STATE OF WASHINGTON

DEPARTMENT OF HEALTH

PO Box 47890 • Olympia, Washington 98504-7890
Tel: 360-236-4030 • 711 Washington State Relay

July 10th, 2026

Andrew Reisig and Joel Savary
Office of Federal Financial Management
Office of Management and Budget
725 17th Street NW
Washington, DC 20503

Submitted via Regulations.gov (Federal eRulemaking Portal)

RE: Docket No. OMB-2026-0034; Regulation for Federal Financial Assistance, 91 Fed. Reg. 32198 (May 29, 2026)[1]

Dear Mr. Reisig and Mr. Savary:

A. Introduction

The Washington State Department of Health (DOH) appreciates the opportunity to comment on the Office of Management and Budget's (OMB) proposed Regulation for Federal Financial Assistance. DOH's mission is to protect and improve the health of all people in Washington State. As a direct and pass-through recipient of more than $590 million in federal financial assistance over the 2025–2027 biennium, DOH has a substantial interest in the design and stability of the framework that governs how federal grants are awarded, administered, and terminated.[2]

DOH submits these comments in opposition to several specific provisions of the Proposed Rule that, if finalized in their current form, would undermine the stability, predictability, and effectiveness of federal financial assistance programs that directly benefit Washingtonians. DOH's principal concerns are: (1) the mandatory pre-issuance review of discretionary awards by senior political appointees under proposed § 200.205; (2) the expansion of discretionary termination authority under proposed § 200.340, particularly its use to terminate awards based on shifting agency priorities or political determinations; (3) the corresponding limitations on objection, hearing, and appeal rights under proposed § 200.342; (4) the imposition of vague and broadly worded national-policy and prohibited-cost provisions under proposed §§ 200.218, 200.219, 200.220, and 200.300; (5) restrictions on routine allowable costs under proposed §§ 200.432, 200.450, and 200.477 that are essential to public health practice; (6) revisions to federal

[1] Office of Management and Budget, et al., "Regulation for Federal Financial Assistance," Proposed Rule, 91 Fed. Reg. 32198 (May 29, 2026), Docket No. OMB-2026-003, https://www.federalregister.gov/documents/2026/05/29/2026-10817/regulation-for-federal-financial-assistance

[2] Washington State Department of Health, 2025–2027, Agency Budget Overview, https://doh.wa.gov/about-us/budget-and-contracts/budget-information

payment and drawdown procedures under proposed § 200.305; and (7) the inadequate implementation timeline established by proposed § 200.110.

DOH's comments on each proposed provision below begin with the relevant section number in brackets, following the section-by-section comment convention specified in the notice.

B. DOH's Federal Grant Portfolio and Stake in This Rulemaking

DOH receives and administers federal financial assistance from a wide range of federal awarding agencies, including the Centers for Disease Control and Prevention (CDC), the Health Resources and Services Administration (HRSA), the Substance Abuse and Mental Health Services Administration (SAMHSA), the Administration for Strategic Preparedness and Response (ASPR), the U.S. Department of Agriculture (USDA), the U.S. Environmental Protection Agency (EPA), and the Federal Emergency Management Agency (FEMA). These funds support core public health functions on which Washingtonians rely every day, including: immunization programs that protect children from vaccine-preventable disease; the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Ryan White HIV/AIDS Program; maternal, infant, and early childhood home visiting; communicable disease surveillance and response; drinking water safety and environmental public health; substance use disorder services; rural health and workforce development; and emergency preparedness and response.

Approximately 60% of all funds DOH manages are passed through to local health jurisdictions, tribal health programs, federally qualified health centers, hospitals, community-based organizations, and other partners that deliver services directly to Washingtonians.[3] Disruption to the predictability or continuity of these federal funding streams is therefore not an abstract concern: it translates directly into reduced public health capacity in every county in Washington, with the most acute impacts on rural, tribal, and underserved communities.

C. Comments on Specific Provisions

1. [§ 200.205] Mandatory Senior Appointee Pre-Issuance Review of Discretionary Awards (91 Fed. Reg. 32238–32239)

Proposed § 200.205 would require federal agency heads to designate one or more "senior appointees" to conduct a pre-issuance review of all discretionary awards before issuance, applying criteria that include whether the award "advances the President's policy priorities" and is consistent with "agency priorities" and the "national interest." DOH respectfully submits that this requirement injects political review into what have historically been merit-based, peer-reviewed grant-making processes, and will introduce delay, inconsistency, and uncertainty into public health grant award cycles that are time-sensitive by their nature.

Public health activities such as influenza vaccine procurement, school-year immunization campaigns, and outbreak preparedness staffing depend on timely receipt of those awards. Inserting an additional layer of political review will likely delay awards, jeopardize program delivery, and create gaps in continuity of care for Washingtonians. DOH urges OMB to withdraw this provision or clarify that pre-issuance review under § 200.205 will not delay the issuance of formula grants, continuation awards, or any awards funded under statutory or appropriations-act allocation formulas.

In addition, the criteria specified in proposed § 200.205(b), particularly the concept of an award "advancing the President's policy priorities" provide insufficient standards to guide consistent

[3] Washington State Department of Health, 2025–2027 Agency Budget Overview, https://doh.wa.gov/about-us/budget-and-contracts/budget-information

application across agencies and administrations. Award decisions made under such open-ended criteria will be difficult to plan for if applied arbitrarily.

2. [§ 200.340] Expansion of Discretionary Termination Authority (91 Fed. Reg. 32243–32245)

Proposed § 200.340 would expand discretionary termination authority by permitting federal agencies and pass-through entities to terminate awards not only for noncompliance, but also when the awarding agency determines that termination is in the "relevant interest" and that the award "no longer effectuates the program goals or agency priorities." DOH is deeply concerned about the practical implications of this provision for multi-year public health awards.

Public health programming is by its nature multi-year. Workforce, data, laboratory, and partnership investments, including those funded under the Public Health Infrastructure Grant, the Epidemiology and Laboratory Capacity Cooperative Agreement, the Public Health Emergency Preparedness Cooperative Agreement, the Preventive Health and Health Services Block Grant, the Maternal and Child Health Services Block Grant, the 317 Immunization Program, and the Ryan White HIV/AIDS Program, cannot be built in a single year and cannot be safely terminated mid-cycle without measurable public health harm. Public-sector recipients like DOH make multi-year hiring, contracting, and infrastructure commitments in reliance on the period of performance specified in the federal award. Permitting termination based on shifting agency priorities or vague "relevant interest" determinations undermines that reliance and effectively converts every federal award into a year-by-year contingency.

Discretionary termination of in-progress federal awards also imposes substantial state and local costs that are not addressed in the Proposed Rule's Regulatory Impact Analysis. When a federal award is terminated for convenience, the state recipient must (i) absorb termination costs, including separation costs for federally funded staff; (ii) wind down subrecipient agreements with local health jurisdictions and community partners; (iii) backfill terminated work with state general fund dollars where possible; and (iv) manage the public health consequences of any service gaps. These costs fall on state taxpayers and on the Washingtonians who depend on the underlying services.

DOH urges OMB to withdraw this provision. If OMB nevertheless proceeds with adopting this provision, DOH urges OMB to consider, at the very minimum: (i) requiring federal awarding agencies to provide a minimum 180-day wind-down period for any discretionary termination of an award to a state, Tribal, or territorial recipient; and (ii) requiring federal awarding agencies to make recipients whole for documented termination costs, including subrecipient close-out costs, before issuing a discretionary termination.

3. [§ 200.342] Limited Hearing and Appeal Rights for Discretionary Terminations (91 Fed. Reg. 32245)

Proposed § 200.342 preserves formal objection, hearing, and appeal rights principally for terminations based on a recipient's noncompliance, while leaving discretionary terminations under § 200.340 largely outside that procedural framework. This bifurcation is fundamentally unfair and inconsistent with basic principles of administrative due process. The financial and operational consequences of a discretionary termination are no less severe to the recipient than those of a noncompliance termination. In fact, the discretionary termination would have more severe consequences because a noncompliance termination is at least foreseeable based on the recipient's own conduct, whereas a discretionary termination is by definition outside the

recipient's control. DOH urges OMB to extend full objection, hearing, and appeal rights under § 200.342 to all terminations, regardless of the basis cited.

4. [§§ 200.218, 200.219, 200.300] Vague and Broadly Worded National Policy Requirements (91 Fed. Reg. 32240–32242)

Proposed §§ 200.218 (prohibition on use of federal awards to promote or support theories of disparate-impact liability), and 200.219 (prohibition on "discriminatory event services"), together with revisions to § 200.300 (statutory and national policy requirements), impose new compliance obligations using terms that are not adequately defined. Disparate-impact analysis is a long-established methodology in civil rights law and in public health (e.g., examination of disease incidence by race, geography, or socioeconomic status); the proposed prohibition does not clearly distinguish between (i) the use of federal funds to advance specific legal theories and (ii) the routine use of public health data to identify and address disparities in health outcomes. "Discriminatory event services" is similarly undefined in operational terms. Likewise, the proposed terms in § 200.300(b) related to requiring that a "pass-through entity must ensure that Federal awards and subawards are not used to fund, promote, encourage, subsidize, or facilitate" … "'Diversity, equity, and inclusion' (DEI) or 'diversity, equity, inclusion, and accessibility'" and "'Gender Ideology'" is similarly undefined and vague.

Vague prohibitions of this kind generate substantial compliance risk for state public health agencies. Recipients cannot reasonably administer federal awards under terms whose meaning may shift based on enforcement discretion. DOH urges OMB to withdraw these provisions. If OMB nevertheless proceeds with adopting this provision, DOH urges OMB to consider, at the very minimum: (i) defining each prohibited category with specificity sufficient to enable consistent compliance and (ii) clarifying that the use of federal funds to identify, report, and address health disparities through standard public health surveillance, epidemiology, and program evaluation methods is not prohibited.

5. [§§ 200.432, 200.450] Restrictions on Routine Allowable Costs (91 Fed. Reg. 32247–32253)

Several proposed Subpart E cost principles would impose new restrictions on routine costs of public health program administration:

> **[§ 200.432] Conferences.** The proposed text would require express federal agency approval and inclusion in award terms and conditions for conference attendance to be allowable. Public health practice depends on routine attendance at training, scientific, and operational conferences (e.g., CDC EIS, Council of State and Territorial Epidemiologists, National WIC Association, Public Health Informatics Conference). A pre-approval requirement of this scope is administratively unworkable across hundreds of staff and dozens of conferences per year, and will impair federally-supported workforce development. DOH recommends that OMB instead retain the existing standard under which conference attendance is allowable when reasonable, necessary, and consistent with the purpose of the award.
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> **[§ 200.450] Lobbying.** DOH supports the longstanding prohibition on use of federal funds for lobbying. The proposed changes to this provision extend far beyond prohibiting traditional lobbying activities, however, to prohibit nonprofits and institutions of higher education from "[e]ngaging in issue advocacy or public messaging that promotes or opposes a particular social, political, or public policy position unrelated to the statutory objectives or performance requirements" of the award, including messaging "designed to influence public attitudes on matters not necessary to accomplish the purpose of the Federal award," and "attempting to influence the executive branch of any State

government on matters unrelated to the objectives or performance requirements of the Federal award, including attempts to affect State agency policymaking, rulemaking, or administrative actions for purposes other than carrying out objectives of the Federal award." DOH urges OMB to withdraw these proposed changes. If OMB nevertheless proceeds with adopting them, DOH urges OMB to clarify, at the very minimum, that the prohibition does not extend to (i) routine communications with elected officials regarding the administration of federally-funded programs, (ii) responses to formal information requests from federal, state, or local legislators, or (iii) participation in legally-mandated public testimony, each of which is a normal incident of state government public health administration.

6. [§ 200.305] Federal Payment and Drawdown Procedures (91 Fed. Reg. 32242–32243)

Proposed § 200.305 would revise federal payment procedures and recipient justification requirements for drawdowns. DOH operates on a reimbursement basis for the majority of its federal awards and has well-established internal controls for cash management consistent with the Cash Management Improvement Act. Any new pre-drawdown justification or approval requirements would introduce delay between the incurrence of allowable costs and the receipt of federal reimbursement, requiring DOH to absorb cash-flow gaps with state funds. For pass-through funding to local health jurisdictions and community partners, such cash-flow delays will compound at the subrecipient level, where many partners do not have the working-capital reserves to bridge multi-week reimbursement gaps. DOH urges OMB to withdraw these proposed changes and retain the existing federal payment framework. If OMB nevertheless proceeds with adopting this proposed change, DOH urges OMB to make clear that the proposed revisions do not impose new pre-drawdown approval requirements on state recipients with established and audited cash management systems.

7. [§ 200.110] Effective Date and Implementation Timeline (91 Fed. Reg. 32230)

Proposed § 200.110 establishes an October 1, 2026 effective date so that a single set of government-wide requirements applies to FY 2027 awards. Given the scope of the proposed revisions, a four-month implementation window between final publication and effective date is inadequate.

State recipients will need to update internal policies, subrecipient agreements, contract amendments, indirect cost rate negotiations, financial systems, monitoring tools, and staff training to reflect the final rule. That cannot be completed within four months. A compressed implementation window will increase compliance risk, audit findings, and inadvertent noncompliance which are outcomes contrary to OMB's stated objective of strengthening accountability. DOH urges OMB to (i) provide a minimum 12-month implementation period between publication of the final rule and its effective date; (ii) apply the final rule prospectively only to awards with periods of performance beginning on or after the effective date; and (iii) expressly preserve all terms and conditions of awards in effect on the effective date through the end of the relevant period of performance.

D. Conclusion

DOH shares OMB's interest in transparent, accountable, and efficient administration of Congressionally authorized and appropriated federal financial assistance. The recommendations above are offered in that spirit. DOH urges OMB to revise the Proposed Rule to preserve the predictability, due process protections, and operational flexibility that state public health

agencies require to administer federal awards effectively and to deliver the public health services on which Washingtonians depend. Thank you for the opportunity to comment.

Sincerely,

Aaron Palmer
Chief Financial Officer
Washington State Department of Health