

# **Bond Case Briefs**

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## **\$1.1 Trillion a Year in Federal Funding at Risk in Proposed OMB Grant Overhaul, Municipal Leaders Warn.**

**Local officials are urged to comment before July 13 on a regulatory change that would expand agencies' power to cancel grants and alter how they manage annual funding.**

Municipal groups are sounding the alarm about a proposed rule that would make major changes to how the U.S. Office of Management and Budget administers federal grants to cities, counties and states. They're urging local leaders to comment on the changes before the OMB's July 13 deadline.

The proposed rule would centralize and standardize federal grant processing while giving agencies significantly broader authority to terminate grants mid-award for reasons beyond noncompliance, including political and agency priority misalignment, Matthew Hanson, managing director, government advisory services for the crisis-management firm Witt O'Brien's, said during a [webinar](#) discussing the proposed rule.

"Make no mistake, this is the most threatening and harmful proposal regarding federal government assistance to cities that we have seen in probably over three decades, or ever. It is that significant in scope," Dave Gatton, director of the U.S. Conference of Mayors Council on Metro Economies and the New American City, said during the webinar. "In short, we need to flood the zone to OMB with comments on this rule. This is not to be taken lightly."

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The proposed rule, which rewrites 2 CFR Part 200 - the Uniform Guidance, would go into effect Oct. 1. It governs \$1.1 trillion in grants per year, including "every federal grant your [municipality] receives, covering public safety, transportation, housing, public health, emergency management and more," according to an action alert from the National Association of Counties.

The webinar focused on four key grant-funding changes under the proposed rule.

### **Administrative issues**

- Grant applications across all federal agencies would be automatically processed. "This is a foundational change" resulting in less flexibility for individual agencies to operate under their own rules, Hanson said.
- Federal agencies' authority to terminate grants mid-award would be significantly expanded. Currently, most terminations are due to noncompliance or performance issues, but the proposed rule includes broader language like "not achieving program goals, not supporting agency priorities or the grant no longer being in the federal government's interest," Hanson said. "Every single notice of funding opportunity being issued through grants.gov is being reviewed through a political

lens and through senior-level political appointees, and that's only going to increase with the proposed regs."

- Executive orders would be incorporated into grant requirements and regulations in a way that would be difficult for subsequent administrations to undo, Hanson said.

### **Pre-award requirements**

- Changes to notice of funding opportunities would streamline the process, including requirements that all federal agencies post NOFOs in plain language and only take applications on grants.gov. "All of those things actually are pretty good for us," said Emily Swenson Brock, director of the Government Finance Officers Association's Federal Liaison Center.
- Merit reviews must be related to the president's national priorities and not include "unlawful DEI," Brock said. Risk reviews must require award recipients' memberships, affiliations and other publicly accessible information. States must also use Do Not Pay and E-Verify for all award recipients.

### **Post-award rules for grant administration**

- New monitoring requirements include formal designation of all pass-through entities of a subaward or contract through SAM.gov and ensuring that award activities don't cause "reputational harm" to the recipient or federal agency, Brock said.
- Municipalities may not be able to use grant money for advertising and public relations, conferences, professional activity costs and "general cost of government outside of specified grant activities," Brock said.

### **Audit and update frequency**

- The OMB will no longer release annual updates for compliance supplements, which govern how single audits — organization-wide evaluations of municipalities that spend \$750,000 or more in federal grants per year — are conducted. There would also be less frequent guidance for single audit processes, Hanson said.

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