U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY
REGULATION • RESEARCH • OUTREACH

July 13, 2026

VIA ELECTRONIC SUBMISSION

The Honorable Russell Vought
Director
Office of Management and Budget
Executive Office of the President
725 17th St NW
Washington, DC 20503

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

Dear Director Vought:

On May 29, 2026, the Office of Management and Budget (OMB) published a proposed rule to revise its Guidance for Federal Financial Assistance and align existing government-wide federal award requirements with law, policy, and administrative priorities.[1] This proposal, if finalized, would ensure that OMB fulfills its statutory obligation to "establish governmentwide financial management functions"[2] by asserting that the proposed revisions to OMB's "Uniform Guidance" have the effect and force of a regulation, rather than non-binding guidance.[3] These proposed changes are intended to provide clarity, uniformity, and transparency among federal grant programs while simultaneously reducing applicant and recipient burdens. The following letter constitutes the Office of Advocacy's (Advocacy) public comments on OMB's proposed rule.

Advocacy appreciates the opportunity to comment on OMB's proposal, particularly because its implementation will significantly affect all discretionary grant programs throughout the federal government. Advocacy understands that this rulemaking has sweeping consequences for numerous federal award programs across multiple agencies and commends OMB for consulting with affected agencies and that those agencies have joined OMB in proposing these changes, including SBA.[4]

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[1] 91 Fed. Reg. 32199 (May 29, 2026).
[2] 31 U.S.C. § 503(a).
[3] 91 Fed. Reg. at 32,199.
[4] *Id.* at 32,205.

Advocacy supports the implementation of OMB's proposed revisions and streamlining the federal award process. Additionally, Advocacy recommends that OMB encourage agencies, where appropriate, to include the applicable North American Industry Classification System (NAICS) codes in notices of funding opportunities (NOFOs) for business-oriented funding opportunities to improve transparency, applicant self-screening, and administrative consistency.

I. Background

A. The Office of Advocacy

Congress established the Office of Advocacy in 1976 under Pub. L. 94-305 to represent the views of small entities before federal agencies and Congress. Advocacy is a voice within the federal government that seeks to ensure small business concerns are heard in the federal regulatory process. Advocacy also works to ensure that regulations do not unduly inhibit the ability of small entities to compete, innovate, or comply with federal laws. The views expressed by Advocacy do not necessarily reflect the views of the SBA or the Administration.

The Regulatory Flexibility Act (RFA), as amended by the Small Business Regulatory Enforcement Fairness Act (SBREFA),[5] gives small entities a voice in the rulemaking process. For all rules that are expected to have a significant economic impact on a substantial number of small entities, the RFA requires federal agencies to assess the impact of the proposed rule on small entities and to consider less burdensome alternatives.[6] If a rule is not expected to have a significant economic impact on a substantial number of small entities, agencies may certify it as such and submit a statement of the factual basis for such a determination that adequately supports its certification.[7]

Advocacy's comments are consistent with Congressional intent underlying the RFA, that "[w]hen adopting regulations to protect the health, safety, and economic welfare of the nation, federal agencies should seek to achieve statutory goals as effectively and efficiently as possible without imposing unnecessary burdens on the public."[8]

The Small Business Jobs Act of 2010 requires agencies to give every appropriate consideration to comments provided by Advocacy.[9] The agency must include a response to these written comments in any explanation or discussion accompanying the final rule's publication in the *Federal Register*, unless the agency certifies that the public interest is not served by doing so.[10]

B. OMB's Statutory Obligations

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[5] Pub. L. No. 104-121, tit. II, 110 Stat. 857 (1996) (codified in scattered sections of 5 U.S.C. §§601-612).
[6] 5 U.S.C. § 603.
[7] *Id.* § 605(b).
[8] Regulatory Flexibility Act, Pub. L. No. 96-354, 94 Stat. 1164 (1980) (codified at 5 U.S.C. §§ 601-612).
[9] Small Business Jobs Act of 2010, Pub. L. No. 111-240, §1601, 214 Stat. 2551 (codified at 5 U.S.C. § 604).
[10] *Id.*

OMB primarily derives its oversight authority concerning federal award programs from four statutes: the Federal Grant and Cooperative Agreement Act of 1977 (FGCAA); the Single Audit Act of 1984 (SAA), as amended by the Single Audit Act Amendments of 1996; the Chief Financial Officers Act of 1990 (CFO Act); and the Federal Funding Accountability and Transparency Act of 2006 (FFATA), as amended by the Digital Accountability and Transparency Act of 2014 (DATA Act). Below is a summary of the powers OMB is granted under each piece of legislation:

- **FGCAA:** Explicitly authorizes the Director of OMB to "issue supplementary interpretive guidelines to promote consistent and efficient use of procurement contracts, grants agreements, and cooperative agreements."[11]
- **SAA:** Requires each federal grantmaking agency to monitor non-federal entity use of federal awards "in accordance with guidance issued by the Director,"[12] and conform SAA regulations with guidance issued by OMB.[13]
- **CFO Act:** Mandates that each agency's Chief Financial Officer "develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which...complies with such policies and requirements as may be prescribed by the Director of the [OMB]."[14]
- **FFATA/DATA Act:** Establishes that the Secretary of the Treasury and the Director of OMB, in consultation with the heads of federal agencies, are responsible for promulgating "Government-wide financial data standards for any federal funds made available to or expended by federal agencies and entities receiving federal funds."[15]

Thus, the alignment of federal award programs is under OMB's jurisdiction, as expressly stated by Congress.

C. Relevant Executive Orders: Aligning Federal Grants with the President's Policies

In addition to OMB's statutory responsibility to ensure that federal award programs follow uniform guidance and meet baseline legal requirements, Presidential directives have also required a thorough revision of grant program implementation. Advocacy concurs with OMB's proposed changes to its existing guidance because they will align federal grant programs with Executive Branch policy and reduce regulatory uncertainty and incongruity among federal programs and their associated requirements. Below, Advocacy identifies which proposed revisions are required according to the President's directives and which Executive Orders each revision implements:

- **Adding 2 C.F.R. § 200.205(b)(2)(i)–(ii):** OMB proposes to prohibit discretionary award programs from "fund[ing], promot[ing], encourag[ing], subsidiz[ing], or

[11] 31 U.S.C. § 6307(1).
[12] *Id.* § 7504(a)(1).
[13] *Id.* § 7505(a).
[14] *Id.* § 902(a)(3)(B).
[15] *Id.* § 6101 note (Digital Accountability and Transparency Act of 2014).

facilitat[ing]" racial discrimination and preferencing and denial by the recipient of the sex binary.[16] These prohibitions carry out the provisions of Executive Orders 14151 ("Ending Radical and Wasteful Government DEI Programs and Preferencing"), 14168 ("Defending Women From Gender Ideology Extremism and Restoring Biological Truth to the Federal Government"), and 14173 ("Ending Illegal Discrimination and Restoring Merit-Based Opportunity").

- **Adding 2 C.F.R. § 200.205(b)(2)(iii):** OMB proposes to disallow the use of discretionary awards for funding, promoting, encouraging, subsidizing, or facilitating "illegal immigration."[17] This prohibition carries out the provisions of Executive Order 14159 ("Protecting the American People Against Invasion").
- **Revises 2 C.F.R. § 200.300(b):** OMB proposes to require that all federal agency and pass-through entities ensure that federal awards are not used to fund, promote, encourage, subsidize, or facilitate "'diversity, equity, and inclusion' (DEI) or 'diversity, equity, inclusion, and accessibility' (DEIA) policies, principles, or practices," "gender ideology," and the "so-called 'transition' of a child under 19 years of age from one sex to another."[18] These requirements carry out the provisions of Executive Orders 14151 ("Ending Radical and Wasteful Government DEI Programs and Preferencing"), 14168 ("Defending Women From Gender Ideology Extremism and Restoring Biological Truth to the Federal Government"), and 14187 ("Protecting Children From Chemical and Surgical Mutilation").

II. OMB Revisions Reflect SBA's Internal Reforms of Lending Programs

To further illustrate the necessity of OMB's revisions and their consistency with broader administrative action, SBA has already begun aligning its lending practices with the current administration's priorities and statutory purposes of its funding programs. Notably, on March 6, 2025, SBA Administrator Kelly Loeffler announced reforms to ensure SBA would not support illegal immigration.[19] Among these reforms, Administrator Loeffler put forth a new policy requiring SBA loan applications to include a citizenship verification "to ensure only legal, eligible applicants can access SBA programs."[20] The prohibition against subsidizing illegal immigration through SBA grant programs complements SBA's already established policy of minimizing illegal immigration participation in its lending programs.

Additionally, in response to a federal district court ruling, SBA proposed to amend its Section 8(a) Business Development Program to remove the program's rebuttable presumption of social disadvantage for certain designated groups based solely on race and ethnicity.[21] The regulatory shift away from race-based preferences in SBA programs is parallel to OMB's proposed

[16] 91 Fed. Reg. 32248, 32249 (May 29, 2026).
[17] *Id.*
[18] *Id.* at 32,253.
[19] News Release No. 25-33, Administrator Loeffler Announces SBA Reforms to Put American Citizens First, U.S. Small Bus. Admin. (Mar. 6, 2025), https://www.sba.gov/article/2025/03/06/administrator-loeffler-announces-sba-reforms-put-american-citizens-first.
[20] *Id.*
[21] 91 Fed. Reg. 35434 (June 11, 2026).

prohibition against race-based preferences in all federal award programs. This is integral to maintaining a consistent regulatory framework across agencies and to helping small businesses understand funding criteria, while avoiding confusion between OMB federal award policies and SBA grant program requirements. If discretionary grant program requirements fail to match the requirements of other agency funding initiatives, recipients and applicants alike are faced with regulatory uncertainty regarding which types of funding they are eligible to obtain.

III. Suggestions for Rule Implementation

Because of the far-reaching implications of OMB's proposed rule concerning federal award regulations, Advocacy recommends that these changes specifically clarify eligibility for business-oriented grants and further reduce recipient burden.

A. Use NAICS Codes in Notice of Funding Opportunities

SBA's determinations for what constitutes a small business in each industry depend upon the use of NAICS codes, each of which refers to specific economic activity within each sector of industry. These codes not only standardize industry classification across North America, but also assist in statistical analyses, government contracting, and access to tax incentives.[22] Due to the broad application of NAICS codes, businesses are required to assign and periodically update these codes to ensure compliance and accurately reflect their activities.

Though SBA specializes in funding for small businesses and business development-related purposes, other agencies such as the U.S. Department of Agriculture[23] also offer federal awards to businesses. Because OMB's proposed regulations will, if finalized, be binding across all federal grantmaking agencies, Advocacy recommends that OMB add a provision within its proposed amendments to 2 C.F.R. § 200 mandating that all agencies, when issuing instructions for industry-specific grant applications, include the necessary NAICS code associated with eligible industries. This requirement would further reduce recipient burden by readily identifying those industries that are eligible for a particular federal award, while allowing ineligible entities to refrain from applying for a grant that is not applicable to their industry or business.

IV. Conclusion

Advocacy supports OMB's proposed revisions to federal award guidelines because such revisions are necessary to align federal grantmaking with the priorities of the Executive Branch. Not only do OMB's changes implement the directives of numerous Executive Orders, but they also match the actions taken by other agencies, including SBA, to implement those directives as

[22] NAICS Ass'n, *What Is a NAICS Code and Why Do I Need One*? (Nov. 15, 2024), https://www.naics.com/what-is-a-naics-code/.
[23] *U.S. Department of Agriculture (USDA)*, GRANTS.GOV, https://www.grants.gov/learn-grants/grant-making-agencies/u-s-department-of-agriculture-usda (last visited July 13, 2026).

well. When finalizing these revisions, Advocacy respectfully urges OMB to implement its changes in a manner that minimizes unnecessary burden on small entities.

OMB should incorporate clear, program-specific eligibility information, including NAICS codes where appropriate, so that prospective applicants can better determine whether they qualify for a given opportunity before investing time and resources in the application process. This would further the goals of transparency, consistency, and administrative efficiency while reducing avoidable confusion for small businesses seeking federal support.

If you have any questions or require additional information, please contact me or Assistant Chief Counsel John Vatian at (202) 996-5299 or John.Vatian@sba.gov.

Sincerely,

/s/

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/s/

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Copy to: Mr. Mark Paoletta, Acting Administrator
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