PANO Pennsylvania Association of Nonprofit Organizations

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Submitted via Federal eRulemaking Portal: https://www.regulations.gov

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

July 12, 2026

Re: Proposed Regulation for Federal Financial Assistance, Docket ID OMB-2026-0034

Dear Director Vought,

The Pennsylvania Association of Nonprofit Organizations (PANO) opposes the U.S. Office of Management and Budget's (OMB) proposed changes to overhaul the set of rules, known as the Uniform Guidance, governing federal grants, cooperative agreements, and other monetary awards to nonprofits, state and local governments, and other grantees.

If implemented, the OMB proposal would create significant financial risk and instability for Pennsylvania's nonprofits who receive federal funding - making it more difficult to provide vital services for those most vulnerable in every neighborhood and community across the Commonwealth - in partnership with federal, state, and local governments. **Between 2016 and 2024 alone, Pennsylvania nonprofits brought in $40 Billion federal dollars to the state – an infusion of cash that, among other things, has provided incentives for Pennsylvania businesses to form private -public partnerships through local nonprofits.**

Demonstrating the scope of this potential impact, Pennsylvania is home to 49,000 501(c)(3) nonprofits that provide services touching essentially every Pennsylvanian in one way or another. **Pennsylvania nonprofits drive the $140 Billion of the state's economy, employing 15.7% of the Commonwealth's workforce**. Arts and culture organizations alone drive $1.9 Billion annually and employ 23,555 individual Pennsylvanians, who in turn bring in visitors to the Commonwealth from all over the country. Pennsylvania nonprofits further earn 69% of their revenue, compared to the 49% earned income reported from the national nonprofit community. **Replacing current objective criteria with criteria based on political considerations alone unnecessarily risks the $40 Billion in federal investment noted above.**

If implemented as currently proposed, Pennsylvania nonprofit grantees will be faced with more unpredictable financial, legal, and reputational risks, increasing the costs of accepting federal awards while decreasing the benefits noted above. This could lead to further service disruptions – at a time when services have already been interrupted by annual budget impasses and federal government shutdowns. Our specific concerns are outlined below.

- **The proposed changes would grant the executive branch seemingly unlimited discretion over federal grants, contrary to federal law.** Federal law makes clear that the executive branch does not have the authority to add across-the-board terms and conditions to federal grants beyond those that Congress has authorized. With this proposal, the administration is attempting to use the OMB Uniform Guidance to impose terms and conditions that have been blocked by federal judges for violating federal law or the U.S. Constitution.

- **The proposal would force grantees to operate in a shifting environment, making it more difficult to provide vital services to their communities**. Under the proposal, each new administration could make significant, substantive changes to federal grants, creating uncertainty for grantees. Federal agencies would be authorized to terminate or suspend discretionary grants without cause, and to change grant terms and conditions midperformance. Agencies could terminate grants if subrecipients "damage the reputation" of the federal government, a term that is not defined.

- Onerous oversight and monitoring requirements could be applied across entire programs, regardless of the grantee's individual performance. Further, under the proposal, grantees would have limited ability to challenge certain funding disruptions. And when a grant is terminated via agency discretion, that agency would not have to provide grantees with any administrative hearing or appeals process. Federal agencies could withhold federal discretionary grants indefinitely, if the agency determines that the grant does not "advance the president's policy priorities." ***This change brings politics front and center and***

undermines the nonpartisan nature of 501(c)(3) work which has brought the wisdom of individuals from all parties together to find solutions to community challenges.

- **The proposal allows federal agencies to determine discretionary federal awards based on political considerations, not community needs or congressional intent.** OMB proposes to create a pre-approval process that allows political appointees to exclude grant proposals from consideration if the proposal is not consistent with "federal agency priorities and the national interest." Grantees would not know whether and why their proposal was rejected through this process, and they would be unable to challenge such actions.

  The proposal further directs agencies to consider a grantee's membership or affiliation with other organizations that "undermine public safety or national security" and grantees' engagement in "activities or initiatives that are inconsistent with federal civil rights laws." These provisions could exclude grantees that work to advance racial equity or grantees that oppose an administration's policies. Taken together, these provisions would essentially allow any administration to disqualify a grantee it disfavors.

- **The proposal threatens important congressionally funded federal programs that help address longstanding racial, social, or other disparities or serve underserved communities – upheld by the U.S. legal system.** The proposal purports to bar any federal funding from being used to promote "unlawful" diversity, equity, and inclusion (DEI) efforts or illegal immigration.

  However, many DEI-related practices and policies that the administration claims are unlawful have been upheld by courts as permissible under the law or can be administered lawfully. Grantees lawfully provide immigration legal services, humanitarian assistance to asylum seekers, or emergency shelter to migrants. Pennsylvania residents who have received these services have also contributed significantly to the Commonwealth's agricultural, tourism, and other services. Disinvesting in these communities will also have detrimental impacts on the Commonwealth's and the country's economy.

- **The proposal deters participation in federal programs, and harms Pennsylvania's communities that federal programs were intended to serve. If implemented, grantees will be faced with unpredictable financial, legal, and reputational risks that increase the costs of accepting federal awards while decreasing the benefits.** Many effective and qualified grantees may be unable to accept those risks. This could lead to disruptions to essential services, including housing, community development, health, education, food, shelter, community services, disaster recovery, and more in the state's rural, urban and suburban communities.

For the future economic health of Pennsylvania and all states receiving OMB funding, the Pennsylvania Association of Nonprofit Organizations (PANO) urges you to reverse course and stop these proposed changes.

Submitted on behalf of the Pennsylvania Association of Nonprofit Organizations:

Anne Gingerich

Anne Gingerich
Executive Director
Pennsylvania Association of Nonprofit Organizations (PANO)

ABOUT THE PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS (PANO)

PANO amplifies the impact of the community benefit sector through advocacy, collaboration, learning and support. PANO, a statewide membership organization serving over 1,100 nonprofits that employ 30,000 workers. PANO walks alongside organizations and individuals working to improve the quality of life in communities throughout Pennsylvania. To learn more about PANO, please visit: www.pano.org.