriculture to advanced manufacturing, from one workforce need to another. Those are legitimate policy decisions. The issue we are raising is different. The proposed language could allow projects that have already been competitively awarded to be terminated based on considerations outside the established merit-review process rather than on performance or compliance.

Public educational institutions enter legally binding contracts for services that are funded through grant awards. Abrupt termination could place grantees in legal and financial jeopardy if they are unable to meet payment obligations under those agreements, while also creating partially completed projects, stranded expenditures, procurement complications, and disruptions to student services and other grant-funded activities.

The proposed discretionary termination authority could interfere with Federal grant-funded programs important to community colleges across a range of areas including apprenticeship expansion efforts, behavioral health, veterans programs, wildfire prevention and sustainability workforce projects, TRIO programs, broadband access and AI-related workforce grants.

E. Elimination of Fixed Amount Awards (§§ 200.201, 200.333)

The proposed elimination of fixed-amount awards and subawards would dramatically increase administrative overhead associated with federal grants. Unlike fixed-amount awards, cost-reimbursement structures require recipients to document and justify individual expenditures before reimbursement, increasing reporting requirements for both grantees and Federal agencies. This would be particularly burdensome for community colleges, particularly for small, rural colleges that may lack sufficient compliance staffing.

The shift to cost-reimbursement would not only burden grantees; it would substantially increase the Federal government's administrative workload. Reviewing, auditing, and processing cost reimbursement claims requires significantly more Federal staff time.

III. Objective 2: Preserving Program Flexibility and Clear Implementation

OMB is proposing to move portions of the Uniform Guidance into formal regulation, which could allow a single government-wide regulatory change to affect grant programs across multiple Federal agencies.

The change from Uniform Guidance to formal regulation could affect workforce grants from the Department of Labor, student support programs from the Department of Education, apprenticeship initiatives, veterans programs, or research and demonstration projects. A single government-wide regulatory change could require colleges to implement new requirements across multiple grant programs simultaneously, even though individual agencies have different statutory responsibilities, program goals, and implementation timelines.

Existing OMB guidelines preserve the necessary agency-specific flexibility and ensure any government-wide requirements are implemented in a manner that supports consistent grant administration without limiting agencies' ability to tailor programs to their statutory responsibilities, making the proposed rule unnecessary.

IV. Objective 3: Burden Reduction

The Chancellor's Office believes the following provisions of the proposed OMB rule would increase burden on grantees, rather than meet the objective of decreasing burden:

- §§ 200.201, 200.333 – Elimination of fixed amount awards (§§ 200.201, 200.333): impact on certain program types.
- § 200.461 – Publication and printing costs made unallowable (§ 200.461): impact on research dissemination.
- § 200.432 – Conference attendance prior approval requirement (§ 200.432): administrative overhead.
- § 200.421 – Advertising/public relations restrictions (§ 200.421): impact on required program outreach.
- § 200.450 – Lobbying restrictions expansion (§ 200.450): concerns about voter registration and issue advocacy provisions.
- §§ 200.329 - 200.332 – Reporting of subawards on SAM.gov and related subaward provisions; concerns about additional reporting burden, especially for small subawards.

V. Conclusion

The partnership between the Federal government and institutions of higher education has historically expanded educational opportunity, strengthened the nation's workforce, and supported economic growth for decades. That partnership depends on clear, predictable, and consistently applied rules that enable colleges to make long-term investments, build strong partnerships, and respond to changing workforce and economic needs.



California
Community
Colleges

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Chancellor

The existing OMB Guidance for grant awards is sufficient to ensure these objectives are met and will maintain the current stability and certainty in the process to award federal funds. Thus, we object to the proposed rule in its entirety.

Thank you for your consideration of our response to the notice of proposed rulemaking.

Sincerely,
Sonya Christian

A handwritten signature in black ink that reads "Sonya Christian". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Chancellor