July 10, 2026

Submitted electronically via regulations.gov
Docket No. OMB-2026-0034

Office of Management and Budget
Office of Federal Financial Management
725 17th Street NW
Washington, DC 20503

Re: Comments of the Associated Governments of Northwest Colorado on the Proposed Rule, Regulation for Federal Financial Assistance (2 CFR), published May 29, 2026; Docket No. OMB-2026-0034

To the Office of Federal Financial Management:

The Associated Governments of Northwest Colorado (AGNC) submits these comments on OMB's May 29, 2026 proposed rewrite of 2 CFR, Docket No. OMB-2026-0034.

AGNC is a Colorado local government that serves as the Council of Governments (COG) and federally designated Economic Development District (EDD) for Northwest Colorado, representing Garfield, Mesa, Moffat, Rio Blanco, Delta, Grand, Montrose, and Routt Counties and their municipalities.

AGNC administers and coordinates federal funding as the passthrough for the Area Agency on Aging for Region 11, facilitates Economic Development Administration investments, and leads the regional Comprehensive Economic Development Strategy, giving the organization a direct view of how federal grant rules land in practice on rural local governments, providers, and the communities they serve.

AGNC supports sound oversight, clear accountability, and responsible stewardship of public money, but several provisions of the proposed rule would shift cost, delay, uncertainty, and liability onto rural local governments and passthrough entities without a matching gain in accountability, pulling scarce staff time away from service delivery and making federal funding less workable in the communities that need it most. AGNC therefore asks OMB to reconsider or clarify the following issues before any part of the rule takes effect.

1. The rule should account for governments that already administer federal funds well.

AGNC and our member counties maintain the grants systems, internal controls, and audit practices the Uniform Guidance was built to require. A rule aimed at weak performers should not impose its heaviest new burdens on recipients with strong records. In Northwest Colorado, staff already wear many hats, and budgeting, grant management, vendor payments, project support, and day-to-day local government operations often fall to the same few people. We cannot simply add staff every time new monitoring, documentation, or review layers are introduced. In that context, one-size-fits-all escalation is not accountability; it is an unfunded administrative burden.

OMB should build in graduated oversight that recognizes audit history and should provide a safe harbor from the most demanding new requirements for recipients with a demonstrated record of compliance.

2. Discretionary termination and stop-work authority create planning risk counties and passthrough entities cannot absorb.

The proposed rule would allow agencies to suspend or terminate awards based on shifting agency or administration priorities. Local governments budget, hire, contract, and commit match in reliance on those awards, and in Colorado they must adopt balanced budgets in advance. A midstream termination can therefore leave staff unsupported, contracts exposed, local dollars stranded, and projects partially complete, and it is especially troubling that the proposed authority could be used to cancel projects when administrations change, based on politics rather than performance or compliance. OMB should narrow this authority, require written justification, provide notice and a real opportunity to cure, and protect obligations already incurred in good faith.

3. The reputational harm standard cannot be defined or administered.

The proposed reputational-harm standard is too vague to function as a fair enforcement tool. A recipient cannot conform its conduct to a standard that has not been defined, and a passthrough entity cannot realistically manage downstream partners against an open-ended concept of reputational risk. In a rural system, that uncertainty is especially problematic because funds often move across multiple layers of governments, non-profits and local providers. Reputation is not a compliance metric, and turning it into one invites arbitrary and politically contingent enforcement. OMB should strike the reputational-harm standard or replace it with specific conduct that already constitutes a clear and lawful basis for enforcement.

4. The new subrecipient monitoring regime adds cost without a matching gain.

AGNC understands the need for responsible passthrough oversight, but the proposed regime would layer on new logging, categorization, and monitoring obligations without showing how those burdens improve outcomes. In Northwest Colorado, federal dollars often move from federal agency to state agency to a local governmental partner and then to another local government or contracted provider. For example, in AGNC's aging services structure, Older Americans Act funds flow from the federal government to the State of Colorado, then to AGNC, and then to Mesa County, which administers the Area Agency on Aging (AAA) on AGNC's behalf. Mesa County handles bookkeeping and financial administration, while the AAA contracts with vendors and service providers that deliver meals, transportation, and other services to older adults across the region. Every new documentation or monitoring step added at one level tends to be replicated downstream. Those burdens land on local staff with limited capacity and can discourage the partnerships that are essential to serving residents in rural and frontier communities. This risk is especially serious for AGNC's AAA and EDD responsibilities because there is no alternative pool of local money waiting to replace federal funds if an award is delayed, frozen, or terminated based on downstream compliance issues. OMB should clarify the treatment of transfers among governmental entities, provide a correction window for SAM.gov reporting and similar administrative errors, and avoid penalizing recipients for conduct outside their practical control.

5. New payment justification layers would require recipients to build systems ahead of the agencies themselves.

Requiring written payment justifications for advances and reimbursements at each level of the funding chain may sound modest on paper, but in practice it would create new process, staffing, and documentation burdens for every draw. In small governments, those tasks do not go to a separate back-office compliance unit; they go to the same people already managing budgets, invoices, and reporting. If federal agencies are still developing their own systems and standards, recipients should not be expected to construct new compliance processes first. OMB should place clear limits on the length and content of any required justifications, phase requirements in only after agency systems are operational, and avoid turning routine reimbursement into a disproportionate paperwork exercise.

6. The new cost restrictions draw a line the rule does not explain.

The proposed rule adds cost principles for advertising and public relations, conferences, memberships and subscriptions, and the "general cost of government" outside specified grant activities, but it does not clearly distinguish those items from the ordinary costs of administering required federal work. For AGNC, many of the costs OMB would now treat as restricted—communication, publication, outreach, conferences, memberships, payment processing, and staff—exist because AGNC is the region's federally designated Economic Development District and must maintain and publish the CEDS, carry out partnership planning, and support regional projects. For our member governments, similar planning, outreach, training, and administrative costs arise only because they are implementing federally funded transportation, housing, public health, and infrastructure projects with a small staff. Under the proposed rule, these ordinary program-driven costs would often be presumptively unallowable unless they fit narrow exceptions or are spelled out in award terms, even though award documents rarely list every cost needed to deliver the work. OMB should draw these lines more clearly and issue program-specific guidance that reflects how rural governments actually operate.

7. The state passthrough structure would double the burden before a single dollar reaches a county department.

Much of the federal money used by AGNC and our member governments reaches Northwest Colorado through the State of Colorado. That means any added federal requirement is likely to be layered into state administration and then layered again at the local level. Because the proposed rule increases monitoring, payment justification, and documentation obligations at each level of the chain, the same dollar may be subject to multiple compliance screens before it goes into the community. For rural areas, that means slower implementation, more administrative cost, and less value from the funding itself. OMB should account for the layered reality of state-administered programs and should guard against duplicative monitoring and duplicated compliance demands at every step of the chain.

8. The effective date leaves current grants in doubt.

OMB has targeted an October 1, 2026 effective date, and the proposed rule appears likely to apply not only to new awards but also to incremental funding actions, amendments, and some renewals after that date. That uncertainty matters in rural communities, where capital projects are planned years in advance through layered funding stacks and service systems depend on recurring funding and established provider relationships. OMB should make clear that the new rule applies prospectively to truly new awards, not to awards and renewals already underway, and should issue transition guidance well before any effective date.

9. Less frequent compliance supplement updates reduce the predictability recipients and auditors depend on.

Recipients and auditors need stable, current guidance to know what compliance looks like in a given year. If the Compliance Supplement is updated less frequently without a clear replacement approach, local governments will be left to navigate changing expectations without a current roadmap. That is not a minor procedural issue; it directly affects planning, audit readiness, and confidence in administration. OMB should confirm that the most recent Compliance Supplement remains in effect until a replacement is issued and should commit to timely updates whenever program requirements materially change.

AGNC supports a federal grant system that is accountable and well run, and AGNC and its members have built systems to meet that standard with sensible oversight that protects public funds. The provisions above, as proposed, would make federal funding less predictable, more administratively burdensome, and harder to use effectively in rural communities that already operate with constrained capacity, diverting limited staff time from implementation to duplicative compliance and creating enough uncertainty that local governments may conclude critical funding is no longer worth pursuing. OMB should write a final rule that improves accountability while preserving the ability of Northwest Colorado's local governments to deliver the services and projects their communities depend on.

Respectfully submitted,

Cody Davis
AGNC Chair
Mesa County Commissioner

Doug Overton
AGNC Vice-Chair
Rio Blanco County Commissioner