UNIVERSITY OF CALIFORNIA

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO SANTA BARBARA • SANTA CRUZ

OFFICE OF THE VICE PRESIDENT – RESEARCH AND INNOVATION

OFFICE OF THE PRESIDENT
1111 Franklin Street, 11th Floor
Oakland, California 94607-5200

Submitted electronically via Regulations.gov
Docket ID No. OMB-2026-0034
FR Doc. No. 2026-10817

July 9, 2026

Russell Vought, Director
Office of Management and Budget
725 17th Street NW
Washington, DC 20503

RE: University of California System Comments on Proposed Rule, Regulation for Federal Financial Assistance, 91 Fed. Reg. 32198, published May 29, 2026 (Docket ID No. OMB-2026-0034)

Dear Director Vought:

On behalf of the University of California system (UC), we submit these comments on the Office of Management and Budget's (OMB) proposed revisions to the Regulation for Federal Financial Assistance (Proposed Rule), issued on May 29, 2026.

UC is the nation's leading public research university system, comprised of ten campuses, six academic health centers, and UC Agriculture and Natural Resources. Since its founding as California's land-grant university in 1868, UC has partnered with the federal government to advance a shared public mission: educating students, advancing knowledge, strengthening agriculture and industry, and serving the Nation. This longstanding federal partnership has produced measurable national benefits by translating taxpayer investment into workforce training, patient care, and advances in health, national security, energy, agriculture, technology, and economic growth.

UC educates nearly 300,000 students, employs more than 260,000 faculty and staff, conducts over $7 billion in annual research that drives scientific discovery, medical breakthroughs, technological innovation, and workforce development, ranks #1 in the world for patented inventions from federally supported research, and has been home to more than 70 Nobel laureates. The outcomes produced by UC, and higher education across the nation, depend on a system of federal support that is stable, predictable, and governed by clear rules.

OMB identifies three principal objectives for this Proposed Rule: (1) improving transparency, accountability, and oversight for use of federal funds; (2) clarifying the status of OMB's government-wide financial management policies and requirements contained in 2 CFR subtitle A, as an OMB regulation; and (3) reducing recipient burden, with 'recipient'[1] as defined in Section 200.1. UC supports these objectives. However, the Proposed Rule, as drafted, would not achieve them.

First, the Proposed Rule would not improve transparency, accountability, or oversight. By expanding discretionary authority and introducing opportunities to revisit, delay, condition, suspend, or terminate activities without corresponding objective standards, the Proposed Rule reduces accountability and transparency in the administration of federal awards.

Second, the Proposed Rule would not improve regulatory clarity. Although OMB redesignates 2 CFR Part 200 as a regulation, many revisions introduce broader, less defined standards that increase uncertainty for recipients. As a result, recipients may face greater ambiguity about what is required and how rules will be applied, even as those rules carry greater legal weight.

Third, the Proposed Rule would not reduce recipient burden. Instead, it imposes additional layers of process, review, documentation, justification, approval, and monitoring across nearly every stage of award administration, reducing administrative efficiency and increasing compliance costs. These new requirements are particularly concerning, because they come on top of the longstanding cap on recovery of the administrative component of facilities and administrative costs, despite the substantial growth in federal compliance, reporting, cybersecurity, research security, and grants management requirements over the past four decades. Resources devoted to additional administrative processes are resources diverted from the research, education, and public service activities federal awards are intended to support. A framework that increases procedural demands to accomplish the same work does not reduce burden; it increases it while shifting additional costs onto recipients.

If finalized as drafted, the Proposed Rule would have consequences well beyond UC. It would make the federal assistance environment less predictable and less stable, particularly for multi-year research efforts that depend on continuity. That uncertainty would not be borne only by institutions; it would affect patients awaiting clinical advances, communities relying on applied research, students and trainees building careers, and federal agencies carrying out long-term missions. It would also undermine the nation's global competitiveness by sidelining the best available science, constraining innovation, and limiting the ability to deliver timely results.

UC's position is clear: OMB should withdraw the Proposed Rule. The proposed revisions are sweeping in scope and would fundamentally reshape the administration of federal financial assistance. Given their significance, stakeholders have not been afforded a sufficient opportunity to provide meaningful input. If OMB wishes to pursue revisions to the Uniform Guidance, it should withdraw this proposal and issue a new one following a more robust stakeholder engagement process and a meaningful opportunity for public comment.

[1] 2 CFR 200.1: "*Recipient* means an entity that receives a Federal award directly from a Federal agency to carry out an activity under a Federal program. The term recipient does not include subrecipients or individuals that are participants or beneficiaries of the award."

If OMB proceeds with adopting changes to Uniform Guidance, UC urges substantial revisions to the Proposed Rule. The comments that follow focus on provisions that most significantly affect federally supported research. In particular, UC is concerned that the Proposed Rule would:

- Weaken the integrity of the peer review process as proposed in Sections. 200.205, 200.206, and 200.208;
- Discourage international scientific collaborations as proposed in Sections. 200.202(e) and 200.220,
- Undermine longstanding commitments to the dissemination of and public access to federally funded research as proposed in Sections. 200.421, 200.432, 200.454, 200.461, and 200.461,
- Expand agency discretion to suspend or terminate awards without clear and objective standards as proposed in Sections. 200.211(c)(1)(v) and 200.340-200.343, and
- Substantially increase administrative and compliance burdens for federal agencies and funding recipients by imposing new documentation, review, oversight, procurement, subrecipient monitoring, financial management, and closeout requirements, as proposed in Sections. 200.201(b), 200.203, 200.303(f), 200.305(c), 200.318, 200.321, 200.331-200.333, 200.414, 200.415, and 200.417.

UC does not address every proposed change, and the absence of comment should not be interpreted as agreement. For each issue addressed, UC identifies the relevant provision, explains why the proposed approach does not meet OMB's stated objectives, and recommends a clearer and more workable alternative that protects both public funds and the public benefits they are intended to produce.

Section-by-Section Comments

[200.205, 200.206, and 200.208] Merit Review, Award Selection, Recipient Risk, and Specific Conditions

UC understands OMB's goal of strengthening accountability in "discretionary awards," as defined in 2 CFR 200.1[2]. However, the changes proposed in Sections 200.205, 200.206, and 200.208 move away from the mechanisms that currently provide that accountability.

Section 200.205 would require federal agency heads to designate senior appointees to conduct pre-issuance reviews of all discretionary awards, which have been recommended for funding by a peer-review panel, to ensure consistency with applicable law, agency priorities, and national interest. Section 200.205 also adds that "peer review recommendations remain advisory and are not ministerially ratified, routinely deferred to, or otherwise treated as de facto binding by senior appointees or their designees."

[2] 2 CFR 200.1: "*Discretionary award* means an award in which the Federal agency, in keeping with specific statutory authority that enables the agency to exercise judgment (''discretion''), selects the recipient or the amount of Federal funding awarded through a competitive process or based on merit of proposals. A discretionary award may be selected on a non-competitive basis, as appropriate."

For scientific and technical awards, peer review is the cornerstone of the federal research enterprise. It provides an impartial, expert evaluation of whether proposed research is scientifically sound, technically feasible, and likely to produce meaningful results. Its importance was recently reaffirmed in Executive Order 14303, *Restoring Gold Standard Science*, which identifies unbiased peer review as a core principle of scientific integrity. The Office of Science and Technology Policy's implementing guidance defines unbiased peer review (or merit review) as the impartial and independent evaluation of research proposals by qualified experts and directs agencies to prioritize merit review in the review, selection, and award of federal grants and contracts.

Scientific research is inherently uncertain. The most transformative discoveries often begin as high-risk, high-reward ideas supported by promising, but necessarily incomplete evidence. The purpose of expert merit review is to evaluate that uncertainty by drawing on the judgment of qualified subject matter experts who are best positioned to assess scientific rigor, feasibility, and potential impact. History demonstrates the value of this approach. For example, pioneering research on immune checkpoint therapy, originating at UC Berkeley in the 1990s, initially faced considerable skepticism but ultimately transformed cancer treatment and led to an entire generation of immunotherapies that have saved countless lives. This body of work led to the 2018 Nobel Prize in Physiology or Medicine.

The proposed pre-issuance review requirement appears intended to diminish the role of peer review in discretionary funding decisions by emphasizing further review by senior appointees. However, the Proposed Rule does not explain why this additional layer of review is necessary, how it would improve funding decisions, or how it would be applied consistently and transparently across agencies. Nor does it prioritize the critical role that peer review plays in identifying promising scientific research or consider whether agency-specific statutory requirements governing peer review may conflict with this provision.

Rather than creating a new layer of discretionary review after merit review is complete, agency priorities, national interests, and other funding considerations should be clearly articulated in the Notice of Funding Opportunity (NOFO) as articulated in Section 200.202(a) of the Proposed Rule and incorporated into the published review criteria. This approach preserves the integrity of merit review while ensuring that funding recommendations reflect agency priorities through a transparent, objective, and scientifically rigorous process.

UC also opposes the proposed provision stating that, "all else being equal, preference for discretionary awards should be given to institutions with lower indirect cost rates." This criterion bears no relationship to scientific merit or programmatic objectives and would undermine the fair, merit-based evaluation of proposals.

Section 200.206 raises similar concerns. It expands the factors agencies can use to assess risk posed by applicants, including “questionable practices” based on publicly available information. While the Proposed Rule enumerates numerous risk factors, the breadth of these criteria would require agencies to undertake extensive and time-consuming reviews, increasing administrative burden without a corresponding improvement in oversight. Moreover, reliance on vague concepts such as "questionable practices" and publicly available information risks producing

inconsistent and subjective determinations that may be based on misinformation and difficult for applicants to anticipate or challenge. Risk assessments are most effective when they are based on objective, verifiable evidence, such as audit findings, documented compliance deficiencies, or prior performance. Introducing broader, less defined criteria would reduce transparency and predictability while increasing the likelihood of inconsistent application across agencies. These additional review requirements would also delay funding decisions for research in rapidly evolving fields, including artificial intelligence and quantum information science, where timely federal investment is essential to maintaining U.S. scientific and technological leadership.

Section 200.208 would give agencies broader authority to add or change conditions during the life of an award. While agencies should retain the ability to address documented compliance concerns or emerging risks, the proposed language is sufficiently broad to create uncertainty even where there is no material noncompliance. Federal agencies already have established mechanisms to monitor project performance, including regular progress reports and ongoing engagement between program officials and recipients. When concerns arise, recipients should be given a reasonable opportunity to address them before additional award conditions are imposed. For multi-year research projects, the ability to introduce new or revised conditions without clear standards or procedural safeguards could disrupt project planning and execution, delay scientific progress, and reduce the predictability that is essential to effective stewardship of federal awards.

Taken together, these provisions, as written, shift the grant-making process away from clear merit-based criteria and documented decision-making and toward more discretionary judgment at multiple stages. These provisions make the process less predictable, less transparent, and harder for applicants to understand. If OMB wants to ensure that awards align with agency priorities and national interest, those priorities should be stated clearly at the outset in the NOFO and applied consistently. Any Proposed Rules should not authorize displacement of expert peer review after applicants have relied on published criteria. Furthermore, recipient risk assessments and post-award modifications should be based on objective, verifiable standards and documented compliance concerns. Expanding discretionary review, broadening risk assessments, and increasing uncertainty regarding award conditions would impose significant administrative burdens on both agencies and recipients, slowing the pace of research and weakening the nation's ability to advance scientific discovery and maintain leadership in critical and emerging technologies, including artificial intelligence and quantum information science.

UC recommends that OMB significantly revise these sections to:

- Preserve peer review as the primary basis for evaluating scientific and technical quality.
- Require objective criteria to be published in the NOFO.
- Remove “questionable practices” of recipients as a risk factor and instead rely on verifiable records and material award-related conduct.
- Limit specific conditions to documented, material risk. Conditions imposed mid-award should identify the evidence relied upon, be proportional to the risk, and include a defined pathway for removal when the risk is resolved.

[200.202(e) and 200.220] Research Security, Covered Foreign Collaborations, and Foreign Equipment and Services

UC understands OMB's objective of protecting national security and preventing foreign-adversary exploitation of federally funded research. However, the proposed revisions to Sections 200.202(e) and 200.220 would impose significant restrictions and compliance obligations that extend well beyond documented security risks and could adversely affect federally supported research and innovation.

Section 200.202(e) establishes a domestic-first framework for research and development awards by directing agencies to prioritize domestic performance and requiring agencies to determine whether an international element is necessary to achieve a project's scientific or technical objectives. The Proposed Rule recognizes that international collaboration may be justified when it provides access to unique expertise, facilities, data, study populations, environmental conditions, or other resources not reasonably available in the United States, and Section 200.202(e) provides that awards to foreign entities should be made only when doing so is in the "national interest," However, the overall framework creates a presumption in favor of domestic performance that discourages scientifically appropriate international collaborations. Proposal budgets and justifications already require investigators to explain the need for collaborations and the use of project funds, whether domestic or international. The proposed requirements would therefore add administrative burden without a corresponding improvement in research security or program oversight.

The Proposed Rule also introduces unclear terms in several respects. Section 200.202(e) provides that awards to foreign entities should be made only when doing so is in the "national interest," yet it does not define that term or explain how agencies should apply it consistently. Other terms, such as “foreign adversary,” are also unclear. OMB should provide a comprehensive list of clearly stated definitions and maintain a precise list of “covered foreign countries” to remove the guess work.

A domestic-first approach also risks constraining the design of federally funded research. Many projects depend on access to specialized expertise, unique facilities, field sites, datasets, environmental conditions, or patient populations that are only available through international collaboration. Two of many examples are the UK Cancer Data Collaborative in England and the CERN particle accelerator complex in Switzerland. Researchers should be able to design projects around the scientific questions being investigated rather than geographic preferences that are unrelated to scientific merit or project objectives. As recognized in National Security Presidential Memorandum-33 (NSPM-33), "the open and collaborative nature of the United States R&D enterprise underpins America's innovation, science and technology leadership, economic competitiveness, and national security."

Section 200.220 extrapolates on these concerns by broadly prohibiting the use of federal funds to support collaborations involving "covered foreign countries" and "covered foreign entities." UC supports measures to protect national security and prevent foreign exploitation of federally funded research. However, the proposed prohibition is broader than existing research security

requirements, and the terms "covered foreign country" and "covered foreign entity" are not sufficiently defined. Without greater clarity, institutions will face uncertainty in determining which collaborations are permissible and may avoid otherwise appropriate research partnerships to reduce compliance risk. Such a chilling effect would reduce opportunities for U.S. researchers to lead international scientific efforts, make U.S.-based projects less attractive to leading global collaborators, and ultimately weaken the Nation's scientific and technological competitiveness. This broad prohibition is also unnecessary given the robust research security framework already in place. NSPM-33, the CHIPS and Science Act, disclosure requirements under the Higher Education Act and the National Defense Authorization Act, and export control regulations already provide targeted mechanisms to identify and manage national security risks. The Proposed Rule does not explain why these existing safeguards are insufficient or why an additional government-wide prohibition is needed.

Many of the nation's most important scientific advances depend on collaboration with trusted international partners. A regulatory framework intended to protect U.S. interests should preserve those partnerships while addressing specific, documented security risks. As drafted, Sections 200.202(e) and 200.220 could discourage legitimate international collaboration through broad restrictions and increased uncertainty, particularly for research that relies on coordinated efforts across institutions, disciplines, and national borders. Over time, this approach could limit access to specialized expertise, unique facilities, critical data, international disease surveillance networks, and other resources that are essential to scientific discovery, innovation, and U.S. leadership in research.

UC recommends that OMB revise these sections to:

- **Preserve international research.** Revise Section 200.202(e) to remove the presumption in favor of domestic performance and instead permit international collaborations whenever they are scientifically or programmatically justified. Clarify that existing proposal and budget justifications satisfy the requirement to explain the necessity of international collaborations, avoiding duplicative administrative requirements.
- **Provide clear definitions and implementation guidance.** OMB should define key terms, including "national interest," and establish clear, objective criteria for agencies to apply consistently when evaluating international elements of research projects. OMB also should clarify "covered foreign country" and "covered foreign entity" with greater specificity in the Proposed Rule, identifying specific applicable lists and authorities, explain how recipients may determine covered status, and establish a clear process for communicating changes.
- **Create targeted risk-based standards:** OMB should revise Section 200.220 to target specific, documented national security risks rather than broadly restricting international collaboration.
- **Protect existing agency-approved activities.** The final rule should not require recipients to terminate or materially disrupt active awards, approved foreign components, existing subawards, ongoing clinical studies, or field research absent a documented, award-specific security concern.

[200.303(f)] Internal Controls (E-Verify)

Section 200.303(f) introduces a new government-wide requirement that all recipients and subrecipients of federal funding participate in the Department of Homeland Security E-Verify program for employees and contractors "hired in or performing work in the United States under a Federal award." If a recipient or subrecipients receives a Final Nonconfirmation notification, meaning that their employment eligibility cannot be verified through an E-Verify query, then the recipient or subrecipient must report that information to the federal agency or pass-through entity. Failure to report Final Nonconfirmation may result in termination of the federal award, thus impacting all parties involved with the award.

OMB should clarify the scope of this requirement before finalizing it. Federally supported research often involves existing employees, students, postdoctoral scholars, clinical personnel, shared technical staff, partially funded employees, cost-shared effort, contractors, consultants, subrecipients, vendors, and personnel with only incidental involvement in an award. Without clear boundaries, recipients may be uncertain whether the requirement applies only to individuals newly hired to perform federally supported work, or whether it also reaches existing personnel, partial-effort personnel, contractor employees, subrecipient employees, or other individuals whose work is only indirectly connected to the award. This uncertainty is particularly concerning because institutions are already required to comply with federal laws governing employment eligibility verification and, where currently applicable, E-Verify requirements. Individuals who have already been verified and authorized to work in the United States should not be subject to duplicative verification requirements. Such duplicative verification requirements are difficult to reconcile with OMB's stated objective of reducing recipient burden and improving efficiency of federal award administration. Requiring institutions to reverify employees whose work authorization has already been established under existing federal requirements would divert institutional resources away from research, education, and compliance activities that more directly support program objectives, while providing limited additional assurance regarding employment eligibility.

Finally, termination should not be the default consequence for isolated E-Verify reporting or process errors. Such errors should be addressed through notice and a reasonable opportunity to correct, unless the agency documents material, repeated, knowing, or fraudulent noncompliance.

UC recommends that OMB revise § 200.303(f) to:

- **Reconsider the scope of the E-Verify requirement.** OMB should evaluate whether a government-wide E-Verify mandate for all recipients and subrecipients is necessary to achieve the rule's stated objectives. If OMB retains the requirement, it should apply prospectively only to employees and contractors hired after the effective date of the final rule. Existing personnel should not be subject to retroactive re-verification unless otherwise required by law.
- **Clearly define covered personnel.** The Proposed Rule should define what it means to be "performing work under a Federal award" and exclude individuals whose involvement is incidental, indirect, administrative, or unrelated to the direct performance of award-funded activities.

- **Allow reasonable reliance by pass-through entities.** Pass-through entities should be permitted to rely on certifications from subrecipients and contractors regarding E-Verify compliance and should not be required to collect, review, or transmit individual-level employment-verification information for personnel they do not employ.
- **Provide notice and an opportunity to correct.** Recipients should have a reasonable opportunity to correct administrative, technical, or clerical errors before agencies take adverse action based on E-Verify compliance issues.
- **Allow sufficient time for implementation.** The requirement should not take effect until at least 12 months after OMB, DHS, and federal agencies have issued final implementation guidance.

[200.421, 200.432, 200.454, and 200.461] Changes to Allowable Costs

The proposed revisions to Sections 200.421 (Advertising and Public Relations), 200.432 (Conference Costs), 200.454 (Memberships, Subscriptions, and Professional Activity Costs), and 200.461 (Publication and Printing Costs) represent a significant departure from longstanding federal cost principles. As currently drafted:

- Conference attendance costs (200.432) would require prior agency approval and be included in the actual terms and conditions of the award, rather than being generally allowable when allocable to an award.
- A recipient's or subrecipient's membership (200.454(a)) in professional, civic, business, and technical organizations would be allowable only if necessary to fulfill the award requirements and with prior written approval. A recipient's or subrecipient's professional journal and periodical subscriptions (200.454(b)) would become unallowable.
- Publication costs (200.461), including page charges, article processing charges, and open-access fees, would be expressly unallowable, with limited exceptions for statutory requirements or advance agency approval. This represents significant concerns as described in more detail in the next section of this letter.

Together, these changes systematically narrow or eliminate allowability for core categories of scientific communication and engagement. Research achieves its purpose when new knowledge becomes available to other scientists, clinicians, innovators, policymakers, and the public. Scientific conferences, scholarly publications, professional societies, research libraries, subscriptions, and related activities are not peripheral to that process. They are the mechanisms through which federally funded discoveries are evaluated, challenged, replicated, improved, and translated into practical benefits, thus supporting gold standard science objectives. These activities are not ancillary but are in fact integral to the conduct of research itself.

Under the current Uniform Guidance framework, these activities are generally allowable when they are reasonable, allocable, and necessary. However, the Proposed Rule replaces that framework with one in which core dissemination costs are unallowable (e.g., publications, subscriptions) or subject to prior approval and necessity determinations (e.g., conferences, memberships).

These concerns are heightened when considered in light of Congress's direction on indirect cost recovery. The Consolidated Appropriations Act, 2026 requires certain agencies to maintain negotiated indirect cost rates at FY 2024 levels and prohibits imposing new indirect cost rate restrictions using FY 2026 funds. OMB states that it is not revising the indirect cost rate negotiation system. However, the proposed changes to allowable costs would have a functionally similar effect. Because these costs remain necessary to conduct, communicate, and manage federally funded research, institutions would be required to absorb them using their own resources. These shifted costs represent an additional unfunded mandate on institutions that are already subsidizing a significant share of the costs associated with federally sponsored research, even though negotiated indirect cost rates remain unchanged on paper.

OMB should, therefore, carefully evaluate whether these changes are consistent with Congressional intent and gold standard science. In addition, OMB should assess the extent to which these changes would result in a de facto reduction in federal cost sharing for research activities essential to achieving public benefit.

In particular, UC urges OMB to withdraw the proposed revision to Section 200.454(b). As drafted, the provision appears to prohibit charging library memberships and subscriptions to federal awards. While such costs are generally recovered through facilities and administrative (F&A) costs rather than charged directly to individual awards, the proposed language creates unnecessary confusion, because it does not clearly distinguish between direct and indirect cost treatment. This added confusion is particularly concerning given that Subpart E (Cost Principles) and Appendix III to Part 200 expressly recognize library expenses as an allowable component of the F&A cost pool. Appendix III, Section B.8 ("Library Expenses"), specifically includes "the cost of books and library materials purchased for the library." Scholarly literature and academic journal subscriptions constitute the core operational substance of a research library facility; without access to this essential literature, federally funded research cannot proceed. The federal government cannot expect researchers to generate high-impact, compliant scientific outcomes if the very research infrastructure required to review current literature is dismantled by categorically disallowing subscription costs.

[200.461] Publication and Printing Costs

UC strongly opposes the proposed revision to Section 200.461 (Publication and Printing Costs). The Proposed Rule would make publication costs, including article processing charges (APCs), open-access fees, and page charges, explicitly unallowable, except where required by statute or approved in advance by the agency. In 2025, UC researchers directly paid over $20 million in publication-related costs, predominantly sourced from federal awards. If Section 200.461 were finalized and agencies did not approve these costs in advance, UC would need to shift these expenses to non-federal sources, or seek approximately 5,000-6,000 agency approvals, delaying dissemination while approvals are pending. This change is significant, as such costs are generally allowable. The entire funding model for research dissemination would need to be overhauled.

These proposed changes conflict directly with federal public access policies. Federal agencies have, for more than a decade, expanded requirements that research outputs be made publicly accessible, recognizing dissemination as a central objective of federal research funding. At the

same time, the publishing marketplace has evolved in response to these requirements, with many journals adopting publication-fee-based models, including open-access charges, as cited in the 2026 Government Accountability Office report. By making these costs unallowable, the Proposed Rule creates a clear policy contradiction: agencies require broad public dissemination of research results, while the cost principles would prohibit or restrict the primary means of achieving that dissemination. Rather than hindering the dissemination of federally funded research by prohibiting these charges on federal grants, OMB should consider working out an alternative arrangement with publishers.

In practice, the Proposed Rule would shift publication costs onto institutions and investigators, disadvantage researchers with fewer institutional resources, including those in EPSCoR states, and potentially reduce the visibility, accessibility, and impact of federally funded research. Combined, Sections 200.461 and 200.454(b) would prevent institutions from recovering subscription costs under indirect costs while simultaneously barring authors from using direct costs for publishing fees. These restrictions will render vast swaths of the scholarly publishing ecosystem, including many U.S. society journals, inaccessible for reading or publishing by federally funded institutions.

The proposal also raises concerns in light of 42 U.S.C. Chapter 79, which directs the federal government to promote scientific leadership by making discoveries widely available to advance public welfare.

UC, therefore, urges OMB to withdraw the proposed revision to Section 200.461. If OMB is concerned about excessive publication charges, it should address those concerns directly with publishers. Broadly disallowing ordinary publication and dissemination costs is not a solution.

[200.201(b) and 200.333] Fixed Amount Awards

The Proposed Rule would eliminate [Sec. 200.201(b)] fixed amount awards[3] and [Sec. 200.333] fixed amount subawards entirely. UC opposes that change.

Fixed amount awards are not a loophole or a relaxation of oversight. They are a performance-based funding tool that allows agencies to hold recipients accountable for delivering defined results rather than documenting every individual cost. When project objectives, performance measures, and payment milestones are clear, fixed amount awards allow agencies and recipients to focus on outcomes instead of paperwork. Agencies can continue to monitor performance through established award management processes, including progress reports, technical oversight, and final project reports.

Eliminating fixed amount awards would not improve accountability or protect taxpayer dollars. It would simply require more projects to be administered through cost-reimbursement structures that demand additional documentation, cost tracking, and administrative review regardless of

[3] 2 CFR 200.1: *Fixed amount award* means a type of grant or cooperative agreement pursuant to which the Federal agency or pass-through entity provides a specific amount of funding without regard to actual costs incurred under the Federal award. This type of Federal award reduces some of the administrative burden and record-keeping requirements for both the recipient or subrecipient and the Federal agency or pass-through entity. Accountability is based primarily on performance and results.

risk or whether the work involves defined deliverables. This added administrative burden means more staff and time spent processing transactions and less time focused on achieving project objectives and delivering results.

The federal government has used fixed amount awards, because they can reduce administrative overhead while advancing research progress and preserving accountability. OMB has not identified evidence that this type of funding vehicle produces widespread waste, fraud, abuse, or misuse of federal funds. Absent such evidence, eliminating fixed amount awards would replace a results-oriented approach with a process-oriented one.

UC is also concerned that the proposal could create uncertainty regarding fixed-rate clinical trial and human-subjects research arrangements that federal agencies, including NIH, have long used successfully. These arrangements typically compensate research sites based on verified units of performance, such as enrolled participants, completed study visits, or achieved research milestones. They are designed to ensure that federal funds are tied to measurable results while accommodating the reality that enrollment and participation levels cannot be known in advance.

These payment structures help accelerate study start-up, support patient enrollment, and allow clinical sites to focus on conducting research rather than tracking and allocating costs participant by participant. Requiring these arrangements to operate under traditional cost-reimbursement models would increase administrative complexity without improving oversight or participant safety. Fixed amount awards have a long-track record of successful research execution.

UC, therefore, recommends that OMB withdraw the proposed revisions to Sections 200.201(b) and 200.333. If OMB proceeds with the proposed revisions to Sections 200.201(b) and 200.333, the final rule should expressly clarify that agency-authorized fixed-rate clinical trial, human-subjects research, per-patient, per-participant, capitation, and per-milestone payment arrangements remain permissible. Preserving these tools would support efficient clinical research, faster enrollment, and more effective use of taxpayer dollars while maintaining appropriate oversight and accountability.

[200.305(c)] Payment Justifications for Recipients and Subrecipients

UC supports accountability for federal payments but opposes a requirement that recipients and subrecipients provide separate written justification for every payment request.

A written justification for every payment request may appear modest in isolation, but in fact, it would be a substantial administrative burden to the agencies and to the recipients and subrecipients. Across thousands of awards and subawards, it becomes a paperwork requirement repeated again and again, even when the payment is routine, budgeted, and already supported by financial records. The burden falls on agencies as well as recipients: more justifications mean more federal agency staff time reviewing and approving them. This added burden would absolutely choke the research enterprise.

Further, the federal government already has a robust oversight mechanism through the required annual Uniform Guidance single audits under 2 CFR Part 200, Subpart F for entities expending at least $1,000,000 in federal awards annually. These audits identify noncompliance and internal control failures, including whether a deficiency is an isolated oversight or a systemic issue that could affect multiple grants or departments.

OMB should act on its own burden-reduction objective and not proceed with the proposed revision to Section 200.305(c).

[200.318 and 200.321] Procurement and Small Business Contracting

The proposed revisions in Sections 200.318 (General Procurement Standards) and 200.321 (Contracting with Small Businesses) adversely affect domestic small businesses' access to federal contracting opportunities and, in doing so, undermine the longstanding objectives of promoting participation by domestic businesses in federally funded activities. The existing framework is and has been instrumental to strengthening domestic small business enterprises. Engaging domestic small businesses has proven to foster economic mobility, reduce poverty via market participation without expanding welfare, and support the microeconomic landscape of communities and regions throughout the nation.

The University of California, through its scholarship, research, innovation, and buying power has a vested interest in the economic competitiveness of California businesses and the broader domestic supplier base. In its current form, Section 200.321 provides practical and measurable requirements that enhance a competitive environment, including but not limited to:

- Ensuring all capable firms have equal access to the solicitation lists
- Dividing contracts into smaller tasks to enable participation
- Using outreach and assistance organizations
- Requiring prime contractors to take similar steps

None of these requirements provide inherent preferential treatment. None of the current measures set forth in Section 200.321 negate the prerequisites of qualification and suitability.

Therefore, UC does not support the proposed revisions to Sections 200.318 and 200.321. Removing these provisions may have several unintended consequences:

- **Reduced Competition and Supplier Participation.** Efforts to inform potential suppliers of business opportunities increase the number of suppliers aware of and capable of competing for public contracts. Eliminating these outreach expectations could limit competition and reduce participation, potentially resulting in fewer innovative solutions and less favorable pricing for federally funded projects.
- **Increased Barriers to Market Access.** Many businesses benefit from proactive outreach and supplier engagement efforts to learn about contracting opportunities and develop the capacity to compete successfully. Eliminating these practices may disproportionately affect businesses that have historically been excluded from public contracting opportunities.

- **Potential Economic and Community Impacts.** Federal investments often have broader economic objectives beyond the immediate procurement transaction. Encouraging participation from the broadest supplier base helps strengthen local economies, supports small business growth, promotes job creation, and increases economic resilience within communities. Removing these considerations may diminish the broader public value generated through federal expenditures.
- **Reduced Flexibility for Recipients.** The proposed revisions may limit the ability of recipients to implement procurement strategies that align with institutional missions, economic development goals, and community engagement objectives while still maintaining full and open competition. Existing provisions allow organizations to pursue inclusive procurement practices without compromising merit, qualifications, or cost-effectiveness.
- **Loss of Proven Best Practices.** Many public agencies, institutions of higher education, and private-sector organizations have successfully integrated community driven engagement and outreach programs into their procurement operations. These programs have demonstrated benefits in expanding competition, increasing supplier innovation, improving supply chain resilience, strengthening stakeholder relationships and boosting the economy. Removing references to these practices may discourage the use of approaches that have delivered measurable value.

UC recommends that OMB maintain the current language in Sections 200.318 and 200.321that promotes full and open competition while preserving recipient flexibility to engage a broad and supplier base. This balanced approach supports small business participation, strengthens local economies, enhances supply chain resilience, and ensures recipients can obtain the best value and outcomes for federally funded programs.

[200.320] Procurement Methods

The proposed revision to Section 200.320 discourages the use of cost-reimbursement contracts with vendors and would require additional justification and potential agency review when such contracts are used. Research and development activities frequently involve technical uncertainty, evolving requirements, specialized expertise, and outcomes that cannot be fully specified at the outset. In these circumstances, cost-reimbursement contracts may be the most effective procurement tool. UC is concerned that the Proposed Rule treats cost-reimbursement contracts as inherently disfavored regardless of the nature of the work. Requiring additional approvals and documentation may discourage their use even when they are the most appropriate vehicle for achieving project objectives. UC recommends that OMB retain recipient discretion to use cost-reimbursement contracts where technical complexity, evolving requirements, or specialized research needs make other types of procurement methods impracticable.

[200.322] Domestic Preferences for Procurements

UC recognizes the importance of strengthening domestic supply chains and supporting American manufacturing. However, federally funded research often depends on highly specialized

equipment, scientific instruments, software, reagents, and technical services that may not be available from domestic suppliers. An important example is equipment used to design, fabricate, and characterize advanced semiconductor chips in U.S. research facilities. Accordingly, it is important that OMB preserve flexibility within Section 200.322 for research and development activities, so as not to inhibit the ability of researchers to source critical niche goods and services when equivalent domestic options do not exist. Maintaining this balance will help ensure both the advancement of domestic economic priorities and the successful execution of complex research activities.

[200.329-200.332] Monitoring and Reporting for Pass-Through Entities and Subrecipients

The proposed revisions expand subaward reporting requirements, including mandatory reporting timelines and system-based reporting obligations such as SAM.gov reporting. UC supports transparent reporting but emphasizes that expanded requirements must be clear and operationally feasible for both recipients and subrecipients.

Subaward reporting errors, even recurring ones, should not automatically trigger termination of the parent award. New subaward reporting, certification, prior-approval, or termination-related requirements would affect not only UC but also a broad network of subrecipients, many of which have few administrative resources.

Over time, treating correctable reporting errors as potential grounds for severe award consequences would make pass-through entities more reluctant to work with smaller, newer, or community-based partners. That would not improve transparency; it would narrow the network of partners able to participate in federally funded work.

In addition, Section 200.331(h) requires that recipients make subrecipient or contractor determinations under Section 200.331 for all downstream entities receiving payment from the pass-through entity. While the prime recipient is ultimately responsible for the proper stewardship of the federal award and should receive sufficient information from its subrecipients to justify expenditures and identify collaborators engaged in the project, it is neither feasible nor appropriate for the prime recipient to make subrecipient or contractor determinations for downstream entities with which it has no direct legal or programmatic relationship. For example, when one institution of higher education issues a subaward to another institution, the subrecipient institution, not the prime recipient, should be responsible for making the required determinations for any downstream subawards or contracts it subsequently issues. This approach preserves accountability at each level of the award while assigning responsibility to the best positioned entity to make these determinations.

UC recommends OMB:

- Add notice-and-correct periods for subaward reporting errors.
- Require that termination for subaward reporting failures be based on material, repeated, or knowing noncompliance.
- Define and narrow the proposed “significant reputational harm” standard.

- Clarify that reputational harm alone is not a sufficient basis for termination absent unlawful conduct, fraud, security risk, or material failure to perform.
- Allow pass-through entities to rely on reasonable documentation from subrecipients.
- Allow downstream entities to make their own Section 200.331 subrecipient or contractor determinations.
- Provide phased implementation for new subaward reporting requirements.

[200.211(c)(1)(v) and 200.340-200.343] Discretionary Termination and Suspension

The changes in Sections 200.211(c)(1)(v) and 200.340-200.343 would expand agency authority to permit discretionary termination of ongoing awards, including where an agency determines after the award has been lawfully issued and performance has begun, that the award no longer aligns with current priorities, program goals, or generalized assessments of national interest.

Federal grants and cooperative agreements for the conduct of research are not procurement contracts. They are true agreements with the federal agency sponsor supporting projects that have been deemed meritorious through a rigorous peer review process. Once issued, these grant agreements create real, reliance-based commitments. Patients enroll in clinical trials. Students and trainees accept funded positions. Subawards are issued to hospitals, community organizations, small businesses, and other research partners. Specialized equipment is purchased. Data collection begins on timelines that cannot be easily stopped and restarted. Research participants consent to longitudinal commitments. Communities organize around promised services. Suppliers contract for specialized materials.

The scale of these commitments is substantial. As of December 2025, UC administered approximately 10,600 active federal awards, including roughly 2,500 federally funded clinical trials and human-subjects research protocols and approximately 5,200 active federal subawards. Each of these awards supports ongoing activities, personnel, participants, partners, and investments that rely on the stability of federal commitments.

Allowing agencies to terminate such work midstream for post-hoc policy reasons would not protect federal investments, it would undermine them. Ending lawful, ongoing work wastes already expended federal funds, disrupts critical activities, and harms individuals, communities and institutions that reasonably relied on the award. It does not produce a corresponding public benefit.

Federal grant rules must be durable, consistent, and predictable across administrations. Changes in policy priorities should govern future funding decisions, not serve as a basis for terminating lawful work already underway.

If awards can be ended for reasons unrelated to performance or compliance, recipients will be forced to treat federal funding as inherently unstable, discouraging long-term research, clinical trials, infrastructure investments, and community partnerships. Over time, this uncertainty will increase costs, reduce participation, and diminish the effectiveness of federal funding, and in turn would diminish U.S. global leadership in critical and emerging fields.

UC, therefore, urges OMB to withdraw the proposed revisions to Sections 200.211(c)(1)(v) and 200.340-200.343. If OMB elects to retain any portion of these provisions, it should, at a minimum:

- Apply policy changes prospectively, such that new priorities govern future funding opportunities and awards, rather than existing awards. Any policy changes impacting discretionary termination and suspension should not be applicable retroactively to grants already funded, unless there are performance or compliance issues according to the agreed upon terms and conditions.
- Limit termination authority to objective, cause-based grounds, including fraud, material noncompliance, unlawful use of funds, documented security risk, failure to meet award requirements, lack of statutory authority, loss of legally required funding, mutual agreement, or specific conditions identified in the award at issuance.
- Remove discretionary "termination for convenience" authority, including termination based on changed priorities, program goals, or generalized "national interest" determinations unrelated to recipient performance or compliance.
- Require written, reasoned determinations for any suspension or termination, including the legal authority, factual basis, and specific award terms at issue.
- Provide recipients with advance notice and a meaningful opportunity to respond before suspension or termination, except in documented emergency circumstances.
- Establish a clear process for reconsideration or appeal before a neutral official, with defined timelines for resolution.
- Allow payment of reasonable wind-down costs incurred in reliance on the award and necessary for orderly closeout, including costs related to personnel, subawards, clinical trials, data preservation, and contractual obligations.
- Limit temporary suspensions to narrow, time-bound actions, supported by written justification and a defined path to resolution.
- Ensure that suspensions or terminations that are not based on recipient fault do not adversely affect a recipient's future eligibility for federal funding or otherwise prejudice its reputation.

[VII. Discussion of Proposed Revisions to Subtitle B of 2 CFR by Federal Agencies] and [200.110] Effective date

OMB proposes an effective date of October 1, 2026. For a rule of this scope, that timeline is not realistic to implement properly in this short time frame.

The Proposed Rule would require coordinated changes across every aspect of federal grant administration, including merit review, foreign collaboration controls, cost accounting, payment systems, procurement, subrecipient oversight, and compliance infrastructure. These changes will necessitate revisions to agency guidance, notices of funding opportunity, award terms, financial and reporting systems, and institutional policies, as well as extensive training across federally funded entities.

OMB has historically provided substantially longer implementation periods for comparable regulatory changes. The 2013 Uniform Guidance, for example, allowed approximately one year between issuance and effective implementation, with additional time for audit-related requirements. Similarly, the 2020 Uniform Guidance revisions provided a delayed effective date for some of the key changes. By contrast, this proposed rule contemplates broader and more complex changes on a materially compressed timeline.

In addition, a rushed implementation would not advance OMB's stated goals of transparency, accountability, or regulatory clarity. Instead, it would likely result in inconsistent agency interpretations, conflicting award terms, incomplete system changes, avoidable audit findings, and compliance disputes arising from implementation challenges rather than actual misuse of federal funds. The resulting confusion would burden agencies and recipients alike while producing little benefit to taxpayers. Gold standard science would be further hampered rather than achieved.

The final Proposed Rule should, therefore, apply prospectively and only after agencies have issued the guidance, award terms, and system updates necessary for implementation. New requirements should not be imposed on active awards, approved budgets, existing subawards, approved foreign components, ongoing clinical studies, pending proposals, or other activities undertaken in reliance on existing rules absent a statutory requirement or documented, award-specific risk.

UC recommends OMB:

- Apply any final rule prospectively and not retroactively to existing awards, approved budgets, subawards, contracts, foreign components, publication commitments, or ongoing research activities.
- Require agencies to issue implementation guidance, revised notices of funding opportunity, updated award terms, and system specifications before the rule becomes effective.
- Provide a minimum implementation period of 12 months after issuance of final agency guidance before compliance obligations become enforceable.
- Delay enforcement of any requirement dependent on new federal information systems until those systems are operational, tested, and available for recipient use.
- Require agencies to clearly identify which provisions apply to new awards, continuation awards, renewals, amendments, and existing awards.

Conclusion

The federal research enterprise is one of the nation’s most successful public investments and a cornerstone of U.S. global leadership. For decades, it has delivered lifesaving medical breakthroughs, strengthened national security, fueled technological innovation, and driven economic growth. The U.S. research enterprise has been the envy of the world for many decades, and other countries have tried to implement our model for supporting innovative science, engineering, and medical advancements. In fact, China already has surpassed us in several critical and emerging technology areas. The success of the U.S. research enterprise rests on a

simple but essential principle: research funding decisions are guided by scientific merit, expert review, and a long-term commitment to advancing knowledge and solving societal challenges.

The Proposed Rule departs from that model. Its effects would be immediate and far-reaching. By introducing new uncertainty into the funding process, the rule would make research awards less predictable, allow funding to be curtailed or redirected for reasons unrelated to scientific merit, constrain collaboration, limit the dissemination of research findings, and threaten U.S. research security by making foreign sponsorship of research more appealing. Over time, these changes would do more than alter how research is conducted; they would shape which questions are pursued, narrowing the scope of scientific inquiry and reducing the nation's capacity for discovery and innovation.

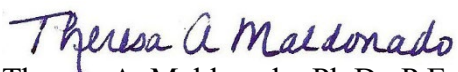
The stakes extend well beyond the research community. Taxpayers have invested in this system with the expectation that it will produce better health outcomes, create new industries, strengthen national and economic security, expand opportunity, and generate solutions to pressing public challenges. A framework that makes research more vulnerable to political influence, less collaborative, and less stable diminishes the return on that investment. When research is constrained, so too are the public benefits it delivers.

For the reasons outlined in this letter, the University of California urges OMB to withdraw the Proposed Rule. If OMB chooses to proceed, it should substantially revise the proposal to address the concerns raised by the research community, including those reflected in comments submitted by members of the UC community in their individual capacities and by organizations representing the nation's research institutions, including COGR, APLU, AAU, and AAMC.

Sincerely,

Katherine S. Newman
UC System Provost and
Executive Vice President for Academic Affairs

UC Berkeley Chancellor's Distinguished Professor of Sociology & Public Policy
University of California Office of the President



Theresa A. Maldonado, Ph.D., P.E.
Vice President for Research and Innovation
University of California Office of the President