CITY OF LONG BEACH

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July 13, 2026

SUBMITTED ELECTRONICALLY VIA REGULATIONS.GOV

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

RE: REGULATION FOR FEDERAL FINANCIAL ASSISTANCE — DOCKET ID NO. OMB-2026-0034

Dear Mr. Vought,

The City of Long Beach, California appreciates the opportunity to provide comments on the proposed rule, *Regulation for Federal Financial Assistance*, put forward by the White House Office of Management and Budget ("OMB") and other federal agencies. *Regulation for Federal Financial Assistance*, 91 Fed. Reg. 32198 (May 29, 2026).

Officially incorporated in 1897, the City of Long Beach has grown into California's seventh most populous city, home to nearly half a million residents and a vibrant community. Situated along the Southern California coast, Long Beach is recognized for its exceptional quality of life, iconic waterfront, and spirit of innovation. As a full-service municipality, the City operates its own Police Department, Fire Department, and Health and Human Services Department, as well as a comprehensive Housing Department dedicated to expanding housing opportunities, preventing homelessness, and supporting neighborhood revitalization.

The City serves as a global center for commerce through the Port of Long Beach — the second busiest container port in the United States—while also connecting millions of travelers each year through Long Beach Airport, which served more than 3.8 million passengers in 2025. Long Beach's global profile will continue to grow as a Venue City for the LA28 Olympic and Paralympic Games, hosting the largest number of sporting events outside the City of Los Angeles.

I. INTRODUCTION

The City of Long Beach has a longstanding partnership with the federal government through a variety of federal agencies, including the Department of Transportation, the Department of Homeland Security, the Department of Justice, the Department of Housing and Urban Development, and the U.S. Environmental Protection Agency. In FY25, this partnership resulted

in $101.6 million towards critical services, including the Port of Long Beach, Long Beach Airport, health services, and housing services.

The proposed rule, *Regulation for Federal Financial Assistance*, is proposing to amend 2 C.F.R. Part 200, commonly known as the Uniform Guidance. The proposal aims to move the focus of the Uniform Guidance to being the Uniform Regulations. Further, the proposal aims to focus the regulations and administration of federal financial assistance to be in line with national policy priorities, workforce verification, Recipient eligibility, risk indicators, and real-time oversight.

The City supports OMB's goal to improve transparency, accountability, and oversight of federal financial assistance. The City submits these comments to ensure the final rule reflects operational realties of the administration of federal financial assistance.

The City further requests that the final rule clarify several provisions that currently allow for subjective interpretation in the administration of the federal financial assistance. Providing greater clarity will help ensure that Recipients can administer grant funds consistently and in full compliance with the final rule and applicable financial assistance terms and conditions.

II. DETAILED COMMENTS

COMMENT 1 – § 200.205 – FEDERAL AGENCY REVIEW OF MERIT OF PROPOSALS

OMB proposes to revise requirements for agency merit review and to establish a new pre-issuance review process (§ 200.205). If finalized, senior appointees would have increased executive oversight over federal financial assistance by conducting reviews of every discretionary grant before being awarded. The proposal also directs that federal award proposals, where applicable, advance the President's policy priorities.

Applicants need clear criteria in order to develop projects and draft funding proposals. Applicants need clearly defined requirements and certainty during the competitive funding process in order to successfully deliver projects to the public and ensure compliance with the federal funds. It is important to ensure that the pre-award review does not create additional administrative burdens and costs.

The City requests that the final rule: provide clear direction on the criteria for pre-award review; establish a firm timeline for pre-award review to prevent indefinite delays; and ensure pre-award review does not duplicate the Single Audit process.

The City understands the intention of the proposal as to ensure that awards are granted in line with the final rule and the federal financial assistance terms and conditions. The City agrees with this intention and recognizes the importance of ensuring federal funds are used properly. The

City believes that with the clarity of above three points, will ensure the intentions of OMB can be achieved.

COMMENT 2 – §200.305(C), 200.329(B), 200.329(H), 200.331(C), 200.332(G)-(L), 200.333 – PASS-THROUGH ENTITY RESPONSIBILITIES

The proposed rule expands pass-through entity oversight obligations in several areas, including additional subrecipient monitoring and compliance with new policy conditions. The proposed rule also includes a requirement that pass-through entities ensure subrecipients do not take actions that "could significantly damage the reputation" of the pass-through entity, the awarding agency, or the federal government.

The City asks that OMB clearly define or remove the "significantly damage the reputation" with clear objective, measurable criteria.

Further, the City asks pass-through entity liability is limited to the activities of the subrecipient and not beyond those of the scope of the federal award. The City has a positive compliance record and measures in place to ensure subrecipient compliance. When the harm is caused by the subrecipient alone, despite appropriate action and oversight from the Recipient, the Recipient, and thereby the public, should not all be harmed.

To ensure the final rule can be properly implemented, the City requests OMB extend the effective date by a minimum of 12 months. This extension will ensure that the City, and other Recipients, can update subrecipient agreements, monitoring procedures, and reporting systems.

COMMENT 3 – §200.320 – PROCUREMENT METHODS

The proposed revisions to 2 CFR 200.320 strongly discourage Recipients from issuing cost-reimbursement contracts and implements a requirement to maintain a written justification for the use of cost-reimbursement contracts. A federal agency may, in its discretion, also require prior approval of cost-reimbursement contracts. Cost-reimbursement contracts are widely accepted and used by Recipients and public agencies for delivery of construction and infrastructure projects, professional services, and architect/engineer services. The proposed revisions would greatly disrupt the delivery of such projects and services.

Cost-reimbursement contracts are the industry standard for alternative project delivery methods for construction, including progressive design-build, construction manager/general contractor, and construction manager-at-risk. Restricting the use of cost-reimbursement contracts will greatly hinder the use of alternative project delivery methods that allow for faster project delivery and reduced project costs. In addition, professional service contracts, including for architect-engineer services, are generally cost-reimbursement contracts. Limiting Recipients to use fixed-price

contracts may result in higher project costs, as Recipients may have to pay contractors an overestimated fixed-price, or pay for any changes to the scope of work, rather than pay for actual incurred costs. The proposed revisions undermine the principles of reduced costs, less administrative burden, and faster project delivery.

The City supports procurement controls and documentation. However, there is concern on the need to receive prior approval for cost-reimbursement contracts as there is no guarantee this will be implemented consistently across federal agencies, or within the same federal financial assistance program. In the final rule, the City requests that OMB preserve cost-reimbursement contracts and that they remain available where another contracting method would be impractical, less effective, or increase the cost of the project.

COMMENT 4 –§§ 200.340, 200.341, 200.342, AND 200.343 – FEDERAL TERMINATION AUTHORITY

OMB proposes to provide federal agencies with broad authority for termination procedures and costs of a federal award. Specifically, OMB's proposal would decrease requirements for written notice, limit formal procedures for award Recipients to object to or appeal terminations, and leaves reimbursement for post-termination costs largely up to agency discretion. The rule would allow federal agencies to terminate previously awarded, active grants at any time for any reason if the agency determines the award no longer aligns with shifting priorities, program goals, national interest, or if it is determined to an award is no longer "in the interest of the agency."

The rule includes undefined criteria for discretionary termination based on political priorities, which would allow for a high degree of subjectivity in terminating awards. Political priorities constantly change both during and between administrations. Recipients commit a significant amount of time and resources into planning and executing projects for the public interest that last far beyond one administration. For example, the rule would could create uncertainty for multi-year infrastructure projects after Recipients have committed non-federal cost share, executed contracts, acquired easements, or begun construction.

Recipients require clear and objective criteria in order to rely on funding sources and effectively deliver projects for the public interest, without concern that funding could be terminated based on subjective determinations and interpretations. In addition, the rule does not include sufficient procedural requirements to ensure consistency for Recipients. At a minimum, Recipients should receive written notice explaining the specific basis for the proposed termination, an opportunity to respond before the termination becomes final, and a reasonable opportunity to cure or address the agency's concern where legally and practically possible. Without basic procedural protections, discretionary termination based on subjective standards, will only hurt the public.

III. CONCLUSION

The City appreciates the opportunity to comment on this important rulemaking. The City recognizes that the proposed rule seeks to improve transparency, accountability, and oversight of federal financial assistance.

The City believes that the following actions will ensure federal financial assistance can be administered consistency and in full compliance:

(i) Provide clear direction on the criteria for pre-award review;
(ii) Establish a firm timeline for pre-award review to prevent indefinite delays;
(iii) Ensure pre-award review does not duplicate the Single Audit process;
(iv) Clearly define or remove the "significantly damage the reputation" with clear objective, measurable criteria;
(v) Pass-through entity liability is limited to the activities of the subrecipient and not beyond those of the scope of the federal award;
(vi) Extend the effective date by a minimum of 12 months;
(vii) Preserve cost-reimbursement contracts and that they remain available where another contracting method would be impractical, less effective, or increase the cost of the project;
(viii) Amend the discretionary termination and appeal sections to direct that Recipients receive written notice explaining the specific basis for the proposed termination, an opportunity to respond before the termination becomes final, and a reasonable opportunity to cure or address the agency's concern where legally and practically possible.

The City of Long Beach supports clear, accountable, and operationally achievable federal financial assistance rules. These rules should improve transparency and oversight without creating uncertainty. The City's comments and requests ensure the final rule reflects operational realties of the administration of federal financial assistance.

If you have any questions or would like any additional information, please contact Sarah Patterson, Manager of Government Affairs and Strategic Partnerships at sarah.patterson@longbeach.gov.

Sincerely,

THOMAS B. MODICA
City Manager