NRECA
America's Electric Cooperatives

Submitted electronically via www.regulations.gov.

July 13, 2026

Re: Comments on Office of Management and Budget's Proposed Revisions to the Guidance for Federal Financial Assistance (Dockets OMB-2026-0034)

To Whom It May Concern:

The National Rural Electric Cooperative Association (NRECA) respectfully submits comments regarding a notice published by the Office of Management and Budget (OMB) in the May 29, 2026, edition of the *Federal Register*[1] with significant implications for the management of grants, cooperative agreements, and other forms of federal assistance. Rural electric cooperatives rely on federal financial assistance as a primary source of capital due to their not-for-profit structure, limited access to private investment, and responsibility to serve sparsely populated, high-cost rural areas. These federal investments are essential to maintain affordable electric rates while supporting grid modernization, resilience, and disaster recovery. The proposed OMB rule introduces uncertainty by potentially tightening eligibility, increasing administrative burdens, and delaying or reducing funding – constraining electric cooperatives' ability to plan for and execute critical projects. This could raise costs for rural consumer-members, weaken disaster preparedness and response efforts, undermine long-term infrastructure planning, and broaden electric grid reliability concerns across rural America, all of which would be detrimental to achieving American energy dominance.

Overview of America's Electric Cooperatives

NRECA is the national trade association representing nearly 900 not-for-profit electric cooperatives and other rural electric utilities. NRECA's member cooperatives include 60 generation and transmission (G&T) cooperatives and 830 distribution cooperatives.[2] America's electric cooperatives are not-for-profit entities that are independently owned and democratically governed by the people they serve.

Electric cooperatives provide power to one in eight Americans and serve as engines of economic development for 42 million people across 56% of the nation's landscape.[3] Unlike the rest of the electric sector, cooperatives sell most of their power – 52% – to households.[4] They also own and maintain 2.7 million miles, or 42%, of the nation's electric distribution lines and serve large expanses of the United States that are primarily residential and typically sparsely populated – areas where low populations and incomes[5] have not attracted for-profit power companies. Those characteristics make it comparatively

[1] 91 Fed. Reg. 32198 (May 29, 2026).
[2] NRECA, *America's Cooperative Electric Utilities*, April 2026, p. 1, *available at:* https://www.cooperative.com/programs-services/bts/Documents/Data/Electric-Co-op-Fact-Sheet.pdf (NRECA America's Cooperative Electric Utilities).
[3] NRECA, *Electric Co-op Facts and Figures*, June 25, 2025, p. 1, *available at:* https://www.electric.coop/electric-cooperative-fact-sheet (NRECA Co-op Facts and Figures).
[4] *Id*. at 4.
[5] Many cooperative consumer-members are among those least able to afford higher electricity rates. Electric cooperatives serve 92% of persistent poverty counties in the United States. *See* NRECA Co-op Facts and Figures at 1. One in four households served by cooperatives have an annual income below $35,000. *Id*. at 4.

more expensive for rural electric cooperatives to operate than the rest of the electric sector, which tends to serve more compact, industrialized, and densely populated areas.

Because electric cooperatives serve areas with low population density, costs are borne across a base of fewer consumers and by families that spend more of their limited resources on electricity than do comparable customers of municipal-owned or investor-owned utilities. Using data from the U.S. Energy Information Administration (EIA) and other sources, NRECA estimates that rural electric cooperatives serve an average of 8.7 consumers per mile of line and collect annual revenue of approximately $22,775 per mile of line.[6] In contrast, for the rest of the industry, the averages are 38.9 customers and approximately $111,533 in annual revenue per mile of line.[7]

As not-for-profit entities, electric cooperatives are unique in the way they are financed. Cooperatives have no equity shareholders who can bear the costs of stranded generation assets or investment in new or alternative generation resources. Cooperatives do not have a rate of return on equity as investor-owned utilities. All costs are passed directly to each cooperative's consumer-members via increased electric rates.

Because of their not-for-profit status, cooperatives maintain only marginal cash reserves for anticipated operating expenses and unforeseen events. For that reason, financing the significant capital investment required for new generation, transmission, and other infrastructure projects necessarily requires reliance on debt sourced from entities such as the U.S. Department of Agriculture's Rural Utilities Service (RUS), National Rural Utilities Cooperative Finance Corporation, and CoBank.[8] Federal grants are also an important part of the puzzle, particularly those that support electric grid reliability and security, disaster recovery, and broadband infrastructure.

OMB Proposals Will Reduce Regulatory and Financial Certainty Critical to the Energy Sector

The energy sector is one which requires long-term planning and significant capital expenditures. NRECA is concerned that proposals regarding discretionary termination, changes in specific program conditions, and eliminating fixed award amounts will yield situations in which cooperative funding recipients will have less regulatory and financial certainty – a significant detriment to not-for-profit entities that are reliant on debt financing and plan multi-million-dollar capital expenditures often years in advance. American energy dominance requires regulatory certainty and confidence in the federal government's financial support once that support is committed. Anything less will erode cooperatives' ability to participate in these crucial funding programs and the benefits such programs yield.

[200.340] Termination and Suspension

In Section 200.340(a) OMB proposes to clarify and broaden the government's authority to terminate awards for discretionary reasons, "including when the award no longer advances…agency priorities or the national interest"[9] OMB proposes a new 90-day temporary suspension authority in Section 200.340(e).[10]

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[6] NRECA America's Cooperative Electric Utilities at 2.
[7] *Id*.
[8] The Cooperative Finance Corporation is a member-owned, nonprofit cooperative organized in 1969 to raise funds from capital markets to supplement RUS loan programs. CoBank is a national cooperative bank and a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agricultural interests and the nation's rural economy.
[9] 91 Fed. Reg. 32225 (May 29, 2026).
[10] 91 Fed. Reg. 32259 (May 29, 2026).

The agency-level appeal rights currently available under Sections 200.341 and 200.342 would not apply to discretionary termination, leaving judicial review as the primary recourse for affected recipients.[11]

- The discretionary termination proposal is particularly troubling for electric cooperatives because the projects undertaken by our members are capital- and time-intensive, often requiring both financial and contractual commitments years in advance. Strengthening the government's ability to engage in discretionary termination after previously committing its financial support would pull the rug out from beneath critical infrastructure projects that have been years in the making – stranding investment, slowing progress, and impeding American energy dominance.

[200.208] Specific Conditions

The proposed rule authorizes agencies to add or remove specific conditions throughout the performance period based on enumerated risk factors, with recipients given as few as 15 days to comply.[12]

- This proposal effectively allows agencies to modify award terms mid-performance, which could significantly disrupt recipients' ability to maintain compliance.

[200.201] Use of Grants, Cooperative Agreements, and Contracts
[200.333] Fixed Amount Subawards

In Sections 200.201 and 200.333, and elsewhere in part 200, OMB proposes to eliminate fixed amount awards and subawards – stating that with these awards "there is no expected routine monitoring of actual costs incurred by the recipient or subrecipient, and no financial reporting is required."[13]

- Fixed amount awards have been compelling at times to cooperatives over the years as they typically provide a simpler way to pursue grant funds without distracting from their primary jobs of keeping the lights on in their communities. Fixed amount awards should be retained as an option where it makes most sense, particularly when the stakeholders most likely to seek funds for a program are least likely to have bandwidth for time- and resource-intensive grant management and reporting activities.

OMB's Proposals Could Impede Applicant Access to Available Funds

[200.205] Federal Agency Review of Merit of Proposals
[200.206] Federal Agency Review of Risk Posed by Applicants

OMB's revisions to Section 200.205 would require mandatory pre-issuance review of all discretionary awards by "senior [political] appointees" who must apply specific principles drawn from Executive Order 14332, including ensuring that awards advance the President's policy priorities. These proposed revisions to the pre-issuance review framework also operate alongside a proposed expanded set of risk-assessment factors under Section 200.206, which would add to the factors that agencies may consider in pre-award risk reviews. These factors include: (a) any "history of questionable practices," (b) "membership in or affiliation with organizations engaged in activities that violate Federal law, undermine public safety or national security, or advocate for the overthrow of the United States Government," and (c) compliance with Higher Education Act disclosure requirements regarding foreign gifts.[14]

[11] 91 Fed. Reg. 32230 (May 29, 2026).
[12] 91 Fed. Reg. 32250 (May 29, 2026).
[13] 91 Fed. Reg. 32204 (May 29, 2026).
[14] 91 Fed. Reg. 32249-50 (May 29, 2026).

- We support rigorous review of proposals and awards made with government funds. With this principle in mind, NRECA is concerned that the practical result of this proposal will mean funding recipients and subrecipients may encounter longer waiting times for funding approval and have difficulty ensuring compliance with new policy initiatives. In the case of RUS, electric cooperatives already face thorough due diligence and underwriting prior to being awarded funds based on financial soundness. NRECA urges OMB to streamline the grant process for small business entities like electric cooperatives, not make it more cumbersome and time consuming.

[200.204] Notices of Funding Opportunities

OMB's proposed revisions direct agencies to design programs that align with "administration policies and priorities."[15]

- NRECA is concerned that this directive creates tension with the requirement that programs advance Congressionally authorized public purposes. In practice, agencies might interpret the new OMB language to delay or decline issuing NOFOs for Congressionally authorized or mandated programs that do not align with current administration policies and priorities. NRECA is similarly concerned that the proposed rule does not address how agencies should resolve this conflict, raising potential concerns under the Impoundment Control Act, the Take Care Clause, and the Administrative Procedure Act's (APA) arbitrary-and-capricious standard – leading to increased legal and regulatory uncertainty.

Further, the proposed rule states that not all funding opportunities will go through a competitive process. Instead, agencies may issue awards on a "limited competition or ... non-competitive basis"[16] and, in some situations, would not have to announce the funding opportunity at all.

- NRECA represents a diverse group of 900 rural electric cooperatives. While some of NRECA's larger members have staff dedicated to federal grant applications and compliance – most do not. Combined with the new senior-appointee review process, this proposed language would greatly expand agencies' ability to direct funding without the transparency traditionally associated with the Notice of Funding Opportunity (NOFO) process. NRECA is concerned that, if NOFOs are not publicized widely, its members may never learn about the funding opportunity and will be effectively shut out of the application process. NRECA supports a rigorously competitive process to ensure that federal funds are spent responsibly and put towards their highest and best use.

OMB's Proposals Will Yield Programs Less Well-Tailored to Sector Needs and Applicant Capabilities

[180] OMB Guidelines to Agencies on Government-Wide Debarment and Suspension (Nonprocurement)

OMB proposes to remove the statement in Section 180.15 that the policy contained in the regulatory text "is guidance not regulation."[17] OMB also proposes to revise Section 180.25 to clarify that agencies must not deviate from the requirements of this part on matters for which discretion is not provided. Together, these changes would centralize grant rulemaking authority within OMB. Once finalized, updates to 2 CFR subtitle A would apply government-wide without requiring individual agencies to adopt them through separate rulemaking. As a result, the proposed rule would reduce both opportunities for agency input and the role of agency discretion in shaping federal grant policy.

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[15] 91 Fed. Reg. 32247 (May 29, 2026).
[16] *Id*.
[17] 91 Fed. Reg. 32209 (May 29, 2026).

- NRECA is concerned that these changes will limit input from agency subject matter experts and field staff on the ground, leading to decisions that are less in tune with applicant needs and market conditions. This institutional knowledge is critical and specific to each agency, and even departments within each agency, and cannot easily be applied with one broad stroke.

[200.331] Subrecipient and Contractor Determinations

The proposed Section 200.331(c) provides that pass-through entities cannot treat transfers of federal funds to related entities as internal allocations exempt from the "subrecipient or contractor" determination.[18] Each transfer must be classified as a subaward or contract.

- NRECA is concerned that this proposal would impose additional compliance burdens on pass-through entities with affiliated structures by mandating formal subrecipient/contractor classifications and the application of flow-down requirements to transactions that have traditionally been treated as routine intra-organizational bookkeeping entries.

[200.317-200.326] and [200.340] Procurement methods and Termination

While these sections do not include significant textual revisions, the proposed changes to the broader regulatory framework may diminish the effectiveness of an existing flexible emergency procurement tool. In particular, the proposal introduces indirect changes that could materially constrain the use of non-competitive procurement under public exigency or emergency conditions by increasing post-award oversight, compliance requirements, and potential limitations on recipient and subrecipient vendor eligibility.

- NRECA is concerned that the proposed OMB rule could hinder electric cooperatives' ability to respond quickly during emergencies by creating additional administrative requirements and uncertainty around federal funding. In weather-driven disaster situations, cooperatives rely on flexibility to issue non-competitive emergency contracts during fast-moving outage scenarios to rapidly restore power and protect public safety. If new rules delay approvals, tighten compliance, or complicate reimbursement, cooperatives may face barriers with mobilizing mutual assistance crews, securing materials, and initiating repairs. This could prolong outages, increase recovery costs, and ultimately weaken the reliability and resilience of rural electric systems after disasters.

[200.322] Domestic Preferences for Procurements

The proposed Section 200.322 replaces the prior domestic preference language with a directive that agencies, "where practicable and legally authorized,"[19] build domestic content terms into awards.

- While NRECA understands and appreciates the objective of domestic procurement goals, "Buy American" requirements – which cooperatives have been navigating for many years – can significantly increase the cost, complexity, and completion timeline for large projects – when compliance with such requirements is even possible as experience has proven in the years since passage of the Build America Buy America Act. In many sectors, domestically produced equipment vital to projects' completion is simply not available, making waivers necessary in certain cases.

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[18] 91 Fed. Reg. 32257 (May 29, 2026).
[19] 91 Fed. Reg. 32256 (May 29, 2026).

Conclusion

The proposals discussed above will reduce regulatory and financial certainty, impede applicant access to available funds, and yield programs less well-tailored to sector needs and applicant capabilities. NRECA believes that OMB's proposed changes to the guidance for federal financial assistance are unnecessary and would overturn long-standing practices embraced by presidents of both parties. While ostensibly offered with the goals of: "(1) improving transparency, accountability, and oversight for use of Federal funds; (2) clarifying the status of the 2 CFR regulatory text as an OMB regulation; and (3) reducing recipient burden,"[20] the changes would amount to overturning a consistent, reasoned process of administering federal funds in favor of one that enables political imperatives to play an outsized role. If finalized as proposed, these changes would establish the precedent that administrations can modify the federal funding process to meet their policy preferences. It would lead to a pendulum effect that eliminates consistency across administrations, substantially undermining – if not eviscerating – the regulatory and financial certainty so necessary to ensuring America's energy dominance.

NRECA appreciates the opportunity to comment on OMB's proposed changes to the guidance for federal financial assistance. Should you have any questions, please contact me at Louis.Finkel@nreca.coop or (703) 907-5775.

Sincerely,

/s/ Louis Finkel
Louis Finkel
Senior Vice President, Government Relations

[20] 91 Fed. Reg. 32202 (May 29, 2026).