July 13, 2026

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

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

Dear Director Vought:

The National Small Business Association (NSBA) submits this comment in response to the Office of Management and Budget's (OMB) proposed rule, "Regulation for Federal Financial Assistance," which would substantially rewrite the government-wide Uniform Guidance for federal grants and cooperative agreements at 2 CFR Part 200.

NSBA is the nation's oldest small business advocacy organization, representing more than 65,000 members across every state and industry sector. For nearly nine decades, NSBA has served as a nonpartisan voice for the small business community before Congress, the Executive Branch, and federal agencies, supporting efforts that foster the growth, strength, and impact of small businesses.

NSBA takes no position here on the broader questions this rulemaking has raised for the research and academic communities. Our comment is concerned solely with how this rule would build a degree of political discretion into the ordinary process of federal grantmaking, available to whichever party controls the Executive Branch, now and in the future. Small businesses depend on a measure of predictability in their relationship with the federal government that this rule, however well-intentioned, would put at risk.

I. Small Businesses Already Operate with Little Protection Against Disruptions in Federal Funding

Small businesses that receive or depend on federal grant funding—whether directly, as SBIR/STTR performers, technical assistance providers, or manufacturing extension partners, or indirectly, as subcontractors on state- and locally-administered awards—operate with far less capacity to absorb funding disruptions than the universities, hospitals, and large nonprofits that make up much of the public record on this rule.

Fewer than one-in-ten small businesses have staff dedicated to tracking the regulatory or funding landscape; most rely on the owner or a handful of employees to manage award compliance alongside a variety of other business functions. When funding is interrupted, the effects show up quickly and directly: staff layoffs, paused research and development, and canceled subcontracts, without the institutional cushion larger recipients can draw on to protect themselves during transitions.

We saw this dynamic play out earlier this year without any rule change. The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs' authorization lapsed on September 30, 2025, following a months-long congressional standoff over proposed program reforms, and the situation was not resolved until a five-year reauthorization was signed into law on April 13, 2026. For more than six months, all eleven participating federal agencies were barred from issuing new SBIR/STTR solicitations or awards, even though the underlying appropriations existed.

Thousands of small businesses that plan their R&D cycles around these awards were left waiting, in some cases laying off staff or drawing down reserves, while a dispute that had nothing to do with their own performance played out in Washington. That episode involved no termination authority and no political review of individual awards; it was simply a lapse in continuing statutory authority. We raise the point because it illustrates how exposed small businesses already are to disruptions rooted in political dynamics outside their control.

II. The Proposed Rule Would Formalize and Expand That Exposure, Driving Future Regulatory Whiplash

Two provisions bear most directly on this concern.

First, revised §200.205 would require senior political appointees at each agency to conduct a "pre-issuance review" of every discretionary award, with career staff and technical peer review serving only in an advisory role, and awards required to "demonstrably advance the President's policy priorities."

Second, revised §200.340 would give agencies broad authority to suspend or terminate active awards, including multi-year awards already underway, "for convenience" whenever leadership determines an award no longer aligns with current priorities, without a compliance finding and without a formal appeal.

Taken together, these two provisions mean that both the decision to fund a small business and the ongoing decision to keep funding it would turn, to a significant degree, on the judgment of political appointees applying priorities that will shift from administration to administration, and at times within a single administration. We want to be direct that our concern here is not with any specific set of priorities, but with the durability of the tool this rule would create. Whatever standard applies now, this same authority will be available to the political appointees who succeed them, to redirect or withdraw small business funding according to a different set of priorities. For a business that has hired staff, signed a lease, or committed to subcontractors on the strength of a multi-year award, that is a significant and largely uninsurable risk.

III. Conclusion

NSBA is not asking OMB to abandon the accountability and oversight goals behind this rulemaking. We do believe the final rule should include basic safeguards that would meaningfully reduce the risk to small businesses without revisiting those broader goals; among them, a minimum notice-and-cure period before an award is suspended or terminated for convenience; a phased compliance timeline that gives small entities, who lack the compliance infrastructure of larger institutions, adequate time to adjust; and targeted relief from new reporting and paperwork obligations for recipients below a reasonable size threshold. We offer these as illustrations of the kind of guardrails that would let the rule pursue its stated purposes without leaving small businesses to absorb the cost of the shifts in political priorities.

We appreciate the opportunity to comment on this rulemaking and would welcome the chance to discuss these concerns further with OMB staff before the rule is finalized.

Respectfully,

Todd McCracken
President & CEO
National Small Business Association
1156 15th Street NW, Suite 1100
Washington, DC 20005