Catholic Charities USA®

Member of Caritas Internationalis

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Andrew Reisig
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Office of Federal Financial Management
Office of Management and Budget

Re: ***Regulation for Federal Financial Assistance*****, Docket No. OMB-2026-0034**

Catholic Charities USA (CCUSA) submits this comment in response to the Office of Management and Budget Notice of Proposed Rulemaking entitled *Regulation for Federal Financial Assistance* (the proposed rule), published on May 29, 2026. CCUSA is concerned that, if implemented as written, the proposed rule could significantly increase the burden of administering federal grants, potentially impacting the ability of Catholic Charities agencies to engage in long-term planning, maintain workforce stability, and ensure continuity of services.

I. Who we are and what we do

CCUSA is a national membership organization representing 170 independent Catholic Charities agencies and is one of the largest charitable networks in the country. These agencies operate more than 3,500 service locations across all 50 states, the District of Columbia, and five U.S. territories. Together, they assist individuals and families in times of need by providing food and nutrition support, pregnancy support services, emergency rental and utility assistance, rapid housing support, housing counseling, and other critical services. Catholic Charities agencies also provide support that leads to stabilization for individuals and families by offering mental health services, homelessness prevention, job skills training, employment support services, and financial empowerment programs. Last year alone, this diverse network of programs reached nearly 16 million people.

In Chapter 25 of the gospel according to Matthew, Christ calls us to witness to the poor with compassion and through acts of service and generosity. His teachings remind us that whatever we do for the least among us, we do for Christ. We answer this call through corporal acts of mercy and advocacy. As Catholics, our commitment to serving those who are poor and vulnerable, regardless of their religious beliefs, is rooted in the principle that every person deserves the opportunity to participate fully in society and to live with dignity.

II. Overarching concerns with the proposed rule

The proposed rule would significantly change the Uniform Guidance for Federal Financial Assistance, potentially increasing uncertainty and risk in the application for and administration of federal awards. The general goals outlined in the proposed rule are to "improve transparency, accountability and oversight for federal awards…ensuring that American tax dollars are not wasted or misused." *Regulation for Federal Financial Assistance,* Summary, 32199. Overall, the proposed rule bestows upon federal agencies—and, specifically, political appointees within those

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agencies—broad discretion to determine whether to issue federal grants based on often-vague, subjective criteria, thus frustrating the professed goals of transparency and ensuring that tax dollars are not misused. Once funds are granted, federal agencies would have discretion to change terms and conditions mid-performance, or to withhold, suspend, or terminate awards. Taken together, the changes to the Uniform Guidance for Federal Financial Assistance (which would become a regulation under the proposal) have the potential to create myriad practical burdens for Catholic Charities agencies administering federal awards. Specifically, and amongst other impacts, these changes may interfere with an agency's ability to engage in long-term planning, maintain consistent staffing, and ensure continuity of services.

III. Comment on specific sections of the rule

Below, we address specific sections of the proposed rule to illustrate our concerns. This submission is not intended to represent comprehensive comment on all sections of the proposed rule that may impact the Catholic Charities network. Comment on each section is proceeded by the section number in brackets, as requested in the May 29, 2026, Federal Register notice.

[§200.1, Definitions] The proposed rule revises the definition of Personally Identifiable Information (PII) and strikes the definition of Protected Personally Identifiable Information from section 200.1. The revised definition of PII is less detailed than the current definition. Protecting PII is important for maintaining client privacy. As such, we are concerned that the proposed revision, coupled with striking the definition of Protected PII, will allow for the collection or release of clients' sensitive, personal information.

[§200.202, Program planning and design.] The proposed rule revises section 200.202(a) to add subsection (a)(1)(iii), which requires that a federal program be designed to "[a]lign with administration policies and priorities." Correspondingly, any application submitted in response to a notice of funding opportunity would need to adequately reflect how grantee activities would align with administration policies and priorities.

The Catholic Charities network serves persistent human needs. If the focus of Catholic Charities agencies providing food for the hungry or shelter for the homeless shifts from those whom they serve to the stated or unstated policy priorities of those providing the funding, the agencies will be obligated to expend significant time, resources, and energy on discerning what those views are. As a result, predicating federal programs on shifting "administration policies and priorities" has the potential to create a gap in services for vulnerable families and individuals that are too often not considered a priority.

We also note that discerning whether the activities an organization plans to undertake to implement a federal program align with the administration's policies and priorities is, to a large degree, a subjective metric. As such, this requirement would allow the appointees in any administration to reject an application for federal funds if they do not believe that the activities to be undertaken are in alignment with the administration's stated or unstated priorities.

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[§200.205, Federal agency merit review of proposals.] The proposed rule would create a process for pre-issuance review of discretionary federal award proposals that would give senior political appointees or their designees discretion to reject applications for funding if they determine that the proposed initiative will not "demonstrably advance the President's policy priorities" or that the initiative will "promote anti-American values."

Similar to the operational considerations raised by section 200.202, requiring that discretionary awards "demonstrably advance the President's policy priorities" introduces a standard that, by definition, shifts every four to eight years and is independent of whether a program effectively serves its intended population. Shifting the focus from the needs of local communities to the priorities of a Presidential administration could have very real, very serious consequences for those who are already vulnerable.

[§200.206, Federal agency review of risk posed by applicants.] The proposed rule requires that the grantmaking federal agency conduct a "risk assessment" to evaluate the risks posed by applicants before issuing awards. This requirement isn't new, but the proposed rule adds qualitative rather than quantitative criteria for consideration, including a review of memberships and affiliations. Here again, a subjective standard is used, including a prohibition against an applicant's "membership in *or affiliation with* organizations engaged in activities that…undermine public safety or national security" (emphasis ours). We are concerned that this language, because it is vague and overly broad, could be used to prevent disfavored organizations from receiving federal grants. Further, it could chill coordination amongst service providers, to the detriment of those served.

[§200.208, Specific conditions.] The proposed rule would revise section 200.208(b) to give federal grantmaking agencies broader discretion to "add or remove specific conditions throughout the period of performance." The existing rule predicates the adjustment of specific conditions on the analysis of four factors, while the proposed rule allows for adjustment of specific conditions "on consideration of" the same four factors and at two periods in time: first, when the federal award is made, and second, "throughout the period of performance." We are concerned that this is a less transparent approach that will create a variety of practical hurdles for Catholic Charities agencies.

If the rule is implemented, then the terms of an award agreement could be unilaterally modified by the grantmaking federal agency at any time. This gives rise to several operational considerations – award terms and funding mechanisms are used to develop staffing plans, enter into contracts, and commit resources necessary to serve vulnerable populations. To account for the potential in a change in award terms, Catholic Charities agencies may need to hold larger contingency reserves, shorten planning horizons, hesitate on long-term commitments, and front-load deliverables. Each of these precautionary measures diverts resources away from the people the funding is meant to help.

For example, if a federal agency changed the terms of an award agreement from providing advance payments to reimbursements, an organization would have to front payroll, rent, and program costs from reserves that they may or may not have. This could lead to staff reductions or service interruptions to remain compliant with the terms of the grant.

[§200.218, Prohibition of using federal awards to promote or support theories of disparate impact liability.] If implemented, section 200.218 of the proposed rule requires that federal agencies "eliminate the use of disparate-impact liability in all contexts relevant to Federal awards." This prohibition against disparate impact liability goes so far as to require that award recipients and subrecipients "review their policies and procedures related to Federal financial assistance to ensure" that their organizations have not adopted, issued, or enforced disparate-impact liability standards in any programs or activities that are supported by federal awards. Section 200.218 does include an exception for the internal use of statistical or demographic analysis within an organization; however, the section cautions that even in these instances, federal funding must not be used for conducting such analysis, and the *results* of the analysis may not be used "in connection with or applied to activities under the Federal award."

Catholicism calls us, as Pope Leo XIV tells us in his recent encyclical, *Magnifica Humanitas*, to place "God at the forefront of our actions and the human person at the center of our choices." This includes the most vulnerable, "the poor, migrants, refugees, internally displaced persons, victims of violence, and people living in urban or existential peripheries." *Magnifica Humanitas*, 78. To serve the most vulnerable, we first must identify them, and it is unclear whether doing so would be prohibited under the proposed section 200.218. Thus, we are concerned that this section and related provisions in the proposed rule will hinder us in the exercise our faith.

[§200.340, Termination and suspension.] Section 200.340(a)(2) of the proposed rule grants federal agencies discretion to terminate or suspend an award in part or in its entirety "if the Federal agency…determines that a termination is in the interest of the Federal agency…including if a Federal award does not effectuate program goals, Federal agency priorities, or the national interest as they exist at the time of the termination."

If implemented, grantees would face unpredictable financial, legal, and reputational risks, increasing the cost of accepting federal awards. If the proposed rule is implemented, federal funding for programs could be terminated abruptly for vague or subjective reasons. This would have direct impacts on organizational planning, including staffing and service delivery. Further, the expansion of termination authority paired with the exclusion of objection, hearing, and appeal rights for discretionary terminations is especially worrying for smaller organizations without in-house legal capacity, as litigation would be their sole recourse.

IV. Conclusion

We encourage the Office of Management and Budget to consider the operational realities of nonprofit providers, including the need for long-term planning, workforce stability, and continuity of services. Contrary to the proposal's stated intent, as currently written, several aspects of the proposed rule could give rise to additional burdens that would disrupt the essential services that

Catholic Charities agencies provide to the poor and vulnerable in thousands of communities nationwide.

Moreover, as explained above, some of the proposed changes would introduce substantial uncertainty into the federal grantmaking process. Maintaining consistency and objectivity in grantmaking and grant oversight decisions would better accomplish the Administration's stated goals of improving transparency, accountability, and oversight with respect to federal grantmaking, as well as ensure that basic American principles of equality and equal opportunity are upheld throughout all stages of the award making process.

Respectfully submitted,

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