NATIONAL NETWORK for YOUTH

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Office of Management and Budget
725 17th Street NW
Washington, DC 20503

Re: Changes to "Regulation for Federal Financial Assistance," Docket No. OMB-2026-0034, Document Citation 91 FR 32198, Document Number 2026-10817

I. Introduction

The National Network for Youth (NN4Y) submits this comment in response to the Office of Management and Budget's (OMB) proposed rule, "Regulation for Federal Financial Assistance," published on May 29th, 2026, Docket No. OMB-2026-0034, Document Citation 91 FR 32198, Document Number 2026-10817.

NN4Y is a national nonprofit organization representing over 300 youth homelessness service providers across the United States. NN4Y's members are direct and pass-through recipients of a wide array of federal discretionary grants, including through the Departments of Health and Human Services, Housing and Urban Development, and Labor. As recipients and subrecipients of federal financial assistance subject to 2 CFR Part 200, NN4Y's members are directly and substantially affected by the Proposed Rule, and NN4Y has direct standing and institutional expertise to comment on its impact.

NN4Y opposes this Proposed Rule because it would, among other things:

- Expose discretionary grant programs to abrupt, mid-year termination without the protections afforded to formula and entitlement grants.
- Replace program-officer and peer-reviewer expertise in funding decisions with political pre-issuance review.

- Jeopardize federal funding for providers serving LGBTQ+ youth experiencing homelessness through an overbroad “gender ideology” restriction.
- Provide an inadequate timeline for notice and comment in relation to the scope of the proposed rule.

II. § 200.340(a)(2) Leaves Federally-Funded Programs Exposed

The proposed revision to § 200.340 would allow for termination based on priorities that shift after an award has already been made rather than only noncompliance or performance issues arising during the award period.

Youth homelessness providers across the country are primarily supported by discretionary grants over other federal grant types. Therefore, the bulk of their funding would fall squarely within the scope of this expanded termination authority with no corresponding protection. This would put critical programs such as emergency shelters, transitional housing, street outreach programs, substance use treatment programs, and workforce programs at risk of losing funding mid-grant.

Youth homelessness providers from across the country shared the importance of federal discretionary grants to their programs. For a provider in a Plains state, 80 percent of their budget is federal discretionary grants. Thirty-three percent of the budgets for a provider in the Northeast and a provider in the Midwest are federal discretionary grants. Despite the varying percentages, all providers agreed that the sudden loss of funding would be devastating, translating directly to loss of housing for the youth they serve. The Plains provider estimated that up to 1,000 youth could be turned out of their program (they are the only youth homelessness provider in their relatively large state). The Northeast provider estimated that over 650 youth would lose housing and services. The Midwest provider estimated that around 150 youth would lose housing.

OMB’s “upfront notice” rationale does not protect youth experiencing homelessness. In fact, it puts them directly in harm’s way. OMB justifies this provision in part on the idea that “clear upfront notice” of discretionary-termination risk allows providers to manage that risk responsibly. This does not account for the nature of direct youth-services delivery, because a provider cannot simply “manage the risk” of losing a shelter’s funding mid-year without it directly translating into youth losing housing and services. There is no comparable funding source for providers to immediately bridge this abrupt gap.

Our providers expressed serious concern over this, emphasizing that "managing the risk" of an unexpected, mid-year termination is not simple. They emphasized that state funding is of little use to turn to in a crisis, since state budgets are set at a particular time and are typically unable to be flexible mid-year. One provider pointed out that the legislature in their state meets biannually, leaving even fewer opportunities for the state to step in and help with funding loss. Providers also agreed that philanthropy could not fill in the gaps of a federal grant with a quick enough turnaround to prevent housing and service loss for youth. They pointed out that philanthropic or corporate donors with large gifts (ie, gifts large enough to take the place of a federal grant) take years to secure, and by mid-year the majority of the donors' funding is already obligated. Furthermore, providers pointed out the disparate impact that loss of federal funding would have on providers in rural or tribal areas, as well as smaller providers, such as small faith-based providers, who typically have far less access to state, local, and philanthropic funding than large, urban-centered providers do. Finally, the providers emphasized that the recent uncertainty in federal funding—such as grants suddenly being terminated or large federal grant administration staffing losses—has already had an adverse impact on their ability to secure outside funding. These sources want to make what they perceive as a low-risk investment, and the recently high volatility of federal funding has affected providers—one said, "We have lost other opportunities because of the uncertainty of federal grants."

Marcellus Seals from Oklahoma, a member of NN4Y's National Youth Advisory Council, provided the following example to highlight the real-world effects that sudden loss of funding has on community members:

> *Politicization over consistently, effectively serving those who are in need is never good. I worked for a local housing assistance organization that had a waitlist of two to three years. I remember one person I was in contact with who was experiencing street homelessness and couch surfing with their dog for years, waiting for placement. Finally, we had a placement for them, but shortly after telling them that, the program was suddenly shut down due to loss of funding. That person I was in contact with could not get help and had to remain experiencing homelessness. This was the experience of many people waiting for help in our community. We're not helping people by destabilizing grants, we are harming them.*

III. § 200.205(b)-(d) Pre-Issuance Political Review Undermines Program Expertise

The proposed revisions to § 200.205 requiring senior political appointees to conduct mandatory "pre-issuance reviews" of every discretionary award will directly affect

federally-funded youth homelessness programs across the country. The undefined "anti-American values" pre-issuance review principle further implicates this likely harm. The proposed rule does not offer a definition or limiting principle for "anti-American values," meaning applicants and program officers have no way of knowing in advance what application characteristics might trigger disqualification for being anti-American. This opens the door for inconsistency across review cycles, awards, and individual discretion, which will make it nearly impossible for providers to curate compliant programs with confidence.

Our providers are deeply integrated into their communities and serve youth experiencing homelessness with a wide variety of experiences, from foster involvement to human trafficking and sexual exploitation. If a single provider is unable to secure funding, the ripple effect across the community is vast. At least one in five youth experiencing homelessness also experience human trafficking—the loss of housing and services for these young people puts them right back in dangerous survival situations. The thousands of youth who exit foster care to homelessness every year, or who experience homelessness soon after leaving foster care, could also be forced into trafficking or unsheltered homelessness. What if the next Administration decides, for example, that anti-trafficking efforts are anti-American?

Providers are employers, too—one provider in the Midwest who runs housing and services for youth experiencing homelessness as well as early childhood programming estimated that the loss of federal funding would mean the loss of about 310 jobs in their community, just from their programs alone. Another provider in the Northeast estimated the broader economic impact on their community from job, housing, and service loss: "If one in 20 of our youth can exit our programs successfully and not be homeless again, that is a successful program cost-savings wise. We successfully exit 90 percent of youth, so the loss of a $200,000 federal grant actually amounts to a $2 to 4 million impact on the community at large."

A youth homelessness professional from Hawaii provided the following example to highlight the real-world effects loss of housing and services would have:

> *Having a transitional housing program gave me the stability to go to college and work because I knew I had somewhere safe to sleep at night. If I didn't have a place to lay my head or a safe place to log in to class, I'd be constantly worrying about where I was going to sleep instead of focusing on school or work. I've also seen what happens when programs lose funding. A housing program in my community shut down, and the young people living there were suddenly back on the streets. The only central drop-in center where youth could eat, shower, rest, and connect with case managers also closed. The relationships they had built*

disappeared overnight, along with the services they depended on. When a program suddenly disappears or has to deny services, it destroys trust. You're already living in survival mode, feeling like you can only depend on yourself. Losing a program that you had finally started to trust just pushes you even deeper into that mindset, making it really difficult to exit homelessness.

IV. § 200.300(b) Puts LGBTQ+ Youth Experiencing Homelessness and the Providers Who Serve Them in Danger

The proposed revision to § 200.300 prohibiting recipients and subrecipients of federal funding assistance from using federal funds to "promote, encourage, subsidize, or facilitate" what the rule defines as "gender ideology" would have a direct and severe impact on federally-funded youth homelessness programs and the young people they serve, particularly when combined with the previous revisions.

The gender ideology provision in § 200.300 (b)(2) combined with the proposed revisions in § 200.340(a)(2) creates termination exposure for providers that are serving LGBTQ+ youth in a way that is consistent with established, evidence-based practices. Therefore, these two provisions work hand-in-hand to threaten affirming providers and allow for potential harm to the most vulnerable individuals. Pre-issuance review provisions in § 200.205(b) - (d) apply a nearly identical standard before an award is ever made, meaning a federal grant applicant with a strong, well-designed program serving LGBTQ+ youth experiencing homelessness could be weeded out at the review stage and never even reach the point of a post-award termination, simply based on a political appointee's independent discretion that the application implicates "denial…of the sex binary," with no peer-review check or expertise weighing on that decision.

It is irresponsible to turn away from the fact that LGTBQ+ youth are dramatically overrepresented among youth experiencing homelessness, and are over 120 percent more likely to experience homelessness than their non-LGBTQ+ peers. Despite representing only 9.5 percent of the overall youth population, LGBTQ+ youth comprise about 40 percent of all youth experiencing homelessness. Effective youth-serving programs are intentionally designed to be safe, non-judgmental places for these young people. The language in the rule prohibiting the use of federal funds to "promote, encourage, subsidize, or facilitate" is not limited to clinical interventions. As written, it could reasonably be read to reach core elements of basic, trauma-informed youth shelter practice that youth homelessness providers rely on in their day-to-day practices, such as using a young person's chosen name and pronouns, maintaining nondiscrimination policies that include sexual orientation and gender identity, and any

programming or staff training that specifically addresses LGBTQ+ youths' needs. The text of the rule does not exclude any of these practices from being considered "facilitation." Therefore, a shelter that continues to serve LGBTQ+ youth consistent with trauma-informed best practice risks the possibility that it is "facilitating" prohibited content and thereby jeopardizing its federal award and exposing it to discretionary termination or not being issued a grant at all.

However, if a shelter modifies its practices to avoid that risk, by, for example, declining to use a youth's chosen name or removing gender identity from nondiscrimination protections, it does so at the expense of the youth in its care, potentially in violation of its state or local nondiscrimination laws, or its own organizational policies specifically intended to support vulnerable LGBTQ+ youth. It also does so at the expense of the broader impact of its program. One provider in the Northeast shared that while around 7 percent of adolescents in their state identify as LGBTQ+, nearly 40 percent of the 700 young people they serve each year identify as LGBTQ+, reflecting national trends. As the provider explained, most of these youth would never enter the program if they did not feel safe, welcome, and affirmed due to inclusive policies. Without those young people accessing services, the provider's broader community impact would be dramatically reduced, creating more local, state, and taxpayer burden. Other providers from across the country who were consulted agreed.

V. The 45-Day Comment Period and Compressed Timeline is Inadequate

The 45-day public comment period for this proposed rule is inadequate given the vast scope of the rule. OMB acknowledges that it considered and rejected both a 30-day comment period and a 60-day comment period before settling on 45 days, citing the goal of ensuring "government-wide uniformity" in preparation for the new fiscal year. This timeline is inadequate in proportion to the vast scope of the rule and prejudices the ability of small and mid-sized organizations to participate in the process. This rule is not a narrow technical amendment, but rather converts the entirety of the government-wide grants framework in 2 CFR from non-binding guidance into directly binding regulation. It touches nearly every aspect of the federal award process from pre-application to closing and is intended to apply uniformly to every federal agency and every category of financial assistance recipient.

The breadth and consequences of this rule warrants, at minimum, the 60-day period OMB previously considered and declined to adopt, which is consistent with Executive Order 13563's general direction that agencies afford the public meaningful comment opportunity through a comment period of at least 60 days. OMB's regulatory flexibility analysis concludes that this rule will not have a significant economic impact on a substantial number of small entities,

reasoning that indirect effects on small entities are not subject to analysis under the Regulatory Flexibility Act. This framing does not reflect the real-world impact on federally-funded youth homelessness providers. These providers are overwhelmingly small and mid-sized nonprofits operating with limited resources. Requiring them to read and review hundreds of pages of regulatory text, assess the rule's potential impacts on active programs, and meaningfully participate in the comment period all within 45 days, while still maintaining their daily operations, is unreasonably burdensome. Treating this burden as an "indirect effect" and therefore outside the scope of required regulatory flexibility analysis does not reflect the practical harm this timeline creates for providers.

Once the rule is published, OMB's goal of fiscal-year 2027 alignment leaves affected organizations with no realistic transition time to adjust their policies, procedures, and budget allocations. This will particularly affect organizations that may need to make consequential and potentially conflicting decisions about their program content and their nondiscrimination policies.

VI. Conclusion

NN4Y strongly recommends OMB consider the significant impact its proposed revisions would have on community-based youth homelessness providers, their communities, and, most importantly, the 4.2 million youth, young adults, and young parent families who experience homelessness in America every year. NN4Y strongly recommends OMB reconsider its proposed changes to § 200.340(a)(2), § 200.205(b)-(d), and § 200.300(b) to avoid inflicting further harm on some of our nation's most vulnerable young people, as well as on the providers who work tirelessly to help them reach stability and achieve their full potential.