Abbie Kamin
COUNTY ATTORNEY

July 13, 2026

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

[Additional addressees listed in Appendix A]

Re: Comments on Proposed Rule – Regulation for Federal Financial Assistance; 2 CFR Part 200 (Docket OMB-2026-0034)

Dear Director Vought and Additional Federal Agencies[1]:

On behalf of Harris County, Texas, I respectfully submit these comments in response to the Office of Management and Budget's (OMB) proposed rule rewriting 2 CFR Part 200 in the Federal Register on May 29, 2026 (Docket OMB-2026-0034). This rulemaking would radically reshape the relationship between the federal government and local governments like ours. As such, I write to express Harris County's strong disagreement with the proposed rulemaking and explain the dramatic ramifications that would arise should the rule be implemented.

Harris County administers a federal award portfolio worth approximately $4.7 billion, supporting critical services including disaster recovery, public safety, transportation, public health, housing, and social services. These funds are delivered directly to residents and, in many cases, passed through to local subrecipients and community organizations. The proposed rule would negatively impact every aspect of how the County applies for, administers and accounts for those funds, and the risk profile of any program or portfolio in which federal award funds are a significant part.

We share OMB's goals of improving transparency, accountability, and oversight of federal financial assistance. To that end, Harris County maintains robust internal controls, documented policies and procedures, and a strong audit record. However, we strongly disagree to the necessity, wisdom, and putative authority of certain aspects of the proposed rule. I respectfully submit these comments to ensure the final rule, should you choose to implement, reflects the operational realities of our county and preserves our ability to effectively deliver federally funded services and public safety protections for our communities.

---

[1] For purpose of these comments, "Additional Federal Agencies" refers collectively to the 41 federal agencies listed in Appendix A.

1010 Lamar, 11th Floor, Houston, Texas 77002-1700 | 713-274-5101

Expanded federal termination authority will create severe fiscal uncertainty for Harris County (§ 200.339; § 200.340; § 200.341).

The proposed rule would subject most new federal awards to suspension or termination at the discretion of the issuing federal agency, including the discretion of senior political appointees. This broad new requirement creates severe fiscal uncertainty for financial assistance agreement counterparties, including state and local governments.

Under existing regulations, federal agencies are free to include a discretionary termination right in the terms and conditions of individual awards where they determine it is appropriate. The proposed regulation takes this option and makes it a mandatory condition for all new awards, removing regulatory flexibility and unnecessarily subjecting a broad swath of financial assistance agreements to suspension or termination at the whim of a current or future political appointee.

This will inject significant risk into Harris County's multi-billion-dollar budget process. The Fiscal Year 2026 Budget (covering October 1, 2025 – September 30, 2026) appropriates almost three billion dollars and is the culmination of thousands of hours of work by hundreds of County staff. The budget reflects Harris County's continued commitment to strategic investment, sound financial management, and the delivery of high-impact services to its residents—all in the face of significant fiscal constraints.

Within Harris County, there are 87 operating departments, each with an elected official or appointed department head. By statute, each year the County Budget Office must propose a budget, and Commissioners Court (the County's governing body) must approve a budget. The budget appropriates funds to County departments, affiliated agencies, and specific reserve accounts. County budgets are adopted months before the fiscal year begins. Revenue projections and service commitments (i.e. staffing, contracts, and capital investments) are made based, in large part, on anticipated federal funding.

If the proposed rule went into effect, the threat of the termination, at any point, of any award subsequently issued to Harris County based on no more than shifting federal policy priorities would create an untenable level of fiscal risk. Federal financial assistance agreements are built into the County's budget. The proposed rule would make it much harder for Harris County to plan and manage its budget because it would allow federal agencies to end funding after the County has already committed to spending the money. When the County prepares its budget, it estimates expected federal financial assistance revenue and uses those funds to support programs, staffing, contracts, and capital projects. These commitments are often made before the award money is fully spent because many awards support multi-year, multi-phase capital projects.

If an award is terminated unexpectedly, Harris County's obligations would remain. For example, the County may have hired employees whose salaries are funded by the agreement; signed contracts with vendors or nonprofit partners; begun infrastructure or capital improvement projects; or committed to providing services residents depend on. If the federal government later terminates the award, Harris County may still be legally or practically obligated to pay those costs. Harris County would then be left with limited options to make up for the lost funding, like reducing or eliminating services, laying off employees, delaying or cancelling projects, diverting local tax revenue from other priorities, or drawing down financial reserves (including those reserved for emergency and disaster response needs).

Efforts the County might undertake to prevent those obligations from impacting the County (such as provisions allowing for terminations of contracts or recoupment provisions for funds withdrawn by federal agencies) would also be devastating. Third party vendors, local governments, and non-profits would likely be unwilling to commit to strong recovery and termination provisions due to fiscal uncertainty. This is especially true regarding housing funds or other funds used for large projects that require partnerships with developers or third parties. Those projects typically involve leverage funds being injected into a transaction, and those leverage funds are often being underwritten by a bank or other financial institution. The uncertainty the new rule would create would likely result in many large projects failing their underwriting if the County inserted overbearing recovery provisions into its subaward contracts to ward against potential unexpected federal terminations.

Even if an award is not ultimately terminated, the possibility that federal funding could be withdrawn based only on political whims makes long-term planning for the benefit of residents much more difficult. Stable federal funding policy and practices help the County use award funds more efficiently. Greater uncertainty around financial assistance could make it more difficult to maintain service levels as programmatic demand continues to rise. Additionally, the uncertainty of predictable federal awards, and its resulting complexities in implementing programs using federal awards, will likely be counter-productive for the grant programs themselves. All grants come with deadlines by which funds must be spent or returned to the federal agency. Additional layers of financial review and cautionary planning trying to account for unpredictable and subjective federal termination will delay the speed at which projects can be started, thereby resulting in fewer programs being processed in a grant period.

In short, the proposed rule would not simply create administrative inconvenience. It would undermine the predictability that Harris County needs in order to appropriate budgets and make responsible financial commitments. Because Harris County cannot readily adjust in real time once a budget is adopted, allowing federal agencies broad discretion to terminate awards during the budget cycle could expose Harris County to significant financial shortfalls and disrupt essential public services.

If OMB insists on some version of this termination authority, we urge the following: (1) limit termination authority to existing bases in law and the current Uniform Guidance; (2) establish clear, published criteria and a notice-and-cure process before any termination; and (3) ensure adequate wind-down periods that allow financial assistance recipients, like Harris County, to responsibly transition affected programs and protect service recipients.

New pre-award review and risk evaluation requirements will substantially increase administrative burden and needlessly delay award timelines (§ 200.205; § 200.206).

The proposed rule would require pre-award review of award applications by senior agency political appointees and expanded risk evaluations of applicants prior to award. These requirements will significantly increase administrative burden, extend award timelines, and deter applicants from engaging with important financial assistance programs needed to serve residents and community members.

Harris County invests considerable resources in financial assistance agreement preparation and maintains a dedicated financial assistance agreement management office with documented policies reviewed regularly. Additional layers of pre-award review should not duplicate existing accountability mechanisms or create new barriers to well-qualified applicants.

These sections also further institutionalize the systemic politicization of federal financial assistance by demoting objective peer-reviews and technical career evaluations to a purely "advisory" status. Allowing senior political appointees to personally vet discretionary awards based on an undefined and deeply subjective "national interest" standard creates a less transparent decision-making process where funding can be distributed based on political alignment rather than technical merit. A project could score well under the published criteria but still be delayed, changed, or not selected because it does not align with agency priorities or the Administration's view of the national interest. This will make competitive financial assistance programs less predictable and reduce confidence that awards are based primarily on the criteria in the Notice of Funding Opportunity.

Without clear, objective, and publicly available risk criteria, Harris County cannot anticipate and prepare for pre-award review. This new regime for pre-award review risks indefinite delays in award execution.

New viewpoint-neutrality and event-services requirements are impossible to administer (§ 200.219).

The proposed rule would impose new viewpoint-neutrality requirements for event services on property under a public entity's control, regardless of whether any federal funds support the event itself. Counties would also bear responsibility for ensuring subrecipient compliance with these requirements. We have serious concerns about both the scope and workability of this provision.

Harris County manages convention centers, parks, buildings, and public meeting spaces that host hundreds of events annually. Applying federal award conditions to all activities on county-owned property, irrespective of federal funding, would require Harris County to monitor, regulate and potentially restrict constitutionally-protected activities on public property, creating significant legal and administrative exposure.

<u>The expansion of pass-through entity responsibilities is unworkable and creates significant legal and fiscal risk to the County (§ 200.305(c), § 200.329(b), § 200.329(h), § 200.331(c), § 200.332(g)–(l), § 200.333).</u>

Harris County serves as a pass-through entity for several of the federal awards we administer, distributing funds to subrecipients like nonprofits and local service providers. The proposed rule would expand pass-through entity oversight obligations in several areas, including subaward reporting to SAM.gov, subrecipient monitoring and compliance with new policy conditions. The proposed requirement that pass-through entities ensure subrecipients do not take actions that "could significantly damage the reputation" of the pass-through entity, the awarding agency, or the Federal Government is vague, unworkable, and unenforceable as written and poses unacceptable legal and financial risk to an award recipient like Harris County.

One consequence of a federal agency's determination that reputational harm has occurred is the termination of the county's entire federal award, regardless of the county's own compliance record. This provision would effectively require recipients to surveil the public conduct of every subrecipient organization on an ongoing basis as a condition of receiving federal funds, a standard no financial assistance recipient—in particular state and local governments—has the ability to meet. It also creates significant due process concerns.

Additionally, despite any level of surveillance and subrecipient oversight, there are no absolute assurances that such an event might occur. Any proposed regulation regarding subrecipient activity that is subjectively defined should be based on the preventive measures and contractual requirements put in place by the recipient, rather than the ultimate poor judgement or reckless activity of a subrecipient.

These expanded obligations, stacked on existing pass-through requirements, will require additional staff capacity and system investment, and introduce significant additional risk and uncertainty with respect to contract administration and compliance. Harris County will need to consider reducing program capacity or applying for fewer awards.

<u>Reclassifying 2 CFR Subtitle A from guidance to binding regulation is legally improper and will sacrifice agency expertise (§ 1.105, § 200.110).</u>

The proposed rule would reclassify 2 CFR Subtitle A from OMB guidance to binding federal regulation, meaning future amendments would take effect government-wide without separate notice-and-comment rulemaking by individual agencies. This represents a significant structural change to how federal financial assistance policy is made.

We have serious concerns that OMB lacks the authority to issue binding regulations on behalf of other federal agencies that Congress has charged with issuing awards and implementing specific statutory objectives. The notice does not sufficiently explain how Congress has authorized this significant arrogation of power from award-making federal agencies to OMB or how the statutes on which OMB relies would grant it such authority.

We urge OMB and the other federal agencies to preserve notice-and-comment requirements for any future substantive amendments to the Uniform Guidance, consistent with the Administrative Procedure Act. The intergovernmental partnership depends on county governments having a meaningful opportunity to respond to regulatory changes that directly affect our operations and budgets.

New policy conditions on award administration and cost disallowance will expose Harris County to considerable legal and fiscal risk (§ 200.300(b); § 200.403).

The proposed rule would establish sweeping new government-wide prohibitions on how newly-awarded federal funds may be used without defining the key terms that determine whether a recipient complies. Counties cannot reliably determine in advance whether a given program activity meets or violates the new standard, making good-faith compliance planning impossible and exposing counties to significant legal and fiscal risk.

Under the proposed rule, the prohibition's critical terms are undefined. Counties administering health, workforce, housing, and human services programs need clear, objective definitions before we can assess program-by-program compliance, update subrecipient agreements or train staff. Without defined terms, counties may face a difficult compliance standard where the existing terms and conditions of the award provide for downstream application of the newly promulgated rules.

Compounding this concern, § 200.403 converts any violation of § 200.300(b) into an unallowable cost, meaning counties may be required to repay federal funds already spent on programs that were operating in good faith. This transforms what might otherwise be a forward-looking compliance adjustment into a retroactive financial liability with no clear ceiling.

Eliminating fixed-amount awards will create considerable disruption to Harris County's operations (§ 200.201; §200.333).

Eliminating fixed-amount awards will create an operational disruption that directly expands administrative inefficiency and decreases the actual community output generated per dollar of federal appropriations. A fixed amount award/subaward provides a set amount of funding to accomplish an agreed-upon set of milestones or outcomes, regardless of the recipient's ultimate actual costs. Currently, recipients are not required to submit detailed cost documentation, and agencies do not routinely monitor actual expenditures. In these types of awards, the awarding agency focuses on deliverables rather than reviewing actual costs incurred.

Harris County currently holds more than $2.3 billion in fixed awards, representing 45% of our total grant portfolio value. It relies heavily on fixed-amount subawards to pass federal funds down to nonprofits and grassroots partners who lack the complex and expensive accounting software required for federal cost-reimbursement awards. Forcing subrecipients into granular, invoice-by-invoice tracking directly undermines the goals of the Paperwork Reduction Act, leaving Harris County to either absorb immense administrative liability or stop funding essential local community initiatives altogether.

These fixed-amount awards are particularly important to Harris County because it is an epicenter of natural disasters. About $1.3 billion of Harris County's fixed-amount awards are dedicated to disaster recovery. Due to the urgent nature of disaster response and recovery (including housing components), the awarding agency rightly focuses on deliverables for fixed-amount awards rather than costs incurred. Eliminating fixed-amount awards will create undue operational hurdles, disrupt life-saving service provision, and exponentially expand administrative inefficiency.

More than just the specific dollars received by Harris County through these awards will be at risk.

The proposed rule affects more than the amount of federal funding Harris County may ultimately receive. It undermines the County's ability to leverage federal awards to attract and coordinate additional public and private investment. Federal awards frequently serve as a foundational component of larger financing ecosystem that combines multiple funding sources, including County appropriations, state funds, local governments, philanthropic organizations, nonprofit partners, and, where appropriate, private capital. These financing structures depend on the reliability and enforceability of each funding commitment. When one source becomes uncertain, the entire project may be delayed, restructured, or abandoned.

For Harris County, this means that each federal dollar often supports significantly more than one dollar of total investment. A federal award may unlock state funding, provide the financial assurance needed for other partners to commit resources, or enable the County to enter long-term contracts with confidence that project funding will remain available. Many Harris County projects are also supported through a combination of local bond proceeds and federal financial assistance—bonds approved by Harris County taxpayers. If federal agencies obtain broad discretion to terminate awards or delay funding based on changing policy priorities, those complementary funding sources become more difficult to secure. As a result, Harris County would complete fewer projects and deliver fewer services than would otherwise be possible, even if the reduction in federal funding is relatively small.

In practical terms, a federal award that cannot reasonably be relied upon beyond the then-current administration's policy priorities is far less valuable than an award that provides predictable funding for the duration of the project. Many public infrastructure projects require three (3) to ten (10) years to complete. If participants cannot be confident that the federal commitment will remain in place throughout that period, projects may become prohibitively expensive to finance or economically infeasible altogether.
Even where financing remains available, taxpayers ultimately bear the cost through higher borrowing expenses, increased contingency reserves, and duplicative administrative costs.

If these awards are at risk, it does not only harm Harris County; as one of our nation's most vital economic engines, these rulemaking changes will have major impacts on the country's and the world's economy.

Harris County is one of our nation's most vital economic engines. We are the third-largest County in the United States and the largest in Texas, with more than 5 million residents, 2.3 million more than the next most populous Texas County, and more than approximately 25 U.S. states. Houston, and its 2.3 million residents are part of Harris County, as are all or part of 33 other cities and 12 large, unincorporated population clusters (also known as Census Designated Places) are with a population of more than two million residents—no other county in the nation has an unincorporated area of our size. Said another way, if unincorporated Harris County were a city, it would be the second-largest city in Texas and the fifth-largest city in the United States.

Covering 1,777 square miles on the Texas Gulf Coast, we are an economic engine not only for the region, but our nation. With a real GDP of $430B, (which would rank it 30th in the U.S. if it were a state) Harris County accounts for 21% of Texas' economic activity and 16% of its population. Harris County has a workforce of 2.5 million total employees. The region's economy is anchored by energy and related industries. In recent years have seen growth in healthcare and social assistance, accommodation and food services, retail trade, construction, and professional, scientific, and technical services. The Port of Houston, the largest Gulf Coast port and the fifth busiest in the United States, has also increased its business steadily over the past few years and currently ranks number one in the United States in foreign waterborne tonnage. Overall, the County's economy contains more than 111,000 employers. This includes the headquarters of 24 Fortune 500 companies.

Accordingly, federal awards to Harris County benefit not only County residents but also the broader Gulf Coast region and, in many cases, the national and world economy. As the largest county in Texas by population and home to one of the nation's largest metropolitan economies, Harris County provides infrastructure, flood mitigation, public safety, emergency management, public health, and transportation systems that serve millions of people who live, work, travel through, or do business in the region.

Many federally funded projects have regional impacts, supporting critical assets and services that extend beyond county boundaries, and even across the nation and the globe, as infrastructure resilience is vital to the economic viability of the many critical industries located in Harris County. Delays or uncertainty in federal awards therefore affect not only Harris County's ability to deliver services but also the resilience, economic competitiveness, and quality of life of the broader region and global economy.

Conclusion

This rulemaking introduces substantial unpredictability, financial risk, compliance ambiguity, and administrative burden for Harris County. It would detrimentaly impact multi-year capital-intensive infrastructure, research, and workforce projects. Projects that are not only an economic driver for the region, but increase public safety and disaster prevention for residents and businesses alike.

The value of a federal award lies not only in the dollars it provides but also in the certainty it creates. Stable federal commitments allow governments and their partners to make long-term investments with confidence. By reducing that certainty, the proposed rule diminishes the practical value of every federal award, even when funding is ultimately provided.

I greatly appreciate your time and careful consideration. We stand ready to provide additional information or meet with OMB staff to discuss these comments in greater detail. Please contact First Assistant Neal Sarkar at Neal.Sarkar@harriscountytx.gov or 713-274-5163 with any questions.

Most respectfully,

Abbie Kamin

Abbie J. Kamin
Harris County Attorney
Harris County, Texas

APPENDIX A – ADDITIONAL FEDERAL AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
2 CFR Parts 300, 376, and 382
RIN 0991-AC35

DEPARTMENT OF AGRICULTURE
2 CFR Parts 400, 417, and 421
RIN 0505-AA20

DEPARTMENT OF STATE
2 CFR Parts 600 and 601
RIN 1400-AG22

AGENCY FOR INTERNATIONAL DEVELOPMENT
2 CFR Parts 700, 701, 780, and 782
RIN 0412-AB19

DEPARTMENT OF VETERANS AFFAIRS
2 CFR Parts 801 and 802
RIN 2900-AT02

DEPARTMENT OF ENERGY
2 CFR Parts 901, 902, and 910
RIN 1991-AC21

DEPARTMENT OF THE TREASURY
2 CFR Part 1000
RIN 1505-AC92

DEPARTMENT OF DEFENSE
2 CFR Parts 1104, 1120, 1122, 1125, and 1126
RIN 0790-AM03

DEPARTMENT OF TRANSPORTATION
2 CFR Parts 1200 and 1201
RIN 2105-AF44

DEPARTMENT OF COMMERCE
2 CFR Parts 1326, 1327, and 1329
RIN 0605-AA85

DEPARTMENT OF THE INTERIOR
2 CFR Parts 1400, 1401, and 1402
RIN 1090-AB34

ENVIRONMENTAL PROTECTION AGENCY
2 CFR Parts 1500, 1532, and 1536
RIN 2030-AB05

U.S. INTERNATIONAL DEVELOPMENT FINANCE CORPORATION
2 CFR Part 1600
RIN 3015-AA00

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
2 CFR Parts 1800, 1880, and 1882
RIN 2700-AE90

U.S. AGENCY FOR GLOBAL MEDIA
2 CFR Part 1900
RIN 3112-AA07

NUCLEAR REGULATORY COMMISSION
2 CFR Parts 2000 and 2001
RIN 3150-AL41

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
2 CFR Parts 2200, 2205, and 2245
RIN 3045-AA94

SOCIAL SECURITY ADMINISTRATION
2 CFR Parts 2300, 2336, and 2339
RIN 0960-AJ11

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
2 CFR Parts 2400, 2424, and 2429
RIN 2501-AE01

NATIONAL SCIENCE FOUNDATION
2 CFR Parts 2500 and 2520
RIN 3145-AA75

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
2 CFR Part 2600
RIN 3095-AC31

SMALL BUSINESS ADMINISTRATION
2 CFR Parts 2700 and 2701
RIN 3245-AI70

DEPARTMENT OF JUSTICE
2 CFR Parts 2800 and 2867
RIN 1105-AB81

DEPARTMENT OF LABOR
2 CFR Parts 2900 and 2998
RIN 1291–AA53

DEPARTMENT OF HOMELAND SECURITY
2 CFR Parts 3000, 3001 and 3002
RIN 1601-AB23

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES
Institute of Museum and Library Services
2 CFR Parts 3185, 3186, and 3187
RIN 3137-AA31

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES
National Endowment for the Arts
2 CFR Parts 3254, 3255, and 3256
RIN 3135-AA36

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES
National Endowment for the Humanities
2 CFR Parts 3369, 3373, and 3374
RIN 3136-AA47

DEPARTMENT OF EDUCATION
2 CFR Parts 3474 and 3485
RIN 1801-AA30

EXPORT IMPORT BANK
2 CFR Part 3513
RIN 3048-AA03

EXECUTIVE OFFICE OF THE PRESIDENT
Office of National Drug Control Policy
2 CFR Part 3603
RIN 3201-AA03

PEACE CORPS
2 CFR Parts 3700 and 3701
RIN 0420-AA37

ELECTION ASSISTANCE COMMISSION
2 CFR Parts 5800 and 5801
RIN 3265-AA00

GULF COAST ECOSYSTEM RESTORATION COUNCIL
2 CFR Part 5900
RIN 3600-AA05

FEDERAL COMMUNICATIONS COMMISSION
2 CFR Part 6000
RIN 3060-AM35

CONSUMER PRODUCT SAFETY COMMISSION
2 CFR Part 6100
RIN 3041-AE26

DELTA REGIONAL AUTHORITY
2 CFR Part 6200
RIN 4718-AA00

APPRAISAL SUBCOMMITTEE OF THE FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
2 CFR Part 6300
RIN 3139-AA07

MARINE MAMMAL COMMISSION
2 CFR Part 6400
RIN 0415-AA00

MILLENNIUM CHALLENGE
CORPORATION
2 CFR Part 6500
RIN 0414-AA00

NATIONAL CREDIT UNION
ADMINISTRATION
2 CFR Part 6600
RIN 3133-AG07