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Office of Research
1156 High Street, Santa Cruz, CA 95064

Submitted through https://www.regulations.gov
Docket OMB-2026-0034

July 8, 2026

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

RE: University of California, Santa Cruz Response to OMB Proposed Rule for Federal Financial Assistance in 2 CFR *(Docket OMB-2026-0034, 91 FR 32198)*

Dear Director Vought:

On behalf of the University of California, Santa Cruz (UCSC), we write to provide comments in response to the Office of Management and Budget's (OMB) Proposed Regulation for Federal Financial Assistance (Proposed Rule) published in the May 29, 2026, issue of the Federal Register [91 FR 32198]. The Proposed Rule sets forth sweeping revisions to the current Uniform Guidance that make substantial changes to award administration, merit review processes, termination authority, subrecipient oversight, and compliance requirements governing federal financial assistance. These changes would have significant operational, scientific, and financial consequences for academic research institutions.

UCSC's research enterprise supports bold, interdisciplinary work with groundbreaking contributions in the areas of coastal resilience and ocean health, game design, sustainable agriculture and food systems, theoretical astrophysics, and revolutionary particle-detection technology, among others. UCSC is globally renowned for its foundational role in genomics, driving breakthroughs in cancer informatics, stem cell research, and precision medicine. As a public R1 research university, land-grant campus, and a member of the Association of American Universities, UCSC successfully stewards over $200 million in extramural research funding annually.

As an academic research institution, UCSC is committed to ensuring the responsible stewardship of federal financial assistance, the integrity of merit-based research funding, and the ability of our faculty, staff, and students to conduct federally sponsored research without undue administrative burden and political interference. We recognize the importance of having clear, unbiased requirements for award administration, cost principles, subrecipient oversight, and transparent processes by which awards are reviewed, issued, and terminated, as these requirements protect both the public interest and the continued vitality of American scientific research and innovation. The Proposed Rule does not uphold these principles, and as such, **UCSC strongly opposes finalizing the Proposed Rule as drafted**. We appreciate the opportunity to offer these comments and thank OMB for considering our recommendations.

We wish to note our support for comments filed by the University of California (UC) system in response to this Proposed Rule. Our comments below highlight selected provisions of the proposed rule that have the most significant implications for federally supported research and award administration at UCSC. This letter does not constitute a comprehensive analysis of every proposed revision, and the omission of any particular provision should not be interpreted as agreement with or endorsement of that provision.

We appreciate your attention to the following specific sections of the proposed rule:

1. Comment on Pre-Issuance Review by Senior Political Appointees [Sections 200.205, 200.206, 200.208]
    a. **Position.** We recommend that OMB retain scientific peer review as the primary determinant of award decisions, and require that any departure from peer review recommendations by a senior appointee be documented with specific written findings subject to administrative review.

    b. **Rationale.** The proposed rule's demotion of scientific peer review to an advisory role represents a fundamental departure from the merit-based system that has sustained American research leadership for more than seventy years. The post-World War II framework, in which independent expert panels evaluate proposals on scientific merit and career program officers with subject-matter expertise make award recommendations, was deliberately designed to insulate funding decisions from political influence and to direct public investment toward the most promising science. That framework has produced an unmatched record of discovery, from the development of vaccines and cancer therapies to the basic research underlying the internet, GPS, and the semiconductor industry. It is the reason the United States has historically attracted the world's best scientific talent and maintained global leadership in innovation.

       The proposed rule substitutes a different standard. Under § 200.205(b) in particular, senior political appointees must conduct pre-issuance reviews of all discretionary awards and are explicitly prohibited from deferring to peer review recommendations. Awards must "demonstrably advance the President's policy priorities." Peer review "remains advisory." The practical consequence is that a proposal judged by independent experts to represent the most promising science in its field can be overridden without cause, without findings, and without appeal by a political appointee whose mandate is policy alignment rather than scientific rigor.

    c. **Impact.** This is not an abstract concern for UCSC. Our research portfolio spans genomics, climate science, astrophysics, ocean science, biomedical engineering and cybersecurity, and American leadership in these areas ties directly to national security, public health, and economic competitiveness. The National Institutes of Health, the National Science Foundation, the Department of Energy, and the Department of Defense fund this work at UCSC precisely because independent expert review identifies the most productive lines of inquiry. Subordinating that judgment to political pre-issuance review does not improve accountability. It instead replaces a transparent, expert-driven process with an opaque, discretionary one. The result is less certainty for multi-year research programs, more risk for graduate students and postdoctoral researchers whose careers depend on sustained funding, and a weakened pipeline of the scientific workforce that underpins American competitiveness.

2. Comment on Restrictions to International Collaborations [Sections 200.202, 200.220]

a. **Position.** UCSC shares the administration's commitment to protecting federally funded research from foreign interference, and to ensuring that federal dollars are not diverted to adversarial nations or entities that threaten U.S. national security. The existing research security framework, including NSPM-33 implementation, the disclosure requirements of Section 117 of the Higher Education Act, and agency-specific foreign influence regulations, were built to address those risks through targeted, evidence-based measures. The proposed restrictions are neither targeted nor evidence-based. They treat international collaboration as a presumptive risk rather than a scientific and national security asset, and in doing so would cause substantial harm to the American research enterprise.

   We recommend that OMB revise Sections 200.202(e) and 200.220 to align with the existing, targeted research security framework rather than establishing a government-wide presumption against international collaboration. Section 200.220 should adopt the approach of the current Wolf Amendment (a targeted prohibition on specific adversarial nations with a defined waiver process) rather than extending to the full covered-country category as currently drafted. The domestic-first framework in § 200.202(e) should be limited to applied research with direct technology transfer or national security implications; basic research should be explicitly excluded. Any exception and approval process under these provisions must include defined timelines, written findings, and an opportunity for administrative review.

b. **Rationale.** Broad restrictions on international engagement fragment the global research enterprise, undermine U.S. scientific leadership, and damage our ability to attract and retain world-class talent. The research UCSC conducts is inherently international. Pandemic preparedness, climate dynamics, astronomical observation, and materials science are not problems that yield to domestic-only solutions — they require collaboration, access to unique foreign research infrastructure, and engagement with scientific communities that have developed expertise we cannot replicate at home. Prohibiting federal funds, including allocable indirect costs, from supporting collaboration with an expanding list of covered countries does not protect national security. It dismantles the research partnerships on which national security depends.

c. **Impact.** Much of the research UCSC conducts, including global leadership in genomics, ocean science, astrophysics, and infectious disease, requires international collaboration. The most consequential scientific questions facing the United States do not respect national borders. For example, ocean science requires coordinated observations across oceans and continents. Astrophysics and high-energy physics depend on shared infrastructure and instruments that can only be built and operated internationally. Prohibiting such collaborations eliminates partnerships that are essential not only to scientific progress but to the national security objectives these programs are intended to serve.

   The breadth of the covered-country definition compounds the problem. The prohibition extends well beyond China to countries designated as foreign adversaries, countries of particular concern under the International Religious Freedom Act, and countries subject to any sanctions regime — a category that sweeps in scientific partners in Europe and Asia with whom U.S. researchers collaborate routinely on work that directly advances American interests. The rule provides no de minimis threshold, no distinction between basic and applied research, and no protection for existing awards. Institutions with existing international collaborations face compliance obligations with no certainty about approval timelines, criteria, or outcomes.

The indirect cost prohibition [200.220] creates a separate logistical barrier. Even where institutions segregate direct costs to avoid funding covered-country collaborations, prohibiting allocable indirect costs means that the compliance, administrative, and facilities support necessary to manage those activities is unallowable, making them operationally impossible regardless of how direct costs are funded.

3. Comment on the impact on scientific communication, dissemination, and data sharing [Sections 200.432, 200.454, 200.461]
   a. **Position.** UCSC supports transparency and accountability in the use of federal research funds and recognizes the importance of ensuring that grant dollars are directed toward the core objectives of federally sponsored research. However, the proposed changes to §§ 200.432, 200.454, and 200.461 do not advance those goals. They reverse longstanding cost principles that have enabled federally funded researchers to publish their findings, access the scientific literature, and engage with their fields. These activities are not incidental to federally funded research but essential to it. Taken together, these provisions sever the mechanisms by which publicly funded science reaches the public, contradicting the federal government's own open access mandate and shifting significant costs onto institutions without any corresponding benefit to research quality or taxpayer accountability.

      We recommend that OMB retain publication costs as allowable under § 200.461 when reasonable, necessary, and reported on work supported by the federal award, consistent with the current rule and with the government's 2022 OSTP open access mandate. We recommend that § 200.432 be revised to allow conference attendance costs directly related to the scope of work without requiring pre-approval at the time of award issuance. We recommend that OMB clarify the scope of § 200.454 and confirm explicitly that institutional library subscription costs in the indirect cost base are not affected by this provision.

   b. **Rationale.** Section 200.461 reverses the longstanding presumption that publication costs are allowable when necessary and reasonable for the performance of a federal award. Under the proposed rule, all publication costs are unallowable by default. Exceptions require either a specific statutory mandate or case-by-case agency pre-approval at the award level. OMB's stated rationale is that publication costs are not inherently necessary to carry out the core programmatic objectives of most federal awards and may serve institutional or reputational interests rather than program objectives. This rationale misreads what publication costs are. Dissemination of findings is not a reputational byproduct of federally funded research — it is the mechanism by which that research delivers public value. A study that is never published cannot serve the public interest, regardless of how well it was conducted.

      Section 200.461 also directly contradicts the 2022 OSTP memorandum requiring that federally funded research be made publicly available without embargo. The federal government has for over a decade required researchers to make their findings openly accessible, and the primary mechanism for doing so at most journals is the article processing charge. Making APCs categorically unallowable while simultaneously requiring open access creates an obligation the government provides no means to meet.

Section 200.432 eliminates the current presumption that conference attendance related to grant work is an ordinary allowable cost. Under the proposed rule, conference costs are allowable only if participation is expressly approved by the agency and written into award terms at the time of issuance. Scientific conferences are not discretionary professional development. They are where researchers present preliminary findings, receive expert critique, establish collaborations, and learn of results in adjacent fields that redirect their own work. A researcher who discovers at a conference that a comparable experimental arm has failed elsewhere may avoid months of duplicative effort. Requiring that every conference be pre-approved and written into award terms before the research has produced results, before the field has convened, or before the most relevant meetings are even scheduled, is a requirement that can only be met by omission.

Section 200.454 makes subscriptions to business, professional, academic, and technical periodicals categorically unallowable as direct costs. For most research universities, journal subscriptions are not charged as direct costs on individual grants; rather, they are components of the library expenditure base that feeds into the negotiated indirect cost rate. Since 2019, the UCSC library has facilitated over 1,000 UCSC-authored articles through its subscription expenditure support, ensuring campus support of open access principles. If this prohibition reaches institutional library spending, it would disallow a major category of costs currently embedded in negotiated F&A rates, directly contradicting OMB's own statement in this rulemaking that it is not changing the negotiated indirect cost rate system and inconsistent with the FY 2026 appropriations language Congress enacted prohibiting modifications to negotiated rates.

c. **Impact.** The cumulative effect of Sections 200.432, 200.454, and 200.461 is to sever every mechanism by which federally funded scientists disseminate findings, receive critique, and access the literature that informs their work. Publication costs shift to institutions or to researchers personally. Conference attendance declines or stops being charged to awards. Journal access becomes an unallowable cost with no clear alternative funding source. None of this reduces waste. It reduces science.

   At UCSC, federally funded researchers across genomics, ocean science, astrophysics, and biomedical engineering depend on the ability to publish in peer-reviewed journals, attend discipline-defining conferences, and access current literature as a condition of doing competitive research. These are not administrative conveniences. They are the infrastructure of scientific productivity, and disallowing them does not make federal research dollars go further, it makes them worth less.

4. Comment on reduced stability, administrative burden, and cost of compliance for institutions supporting federally funded research [200.303(f), 200.305(c), 200.329-200.332, 200.340-200.343]

   a. **Position.** The proposed revisions at Sections 200.303(f), 200.305(c), and 200.329-200.332 would impose substantial new documentation, reporting, approval, and compliance requirements that would significantly increase administrative costs and workload for both research institutions and federal agencies. As a public institution operating under state budgetary framework, these added requirements would directly divert UCSC's limited institutional resources away from our core research and public-serving missions, with limited benefit to oversight, efficiency, or accountability. Additional proposed changes to procurement, fixed amount awards, payment requirements, subrecipient monitoring, and personnel verification introduce additional administrative complexities that threaten to slow the pace of innovation and increase the cost of compliance borne by public taxpayers.

We recommend that OMB reconsider the scope and applicability of these administrative requirements, and evaluate whether they are necessary to meet the proposed rule's stated objectives. Additionally, we encourage OMB to continue to rely on existing robust oversight mechanisms, such as those required by the annual single audit.

b. Rationale. By expanding internal controls to mandate DHS E-Verify participation for all employees and contractors performing work under a federal award as written in Section 200.303, the rule forces universities to significantly restructure hiring and onboarding processes and staffing to accommodate requirements that historically have been limited to specific types of contracts. For large public research institutions employing thousands of student workers, graduate researchers, and short-term contractors, this level of monitoring at the individual award level for any award type, regardless of inherent risk, introduces extreme operational cost and risks severe hiring bottlenecks.

Section 200.305 requires review for additional entity eligibility requirements prior to payment, and requires recipients to submit written justifications detailing the exact purpose and award-related work for every individual payment request. This completely upends standard draw-down processes, and creates an overwhelming volume of transactional reporting that destroys efficiency, strains central research accounting offices, and delays necessary cash flows for active research projects.

In Sections 200.329-332, pass-through entities (PTEs) such as UCSC face a compounding administrative burden. By systematically restricting or eliminating flexible funding mechanisms like fixed-amount subawards, the Proposed Rule shifts an immense oversight and financial auditing workload onto the primary recipient and forces us to bear the ultimate compliance risk. To mitigate this risk, central administration must provide extensive technical assistance, pre-award risk assessments, and ongoing financial monitoring for subrecipient entities. Institutional compliance teams will be forced to implement more frequent and rigorous monitoring protocols, potentially including mandatory virtual or on-site financial evaluations, detailed general ledger reconciliations, and independent audits of the subrecipient's internal controls. Universities do not have the funding or operational bandwidth to scale up administrative hiring and risk screening to meet these mandates.

Sections 200.340-343 introduce broad "termination for convenience" clauses into federal financial assistance, creating circumstances for profound institutional instability. Universities rely on predictable, multi-year funding to hire personnel, commit to long-term laboratory infrastructure, and enroll graduate students. The administrative burden of continually drafting contingency plans for sudden, politically or priority-driven award terminations compromises institutional stability and threatens the continuity of longitudinal scientific research.

c. **Impact.** Universities will be required to provide significant cost and effort to mitigate risk under these unfunded mandates, and will bear the primary responsibility and liability for both our work and work that is conducted by others. Where such responsibility has long been held by the institution conducting the work, this shifts primary liability to the primary recipient institution, and assumes that such institutions can bear the cost and provide the administrative structure at scale. This ultimately disincentivizes smaller institutions from leading large-scale, innovative programs, and seems to directly countermand the administration's goal of broader distribution of public funds.

UCSC urges OMB to withdraw the proposed rule. If OMB elects to proceed, it should substantially revise the proposal to preserve a federal research framework that is transparent, objective, predictable, risk-based, and capable of supporting the long-term research investments that benefit the American public. UCSC appreciates OMB's willingness to consider comments on the proposed changes to 2CFR, and concurs with the clarifications and recommendations provided by the University of California to address the concerns above. We request continued engagement with researchers, institutions, and members of the public before finalizing changes to federal grant-making policies.

If you have any questions concerning this request, please contact Csilla Csaplár, Assistant Vice Chancellor for Research, at csilla@ucsc.edu.

Sincerely,

DocuSigned by:
John MacMillan
C9A50387373D4C3...

John MacMillan
Interim Campus Provost and Vice Chancellor for Research
University of California, Santa Cruz
jomacmil@ucsc.edu