ORGANIC FARMERS ASSOCIATION

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Submitted via Regulations.gov

Andrew Reisig and Joel Savary
Office of Federal Financial Management
Office of Management and Budget
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RE: APS comment on Office of Management and Budget proposed rule for federal financial assistance; Docket number: *OMB-2026-0034*

Dear Mr. Reisig and Mr. Savary,

Thank you for the opportunity to provide public comment opportunity to provide the following public comments regarding the Office of Management and Budget's (OMB's) proposed guidance titled "Regulation for Federal Financial Assistance".Organic Farmers Association (OFA) represents 17,500 domestic certified organic farmers and 30 member organizations serving organic farmers. Our organization and stakeholders stand to be heavily impacted by these major, wide-ranging proposed changes to federal financial assistance policies. On behalf of the organic farmer community, OFA expresses its strong opposition to this proposed rule change.

Federal investment in organic regenerative agricultural systems is necessary for the future of our country. Federal programs currently fund organic agricultural research, essential to farmers' continued competitiveness in an increasingly challenging agricultural sector, farmer programs to implement conservation programs necessary for improved stewardship of our natural resources, and federal funding to rebuild our local and regional food systems is critical for our national food security. The proposed changes to the regulation of federal financial assistance will cause destabilizing effects that will reverberate across the entire American food system and the wider economy that depends on it.

OFA supports the ethical stewardship of federal research funding and the reduction of the administrative burden for federally sponsored researchers, farmers, and nonprofit organizations serving farmers. The proposed regulation, however, will not achieve OMB's stated goals of improving transparency, accountability, and oversight of taxpayer dollars while reducing the burden on grant recipients. Instead, the proposed rule would place federal funding decisions in the hands of unelected political appointees, add bureaucratic barriers for farmers and the non-profit organizations serving them as they seek access to the funding necessary to support the expansion of a healthy food system, and negatively impact rural economies and the workforce.

Since 2014, the current *Guidance for Federal Financial Assistance* (2 CFR Part 200) has functioned as non-binding guidance, allowing each agency flexibility to administer grants in service of the distinct statutory mission Congress assigned it. The proposed rule would convert that guidance into a rigid, legally binding, and enforceable regulation for every agency, one that would fail to acknowledge the different needs of our nation's economic and research sectors.

In this comment, we will focus on four key areas most relevant to our organic stakeholders: 1) Lack of clarity regarding which USDA and Rural Development programs would be affected, 2) Lack of security and confidence in federal contracts, 3) Increased administrative and compliance burden and cost, 4) Changing conditions based on USDA Risk Determinations, 5) Difficulty in maintaining local partnerships, 6) Lack of standards clarity could create difficulty with compliance. We urge OMB to withdraw the proposed rule in its entirety and engage in deeper consultation with the U.S. scientific and organic agricultural sectors.

Lack of clarity regarding which USDA and Rural Development programs would be affected (Preamble and various sections)

Farmers, ranchers, rural businesses, and agricultural organizations participate in many different USDA programs. The proposed guidance changes raise questions about which farmer programs would be subject to the new requirements and standards. Uncertainty about whether a program will be impacted makes it difficult to plan, comply, and make informed decisions about participation. While some parts of the proposal clearly identify grants and cooperative agreements, the preamble and several provisions also refer to "discretionary awards." It is unclear which USDA programs, contracts, agreements, loans, or other forms of financial assistance would fall within that category, or how the proposed changes would apply to them. Programs important to our farmers that may fall into this discretionary award category include:

- Natural Resources Conservation Service Programs and Contracts: Environmental Quality Incentives Program (EQIP), Conservation Stewardship Program (CSP), Agricultural Conservation Easement Program (ACEP), Regional Conservation Partnership Program Agreements (RCPP).
- Farm Service Agency Programs: Conservation Reserve Program (CRP) Contracts, Agriculture Risk Coverage (ARC), Price Loss Coverage (PLC), and Direct and Guaranteed Loan Programs
- Risk Management Agency Programs: Crop Insurance Programs
- Research grants and agreements
- Rural Development Agency Programs and Producer Agreements.

OFA is also concerned that the proposal does not clearly explain whether the new requirements and conditions could affect awards that have already been approved and are currently underway. Government funding contracts should be maintained as signed, and mid-project changes can create administrative burdens that reduce program effectiveness.

Lack of security and confidence in federal contracts (§ 200.211, §§ 200.340–343)

The proposed changes would expand agency authority to suspend or terminate certain federal awards based on changing "agency priorities" or the "national interest." These terms are not yet defined by the USDA and the Rural Development Agency, making it difficult for the public to fully understand what would be affected and how. The lack of clarity would create significant problems for farmers, researchers, and organizations' long-term planning and project implementation. We are concerned that these proposed changes would also limit the costs that recipients could recover after the suspension or termination of a contract due to changes in agency or national-interest priorities.

Federal funding has long been an essential and trusted mechanism for supporting necessary improvements and scientific understanding of efforts prioritized for the public good. A stable and effective local and regional sustainable food system is necessary for national security and the protection of our natural resources. Federal investment in this sector must be trustworthy for organizations, researchers, and farmers to implement projects that achieve these efforts. Once a federal contract is issued, awardees hire staff, install conservation infrastructure, design farmer training, purchase a farm or cover operating expenses, and make other long-term investments. If a USDA contract is terminated mid-project, not due to the awardee's performance but because the agency's prioritization of the project has changed, awardees may be forced to lay off staff, cancel projects, suffer financially from unrecovered investments, or incur unreimbursed costs for infrastructure and conservation projects.

Over the past year, as federal contracts were delayed and, in some cases, terminated, farmers and organizations experienced significant stress and lost investment. OFA heard stories from over 100 farmers across the country, distraught from the loss or delay of federal contracts they had planned on for their rural businesses.

One farmer in Maine had an NRCS contract to apply wood mulch to his 40 acres of wild blueberries as an approved pest- and disease-management practice. His payment under his contract was delayed, which caused him to lose his hold on the mulch from his local supplier and miss the appropriate timing to apply the input. He had done everything correctly- created a plan, signed a government contract, secured the locally approved product, prepared his land - but the government contract violation caused him to lose a year of important pest and disease management practices for his farm, which will have multiple years of negative financial impact on the fertility and productivity of his crop.

In Spring 2025, a farmer in Missouri directly benefited from local organizations that held contracts under the Local Food Purchase Assistance (LFPA) Cooperative Agreement program, which aligns with the current administration's goals of Making America Healthy Again by strengthening healthy local and regional food supply chains to advance a Food Is Medicine approach. This federal program increased demand for local food, and over the past 2.5 years, the farmer expanded her organic fruit and vegetable production and purchased a walk-in cooler and new harvesting equipment to meet the increased demand. She invested in expanded land preparation, purchased seed, and hired and trained additional staff to build the necessary skilled workforce. When the LFPA program was abruptly and prematurely terminated, she was devastated. The termination cost her a quarter of her expected sales and required her to lay off four full-time employees. This last example deepens our concern about the expanded agency authority to suspend or terminate certain federal awards based on changing “agency priorities” or the “national interest.” The LFPA seems to align with the administration’s MAHA efforts, yet it was terminated anyway. This change drastically reduces stakeholder trust in federal programs and government contracts and negatively impacts the farmers the agency is entrusted to support.

Increased Administrative And Compliance Burden And Cost

The proposal includes several changes to the uniform guidance that we expect would increase the time, staffing, documentation, and compliance costs associated with participating in federally funded programs, including:

- **Employee Authorization** (§ 200.303, § 200.318): New E-Verify-related requirements would require additional staff training, recordkeeping, and human resources administration. These are administrative burdens that would make federal programs unattainable for small nonprofit farmer-service organizations and individual family farmers.

- **Payment and Reimbursement Procedures** (§ 200.305, § 200.320): Proposed changes would likely require recipients to submit additional documentation to justify payment requests, even when activities and budgets have already been approved. Any additional administrative burdens create barriers to participation for small organizations and businesses in government programs. The juice has to be worth the squeeze, and these new burdens would severely restrict participation by those who are excellent candidates for important work but need accessible, practical government programs.

- **Recordkeeping Obligations** (§ 200.302, § 200.318, § 200.334): We are concerned that the new changes would increase the documentation requirements associated with requesting, receiving, and managing federal funds, but not necessarily improve the end outcome. Based on our participation in federal grants and cooperative agreements, government oversight and program staff participation are sufficient under the current uniform guidance. Increased bureaucracy will not necessarily improve fiscal responsibility, but it will create additional burdens to participation.

- **Oversight Responsibilities** (§ 200.303, § 200.329, § 200.332): We are concerned that the proposed additional compliance, reporting, monitoring, and oversight responsibilities may require new internal procedures or outside professional assistance that would limit farmer participation in government programs that make a real difference towards protecting our natural resources and implementing necessary conservation measures.

- **Purchasing Compliance Obligations** (§ 200.322): While we support national efforts to Buy American and Build American (BABA), our farmer-members operate in a global supply chain that the U.S. government has encouraged and invested in over decades. Farmers rely on equipment parts and inputs sourced all over the world. While more investment in building domestic supply infrastructure is supported, the proposed changes do not acknowledge how farmers would comply with BABA when purchasing equipment, inputs, infrastructure, or other inputs sourced through global supply chains and not available domestically.

These additional requirements require additional staff capacity to comply. Many smaller organizations rely on the 15% de minimis indirect cost rate to help cover administrative expenses. While this proposed guidance outlines a number of increased compliance and regulatory obligations, it does not provide a corresponding increase in the de minimis indirect cost rate to cover these additional administrative expenses. Furthermore, the lack of clarity about what the new compliance requirements mean creates uncertain liabilities for future enforcement actions or sanctions the agency could bring.

Changing conditions based on USDA Risk Determinations (§ 200.208)

As a nonprofit organization, we assess participation in a federal program based on the program requirements set forth in the Notice of Funding Opportunity (NOFO) and the Uniform Guidance for Federal Awards. The proposed changes to the guidance undermine an organization's decision-making, planned budgetary costs to implement the project, and increase the risk of participation. We are concerned that the proposed changes would allow agencies to add, remove, or modify specific contract conditions during the life of an award based on certain risk determinations related to a recipient's compliance history, financial capacity, ability to meet performance goals, or a federal agency's determination that a program presents elevated programmatic risk. Yet the proposal provides limited guidance on the circumstances or objective criteria that may lead to these recipient- or program-level risk determinations.

When OFA reviews a USDA funding opportunity, we evaluate the requirements and decide if we can successfully carry out the project. The additional requirements that USDA would be allowed to impose would create uncertainty around whether those requirements may be added later, what circumstances could trigger them, or how those decisions will be made. This uncertainty can make it more difficult to plan projects, manage budgets, enter into partnerships, and assess the risks of USDA programs.

OMB should clarify when these conditions may be imposed and how participants can understand and manage these risks.

Difficulty in Maintaining Local Partnerships (§§ 200.330–332)

Local partnerships are incredibly important to our work and to the work of our farmer-members. OFA is concerned that the proposed changes will increase oversight, monitoring, and reporting requirements for organizations that receive federal funding and work with local partners, subrecipients, or community-based organizations--partners that strengthen services to farmers and expand the reach of federal dollars to community-based organizations that do not have the capacity to administer their own government contracts. Flexibility within the federal grant system is necessary to create the best partnerships and ensure services reach stakeholders. We are concerned that the proposed increase in restrictions on the use of fixed-amount subawards, which simplify administration and reduce paperwork for local partners, will create a greater regulatory burden for awardees and limit participation by important community partners.

Many USDA programs reach their targeted stakeholders-farmers- through trusted local partners like conservation districts, farmer-serving nonprofits, agricultural cooperatives, technical assistance providers, tribal organizations, and food system groups. Our organization works with numerous local partners and serves approximately 4,000 producers each year. We are concerned that the proposed changes, which increase reporting requirements and monitoring responsibilities, will increase the time, cost, and risk involved in managing these partnerships. Taxpayers want federal dollars to support stakeholders, but increased bureaucracy requires more staff time to comply with regulatory requirements, reducing the funds available to implement direct farmer support, technical assistance, education, and community outreach. OMB should consider how these provisions may impact local partnerships and clarify how organizations are expected to comply.

Lack Of Standards Clarity Could Create Difficulty With Compliance (§§ 200.202, 200.205, 200.211, 200.331–332)

The proposal includes several broad or undefined terms that could affect funding decisions, compliance obligations, suspension decisions, or termination of awards. This issue reinforces many of the challenges highlighted in earlier sections of our comments and creates mistrust of federal funding programs. Compliance is difficult when important terms are undefined or open to interpretation, and stakeholders may be uncomfortable participating in federal programs without transparency and clarity about their obligations under a federal contract.

OFA is concerned that we and our farmer-members participating in federal programs may be expected to make determinations without clear guidance regarding what is required or how compliance will be evaluated. This uncertainty will create an undue administrative burden and reduce confidence in participating in USDA programs.

OFA strongly opposes the proposed rule "Regulation for Federal Financial Assistance", and asks OMB to rescind the proposed revisions.Thank you for the opportunity to comment on these issues that are of critical importance to U.S. certified organic farmers.

Sincerely,

Kate Mendenhall
Executive Director