

Congress of the United States
Washington, DC 20515

July 6, 2026

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

Dear Director Vought:

We write to express our unequivocal and strong opposition to the Office of Management and Budget's (OMB) proposed changes to the rules governing the Federal grants system as printed in the *Federal Register* on May 29, 2026 (91 FR 32198; "Regulation for Federal Financial Assistance"). We urge immediate withdrawal of this proposed rule. This proposal represents dangerous executive overreach designed to usurp Congress's constitutional power of the purse and replace objective, merit-based grantmaking with a system highly vulnerable to government corruption and political cronyism. By allowing an Administration to arbitrarily terminate or withhold awarded grant funds based on shifting political whims, this proposed rule would freeze critical energy and water investments needed to lower everyday costs for Americans and improve affordability for working families. Furthermore, turning grant funding meant to support reliable Federal partnerships into a political "slush fund" will drive away private capital, stifle domestic innovation, and severely undermine America's global competitiveness – ceding our Nation's technological leadership to foreign adversaries at the worst possible time.

Under our constitutional system of government, Congress appropriates funds for specific purposes and directs agencies to carry out those programs consistent with statute. Appropriations laws are deliberately written to provide clear direction regarding how taxpayer funds are to be used and are intended to be administered according to law, not according to the political preferences of any particular Administration. The Federal grant process works because applicants can rely on the expectation that once Congress has enacted funding and established eligibility requirements, awards will be made and administered by the Executive Branch based on those statutory criteria as a matter of public law rather than shifting political considerations. For the system to work well and Federal grants to have the maximum impact possible, recipients must be able to trust that they will receive funds based on fair and transparent criteria and that their grants will not be ripped up suddenly because an Administration has a political disagreement.

The proposed rule would dismantle this system and breaks faith with the American people. It would provide agencies broad discretion to terminate, condition, or otherwise withhold grants and cooperative agreements based on ever-changing Executive Branch priorities rather than Congressional direction. The practical effect of this change would be to create uncertainty for

States, local governments, universities, nonprofits, utilities, and private-sector entities considering whether to apply for Federal assistance. Organizations are far less likely to invest the time and resources required to pursue Federal funding if they believe an award can be terminated at any time for reasons unrelated to organizational integrity, program performance, or statutory requirements, and without required justification.

These concerns are particularly acute at the Department of Energy (DOE), which administers billions of dollars in grants, cooperative agreements, and formula funding enacted through annual appropriations acts and major energy-related statutes. DOE award recipients often make long-term hiring, contracting, and investment decisions based on Federal awards. If recipients cannot rely on those awards being administered according to congressional intent, participation in DOE programs will decline and Congress's objectives will be frustrated.

The proposal raises serious concerns that agencies would violate the Impoundment Control Act (ICA). Congress enacted the ICA to prevent the Executive Branch from unilaterally withholding appropriated funds. Yet OMB's proposal appears designed to expand agencies' ability to accomplish indirectly what they cannot do directly: prevent congressionally appropriated funds from reaching recipients through broad termination authorities and subjective policy-based conditions. Agencies should not be given tools that effectively allow them to substitute presidential priorities for enacted spending laws. DOE has previously been found to have withheld congressionally appropriated funds in violation of the ICA, as determined by a US Government Accountability Office legal decision issued in July 2025.¹

We are particularly concerned by OMB's proposed revisions to Federal regulations codified in Section 200.340 of Title 2 of the Code of Federal Regulations (2 C.F.R. §200.340), which significantly expand agencies' ability to terminate Federal awards for just about any reason they like. OMB, under the current Administration, has repeatedly pointed to this provision to justify widespread politically motivated grant cancellations and funding freezes across the Federal Government. The proposed changes would further broaden this authority and make it easier for agencies to terminate awards based on vague and subjective policy considerations rather than clear statutory requirements. Such an approach undermines funding certainty, discourages participation in Federal programs, and weakens Congress's constitutional power of the purse. Several courts have ruled DOE's prior attempt to terminate projects on political grounds by targeting "blue" States, Cities, and Congressional Districts to be illegal and ordered Federal funding to be reinstated.

The proposed rule raises additional concerns about due process and fair competition in Federal funding allocation. Under current rules, DOE discretionary grants must be awarded through a merit-based competitive selection process unless a formal Determination for Noncompetitive Financial Assistance (DNFA) is provided. The proposed 2 C.F.R. §200.204 revision would carve

¹ *Department of Energy—Application of the Impoundment Control Act to Renew America's Schools Program Appropriations*, B-337208 (Comp. Gen. July 31, 2025).

out a “national interest” exception to public posting of funding opportunities on Grants.gov, effectively removing the requirement of formal justification for non-competitive award selections. Additionally, OMB’s proposed revisions to 2 C.F.R. §200.205 would require pre-issuance review of all discretionary awards by senior political appointees to ensure that awards advance the President’s policy priorities in line with Executive Order 14332. The insertion of such a political filter compromises the merit-based foundation of award selection.

The proposed rule would also drive-up costs for the businesses, investors, and startups that help build America’s energy future. These companies rely on Federal awards to secure financing, bring in private investment, and commit to projects that take years to complete. When the government can pull an award at any moment for political reasons, lenders and investors have no choice but to treat every dollar as if it could disappear. That makes capital more expensive, discourages private partners, and can leave high-quality, strategic energy projects unbuilt. The Federal award recipients that do move forward will have to track and comply with vague, shifting conditions – a burden that lands hardest on the small firms and new companies least able to afford it. The result is less private money behind every Federal dollar and fewer energy projects coming online, which ultimately means higher energy costs for American families.

Federal grants should not be transformed from effective vehicles for implementing laws enacted by Congress into mechanisms for advancing or withholding funding based on political preferences and priorities. The certainty, predictability, and technical, merit-based governance of Federal assistance programs is essential to ensuring that qualified applicants continue to seek Federal funding and carry out activities consistent with the laws enacted by Congress.

For these reasons, we urge OMB to withdraw the proposal.

Sincerely,



Marcy Kaptur
Ranking Member, Subcommittee on Energy
and Water Development
House Committee on Appropriations



Patty Murray
Ranking Member, Subcommittee on Energy
and Water Development
Senate Committee on Appropriations