



THE AMERICAN ECONOMIC ASSOCIATION

[Committee on Government Relations](#)

Comments on Proposed Rulemaking: OMB Guidance for Federal Financial Assistance

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The American Economic Association (AEA) is a 16,000 member organization dedicated to promoting vibrant economic research. The AEA's Committee on Government Relations (CGR) is charged with representing the interests of the economics profession in Washington, D.C., and around the country, without taking positions on questions of economic policy or partisan matters. CGR welcomes this opportunity to comment on the Office of Management and Budget's proposed revisions to the Guidance for Federal Financial Assistance in title 2 of the Code of Federal Regulations (CFR) ([OMB-2026-0034](#)). Our comments emphasize three issues.

First, the proposal's **plan to make peer review explicitly "advisory"** – with senior administration appointees making final decisions about what research to fund – would put the extraordinary productivity of America's federally funded research at risk. Federally funded research has led to remarkable breakthroughs in science, technology, and medicine over the years, including bar codes, the internet, Lasik, 3D printing, smart phones, CRISPR gene editing, and innovations in cancer detection and treatment that have helped reduce the U.S. cancer death rate by more than one-third since the early 1990s.¹ This high productivity would not have been possible without peer review, as only researchers working at the frontiers of their own fields have the knowledge, expertise, and insights needed to identify research ideas with breakthrough potential. Peer review has never been the exclusive basis on which federal science agencies award research grants, as compiling portfolios of high-promise research projects requires complementary evaluation at the agency level. But peer review has long rightly been the cornerstone of federal science funding. To the extent that there are concerns about ensuring that federal science funding is directed toward areas with the greatest potential to advance the national interest, they would be better addressed by ensuring that research priorities are clear in requests for proposals and program solicitations and in the criteria reviewers are asked to use in evaluating them – not by reducing the importance of peer review in allocating federal research funding.

Second, the proposal's plan to give senior administration appointees broad discretion to **terminate research grants midstream** if they are considered to be no longer "effectuating

Federal agency priorities” or “the national interest as they exist at the time” would impose clear and substantial costs and risks on grant recipients and on the U.S. science enterprise. Midstream terminations for reasons unrelated to scientific progress, legal compliance, or financial stewardship would significantly disrupt the careers of researchers whose projects are cancelled and generally raise uncertainty for grant recipients. At-will terminations would also decrease researchers’ incentives to undertake higher-risk research with breakthrough potential and waste federal resources by stopping projects before they are complete. The inherently dynamic and highly competitive character of grant-making already prevents projects of only transitory interest from entering agencies’ grant portfolios, as only those projects that have high potential to significantly advance knowledge over the course of the grant’s time frame – typically 3 or 4 years at NSF and NIH respectively² – have prospects of receiving federal support. Again, ensuring that national research priorities are clearly explained in requests for proposals and program solicitations and incorporated into review criteria would be far more effective and less burdensome for improving alignment between federally funded research and national interests than codifying administration options to terminate grants at will.

Third, the proposed rule’s **Regulatory Impact Analysis (RIA)** does not appear to satisfy OMB requirements for benefit-cost analysis of a major proposed regulation.³ As per OMB’s Circular A4, RIAs are supposed to clearly identify the problems to be addressed; identify and wherever possible quantify the benefits of its provisions and the costs they would entail; and consider whether there are alternative regulatory means that could address the same problems with a more favorable balance between benefits and costs and lower burden on the public. The current proposed rule’s RIA⁴ states that federal grant-making suffers from problems with transparency, oversight, and accountability, yet does not quantify losses to taxpayers or lost returns to federal investments in scientific research due to these problems, nor does it quantify expected effects of the provisions the rule says are needed to reduce them. Although the proposed rule’s plan to give senior administration appointees extensive roles in reviewing, selecting, overseeing, and potentially terminating awards would clearly require substantial increases in the number of science-agency appointees, the RIA does not provide estimates of the number of extra appointees, associated increases in agency budgets, changes to timespans for grant review, etc., that would be needed to implement the new grantmaking system. Instead, it states generically that the proposed rule would “generate qualitative benefits, modest administrative costs, and minimal transfer effects” (p. 13). While “reduced recipient burden” is also said to be an outcome of the rule, it would clearly impose new costs and risks – costs and risks that are not described or quantified in the RIA – on recipients whose grants could be terminated midstream. Finally, to the extent that there are concerns about improving the use of federal research funding to advance national interests, the rule does not address less disruptive and more effective ways of achieving this goal that could maintain and improve the

role of the scientific community in awarding research funding. For example, ensuring that national research priorities are clearly explained in requests for proposals and program solicitations and criteria to be used by grant reviewers stands to be a more effective and less costly way of accelerating U.S. progress in science, technology, and medicine; as such, it is an important regulatory alternative to the proposed rule that the RIA should consider.

References

¹ National Science Foundation (NSF), “[NSF’s History and Impacts: A Brief Timeline](#)”; National Institutes of Health (NIH), “[Scientific Breakthroughs](#)”; National Academics of Science, Engineering, and Medicine, “[Measuring the Impacts of Federal Investments in Research, Chapter 8: Emerging Metrics and Models](#)” (2011); NIH, “[Improving Health: Cancer](#)”; American Cancer Society, “[Cancer Statistics, 2025](#)”. (All materials accessed June 20, 2026).

² Project funds are generally dispensed annually, conditional on research progress and administrative requirements. Congressional Research Service, “[NIH Grants Policy](#)” (April 17, 2026). NSF, “[NSF Funding Profile, FY2025](#).”

³ Office of Management and Budget, “[Circular A-4](#)” (September 17, 2003) and “[Regulatory Impact Analysis: A Primer](#).”

⁴ OMB, “[Regulatory Impact Analysis of Proposed Revisions to 2 CFR](#)” (May 29, 2026).