Manhattan Institute

July 13, 2026
Russ Vought, Director
Office of Management and Budget
725 17th Street, NW
Washington DC, 20503

Re: Comments on Update to Regulation for Federal Financial Assistance

I write to offer support for the changes to the federal grantmaking process to eliminate the politicization of grantmaking and ideological activities by grantees. I also write to suggest that the rule should reconsider a complete ban on fixed amount awards.

1. Necessary bans on politicization and ideological activity

In recent years, federal grants have frequently been used for ideological and political ends that are not commensurate with the goals of either Congress or the American public. The proposed rule's reforms to limit, to the fullest extent possible, the use of funds for political purposes and to end any support for diversity, equity, and inclusion efforts and gender ideology are essential to restoring federal grantmaking to its intended purpose.

As the proposed rule states, the executive branch has a duty to ensure that grants are used for "congressionally sanctioned purposes, and not for extraneous ideological activities." The proposed rule notes several legal authorities for this stance, but there are other, long-standing legal authorities to support such an effort.

As far back as the Gillett Amendment of 1913, codified today in 5 U.S. 3107, Congress has forbid the use of appropriated funds for hiring "publicity experts," which we would read today as actions to influence the public on behalf of an ideological campaign. The Anti-Lobbying Act, first passed in 1919, and now codified in 18 U.S. 1913, forbids using appropriated funds to influence any member of any government or to support or oppose "any legislation, law, ratification, policy, or appropriation." The Byrd Anti-Lobbying Amendment of 1989, now codified in 31 USC 1352, and cited in the new proposed rule, explicitly forbids the use of federal funds in contracts, loans, grants, or cooperative agreements to lobby Congress or government officials.

Although it is sometimes difficult to determine where the line is to be drawn between forbidden lobbying and publicity as opposed to general information provision and outreach, and Congress has recognized that the executive branch and its grantees have a duty to convey information to the public about existing policy, the clear intent of

Congress in these statutes and others is to limit funding for ideological or political campaigns on issues that are currently in contention.

The clarification of Section 200.450 lobbying to forbid issue advocacy or public messaging "unrelated to the statutory objective or performance requirements of the Federal award" is a necessary step to further these ends. The revisions to Section 200.421, to limit the use of grants for "advertising and public relations" unless required by statute or used for procurement and outreach, and to Section 200.461, to limit funds for publication and printing costs unless expressly required by statute or approved in advance by an agency on a case-by-case basis, also carry out the same essential purpose.

In recent years, two of the most common types of ideological activity supported by government grants have involved diversity, equity, and inclusion (DEI) and gender ideology. Beyond the many examples cited in the proposed rule, I would note the $3 billion provided through the Inflation Reduction Act for environmental justice block grants, that became used for political activities of groups such as the Climate Justice Alliance, which aimed to "challenge[] capitalism and both white supremacy and hetero-patriarchy."[1]

The proposed rule's ban on support for DEI and gender ideology will help eliminate the politicization of grantmaking.

2. The Usefulness of Fixed Amount Awards

The proposed rule in sections 200.201, 200.333, and elsewhere, aims to eliminate the use of fixed amount awards and subwards. Although these awards can be problematic at times, a complete elimination would be a mistake.

The ending of fixed amount awards runs counter to the administration's goals of unifying to the greatest extent possible the policies of procurement and grantmaking. It also runs counter to the administration's goal of increasing funding for outcomes as opposed to the mere methods of carrying them

The administration has provided important reforms to create more fixed price awards in the procurement space. President Donald Trump's Executive Order 14402 of April 30, 2026 noted that many "private-sector contracts focus on driving performance rather than ever-increasing costs, often dictating a fixed cost for a well-defined

[1] Judge Glock, "Biden's Worst Law," *City Journal,* Spring 2025, https://www.city-journal.org/article/inflation-reduction-act-biden-economy-deficit

outcome." The order therefore demanded a "Default to Fixed-Price Contracting" and argued for limitations of "cost-reimbursement contract[s]."[2]

The proposed rule here also says it aims to the "harmoniz[ing] Federal grant management with longstanding procurement practices." The rule also tries to "strongly discourge[] recipients from using cost reimbursement contracts," which aligns the rule with EO 14402 and recent federal procurement reforms. Yet the ending of fixed-price awards would move the administration farther away from this goal.

The proposed rule also argues that one of its main goals is to "reduce recipient burden." Reducing the use of fixed-price awards and expanding cost reporting requirements to all future awardees would work in the opposite direction. Recent surveys showed that nearly 10% of grant value for a typical grantee is used in administration. Grant managers estimate that financial reporting requirements take by far the largest amount of their time, about 25% of all time spent.[3] Fixed-price awards can be an effective way, at least in some cases, to reduce that burden.

The application of cost principles to more contracts also runs counter to the efforts of the administration's Revolutionary FAR Overhaul and the recent 2026 National Defense Authorization Act, which raised the cost thresholds for applying Cost Accounting Standards substantially.[4] As that act recognizes, the cost standards are necessary in many cases to ensure work is carried out that has been promised, but both Congress and the administration have aimed to encourage more outcome-based awards as opposed to cost accounting-based awards in procurement.

Although the implications of the removal of fixed amount awards are not clear in every case, in principle it could be used to discourage efforts such as the current administration's Department of Labor's Employment and Training Administration Pay-for-Performance Incentive Payments Program, which, through cooperative agreements, aims to provide broad outcome-based payments for improved registered apprenticeship outcomes.[5] The final rule should at least point out that pay-for-performance awards are allowed or encouraged.

[2] President Donald Trump, "Promoting Efficiency, Accountability, and Performance in Federal Contracting," *Executive Order 14402*, April 30, 2026 https://www.whitehouse.gov/presidential-actions/2026/04/promoting-efficiency-accountability-and-performance-in-federal-contracting/

[3] "The Current State of Grants Management: Challenges, Changes, & Opportunities. Annual Grants Management Survey Results," Trachtenberg School of Public Policy and Public Administration, REI Systems, National Grants Management Association, March 26, 2025, https://www.reisystems.com/wp-content/uploads/2025/04/March-2025-GMB-Annual-Grants-Mgmt-Survey-Results_Final.pdf
https://www.reisystems.com/wp-content/uploads/2025/04/March-2025-GMB-Annual-Grants-Mgmt-Survey-Results_Final.pdf

[4] "National Defense Authorization Act for Fiscal Year 2026," P.L. 119-60, section 1806, https://www.congress.gov/bill/119th-congress/senate-bill/1071/text

[5] "Grants Notice: Pay-for-Performance (PfP) Incentive Payments Program," Employment and Training Administration, Department of Labor, FOA-ETA-26-19, February 13, 2026 https://www.grants.gov/search-results-detail/361087

The Office of Management and Budget has understandable concerns about how funds from fixed-price awards can be misused or diverted to ends that are not those desired by the grantmaking agency. Yet the other reforms in this proposed rule severely limit such opportunities. The bans on DEI and gender ideology, Section 200.206's inclusion of using public information to inform grantmaking, section 200.450's ban on lobbying or advocacy, and section 200.421's limits on advertising and public relations all limit such diversions. The expansion of the termination possibilities under the reform will allow agencies to stop further disbursement of such awards if they are being misdirected.

The proposed rule puts in place many essential reforms to the grantmaking process that focuses grantmaking on outcomes. Allowing agencies, at least in limited circumstances, to use fixed-price and pay-for-performance awards would further those purposes.

3. Conclusion

The proposed rule's reforms to limit federal funding of political and ideological campaigns and to stop funding DEI and gender ideology are necessary and important. The overall effort to reduce recipient burdens (including by reforms such as removing the encouragement of recovered materials and making more multiyear awards) facilitates the return to statutory law and away from extraneous demands on grant makers and grantees. One way to further facilitate those goals would be to allow fixed amount and awards in some circumstances.

Overall, the proposed rule is a necessary reform to the federal grantmaking process.

Respectfully Submitted,

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