

1 **CITY OF HOMER**  
2 **HOMER, ALASKA**

3 Mayor/Aderhold

4 **RESOLUTION 26-044**

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6 A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA  
7 PROVIDING COMMENT ON PROPOSED REVISIONS TO THE OFFICE  
8 OF MANAGEMENT AND BUDGET’S UNIFORM GUIDANCE FOR  
9 FEDERAL GRANTS (2 CFR PART 200) AND DIRECTING  
10 TRANSMITTAL OF COMMENTS.

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12 WHEREAS, On behalf of its citizens, the City of Homer (the City) benefits substantially  
13 from federal grant funding, including direct federal awards, cooperative agreements and pass-  
14 through awards administered by the State of Alaska, to plan, finance, and construct critical  
15 infrastructure, including port and road surface transportation systems, water and wastewater  
16 infrastructure, disaster mitigation, and emergency response; and

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18 WHEREAS, As a rural Alaska community, the City faces exceptionally high infrastructure  
19 costs due to remoteness, limited transportation access, short construction seasons, and a  
20 limited tax base, making federal funding partnerships essential to building and maintaining  
21 infrastructure critical for economic development, local health, safety, and quality of life, and  
22 for supporting federal assets and capabilities, such as U.S. Coast Guard and law enforcement;  
23 and

24  
25 WHEREAS, The Office of Management and Budget (OMB) is taking public comment on  
26 proposed revisions to the Uniform Administrative Requirements, Cost Principles, and Audit  
27 Requirements for Federal Awards (2 CFR Part 200, the “Uniform Guidance”), which governs  
28 federal grant administration; and

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30 WHEREAS, The City finds that certain proposed revisions would reduce the  
31 predictability, transparency, and fairness intended by the proposed changes, and increase  
32 cost in the administration of federal funding, undermining the federal–state–local partnership  
33 necessary to deliver infrastructure projects effectively.

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35 NOW, THEREFORE, BE IT RESOLVED the City provides the following comments and  
36 questions on the proposed regulatory revisions to the Uniform Guidance:

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38 **SECTION 1. DISCRETIONARY TERMINATION OF AWARDS (§200.340)**

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40 A. Under current regulations, federal awards may be terminated only for  
41 noncompliance, mutual agreement, or expiration of statutory authority. These limitations  
42 provide the certainty necessary for the City to commit local funds, execute multi-year  
43 contracts, and undertake infrastructure projects in reliance on federal funding.

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45 The proposed revision to 2 § C.F.R 200.340 (Termination) would introduce a broad  
46 discretionary termination standard applicable to both direct and pass-through awards. Under  
47 subsection (b)(2), grants can be terminated, with little explanation and no procedural  
48 protections, if the agency determines that termination “is in the interest of the federal agency”  
49 or if “a Federal award does not effectuate program goals, Federal agency priorities, or the  
50 national interest as they exist at the time of the termination.” As a result, as the City interprets  
51 the revision, projects already underway could be terminated for reasons unrelated to recipient  
52 performance. While awarding agencies would make such decisions, the authority would derive  
53 from this OMB rule rather than from program-specific statutes or congressional direction (see  
54 Section 4).

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56 B. This change would effectively convert long-term federal infrastructure commitments  
57 into at-will arrangements, introducing uncertainty as to whether funding will continue across  
58 administrations and exposing the City to stranded costs, breached contracts, and incomplete  
59 infrastructure, and potentially threatening municipal financial stability.

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61 C. The risk is not hypothetical. The City’s port enterprise, for example, is implementing  
62 a federally funded Port Infrastructure Development Program (PIDP) project (Homer Port  
63 Coastal FREIGHT), supported by a federal award of approximately \$11.5M toward a total  
64 project cost of approximately \$18M. The City is committing \$6M in local funds, entering binding  
65 contracts, and structuring operations in reliance on the award. This single project represents  
66 a significant share of the port enterprise’s overall budget of approximately \$9.6M,  
67 underscoring the scale of the City’s financial exposure.

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69 Termination under the proposed discretionary standard—absent noncompliance—could  
70 leave the City with unfunded obligations and partially completed infrastructure it cannot  
71 independently finance. The loss one-third of our moorage capacity would directly impact  
72 essential marine transportation services and the broader public benefits they provide. At the  
73 same time, the obligation to fulfill contractual commitments would place the enterprise under  
74 severe financial strain and jeopardize its long-term fiscal stability.

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76 D. Beyond this project, the City estimates that approximately \$20.9 million in current  
and anticipated direct federal, pass-through, and State formula funding could be subject to

77 this discretionary termination risk. These funds support the replacement of drinking water  
78 transmission mains, pedestrian safety, and two erosion mitigation projects in our working  
79 waterfront—one of which protects a designated national freight route. These projects  
80 collectively support essential public infrastructure, critical supply chain functions, safety, and  
81 long-term resource protection, reflecting both local needs and broader state and national  
82 interests.

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84 E. The City is further concerned that discretionary termination of existing grants,  
85 whether direct or pass-through from the State of Alaska, would undermine our ability to meet  
86 obligations to contractors. Such outcomes could result in significant reputational harm and  
87 impair the City’s ability to procure qualified firms for future infrastructure projects.

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89 F. The City asks the following clarifying questions about discretionary termination of  
90 awards:

91 1. Can OMB clarify that federal awards that have already been issued would be subject  
92 to discretionary termination?

93 2. Can OMB clarify if priorities can change mid-award? If so,

94 3. Can OMB clarify how terminated infrastructure projects such as harbor float  
95 replacements or drinking water system upgrades that are underway will be completed in a  
96 manner that is safe for the public?

97 4. Can OMB clarify who is responsible for paying outstanding invoices to contractors for  
98 work completed before project termination and how municipalities such as the City can  
99 operate within tight budgets if grants are terminated at the federal government’s discretion?

100 5. Can OMB clarify the meaning of “not in the national interest” so it is a clear and  
101 transparent definition for all to understand?

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## 103 **SECTION 2. REDUCTION IN PUBLIC NOTICE REQUIREMENTS (§200.204)**

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105 A. Current law requires federal funding opportunities to be publicly posted (e.g., on  
106 Grants.gov), ensuring fair access for local governments.

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108 B. The proposed revision would allow agencies to withhold public notice whenever  
109 deemed “not in the national interest,” a standard far broader than existing transparency  
110 exceptions, which are narrowly tailored to protect sensitive national security programs and  
111 operations.

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113 C. This change would allow funding opportunities to be awarded without public notice,  
114 depriving the City of a fair opportunity to compete.

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**SECTION 3. WEAKENING OF MERIT-BASED REVIEW UNDERMINES FAIRNESS AND EFFECTIVE USE OF PUBLIC FUNDS (2 C.F.R § 200.205)**

A. The current merit-based review process establishes clear, published evaluation criteria and ensures that funding decisions are based on project quality, readiness, and demonstrated public benefit, allowing municipalities of all sizes to compete on a transparent and level playing field.

B. Reducing merit review to advisory, or non-determinative would allow awards to be made on grounds other than project merit, creating a risk that less competitive or less well-developed projects could receive funding based on political access or other non-merit considerations. Such outcomes would undermine public confidence and reduce the effectiveness of federal infrastructure investments by potentially directing limited resources away from the strongest and most beneficial projects.

C. The City invests substantial local resources in developing competitive grant applications, including staff time, technical studies, engineering, environmental review, and project development costs—totaling, for example, over \$2.1 million for the recent Port Infrastructure Development Program (PIDP) application. This investment reflects a commitment to advancing well-designed, high-impact projects that meet program objectives and criteria. A system that diminishes the role of merit-based evaluation risks devaluing these investments and discouraging rigorous project development, to the detriment of applicants, federal funding agencies, and the public.

D. The City is further concerned by proposed revisions to 2 C.F.R. § 200.206 (Federal agency review of risk posed by applicants) and related pre-award provisions, which would expand federal agency discretion in evaluating funding applications. While current regulations require agencies to assess applicant risk based on objective criteria such as financial capacity, performance history, and program integrity, the proposed rule would introduce additional layers of pre-award review by senior agency appointees and broaden evaluation criteria to include alignment with agency priorities, the national interest and rate risk factors such as reputational damage to federal agencies and the Federal government.

This shift represents a significant departure from longstanding, merit-based and technically driven review processes. By introducing discretionary, policy-based considerations into pre-award risk assessments, the proposed changes reduce transparency and predictability in federal funding decisions. For local governments, this creates additional uncertainty as to whether applications will be evaluated consistently over time, complicating

153 long-term infrastructure planning and increasing the risk that critical projects may be delayed  
154 or denied funding for reasons unrelated to project readiness or community need.

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156 E. The City asks the following clarifying questions:

157 1. Will evaluation criteria be defined?

158 2. How will reputational factors be defined, weighted and monitored?

159 3. Will the agencies provide a list of practices or organizations that raise risk?

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#### 161 **SECTION 4. OMB OVERRIDE OF PROGRAM-SPECIFIC AUTHORITIES**

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163 A. Current federal grant conditions are established through statutes and administered  
164 by individual program agencies, with clear avenues for engagement and congressional  
165 oversight.

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167 B. The proposed revisions would allow OMB to impose government-wide conditions  
168 that would effectively supersede program-specific statutory frameworks, shifting decision-  
169 making away from agencies and oversight structures accessible to the City.

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171 C. This would substantially reduce transparency and accountability for agency  
172 programs, and replace predictable, statute-based conditions with broad, discretionary  
173 rulemaking.

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#### 175 **SECTION 5.**

#### 176 **EXPANDED FEDERAL COMPLIANCE, VERIFICATION, AND PAYMENT ADMINISTRATION** 177 **REQUIREMENTS INTRODUCES PAYMENT AND DELIVERY RISK**

178 A. The City is also concerned with requirements associated with **2 C.F.R. § 200.206**  
179 **(Federal agency review of risk posed by applicants)** and related proposed  
180 revisions that would expand the use of government-wide eligibility verification  
181 systems. In addition to extending existing requirements to screen applicants  
182 through the Do Not Pay Initiative and other federal integrity databases to all  
183 recipients, the proposed rule would introduce new workforce verification  
184 obligations, including mandatory participation in DHS's E-Verify program. These  
185 expanded compliance requirements increase administrative burden and introduce  
186 additional uncertainty for local governments managing federally funded  
187 infrastructure projects.

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189 B. The proposed integration would introduce a new layer of payment screening and  
190 eligibility verification into the administration of federal awards. While the City

191 supports efforts to prevent fraud and improper payments, these systems are  
192 designed for transaction-level screening and are not well-aligned with the structure  
193 and purpose of federal grants. In these scenarios, this system would add a layer of  
194 administrative bureaucracy that will increase costs and decrease reliability of  
195 federal partners.

196 C. The City is also concerned with proposed changes to federal payment and  
197 financial management requirements under **2 C.F.R. §§ 200.302 (Financial**  
198 **management) and 200.305 (Federal payment)**, which govern the  
199 documentation and justification of payment requests. While current regulations  
200 already require that payments be limited to immediate cash needs and supported  
201 by appropriate financial records, the proposed revisions add new documentation  
202 layers and increase scrutiny associated with the drawdown of funds.

203 D.

204 E. These expanded requirements require recipients to provide more detailed and  
205 contemporaneous justification for payment requests, increasing administrative  
206 burden and the risk of delays in reimbursement. For local governments managing  
207 complex infrastructure projects, such delays could disrupt project delivery, strain  
208 cash flow, and complicate the timely payment of contractors, particularly where  
209 projects rely on reimbursement-based funding structure.

210 E. Federal infrastructure grants function as long-term partnership funding  
211 mechanisms, supporting complex, multi-year projects that require substantial upfront local  
212 investment, coordinated procurement, and predictable reimbursement. These projects  
213 depend on the timely and reliable flow of federal funds to maintain construction schedules and  
214 fulfill contractual obligations.

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216 F. The City's experience with its Port Infrastructure Development Program (PIDP)  
217 project (Homer Port Coastal FREIGHT) illustrates these risks. The project involves significant  
218 local financial commitments, binding contracts, and tightly sequenced construction activities  
219 constrained by seasonal windows and supply chain limitations. Delays in reimbursement—  
220 even if temporary—could disrupt project sequencing, delay contractor performance, and  
221 increase overall project costs.

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223 G. Applying payment-screening mechanisms to active infrastructure awards creates a  
224 risk of delayed or interrupted disbursements due to administrative errors, data mismatches,  
225 or issues involving subrecipients or contractors. For projects such as the City's PIDP effort,  
226 where expenditures are already obligated and construction is underway or planned within  
227 limited seasonal windows, even brief payment interruptions could result in missed  
228 construction periods, remobilization costs, or contractual claims.

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F. These risks are particularly acute in the current inflationary environment, where project costs escalate rapidly and delays directly translate into increased expenses. For rural Alaska communities, where mobilization costs are high and construction windows are short, timing is critical. In this context, delays in federal reimbursement do not merely slow progress but materially increase total project costs and financial exposure.

## **SECTION 6. REQUESTED ACTION**

The City Council respectfully requests that OMB:

1. **Retain existing termination standards** in §200.340, limiting termination to noncompliance, mutual agreement, or statutory expiration, and decline to adopt a broad discretionary “national interest” standard;
2. **Retain public notice requirements** in §200.204, ensuring that all federal funding opportunities are publicly posted, with any exceptions narrowly limited to sensitive national security programs consistent with existing law;
3. **Maintain merit-based review in (2 C.F.R § 200.205)** as a binding component of award decisions, ensuring that federal funds are awarded based on project quality, readiness, and public benefit;
4. **If any expanded termination authority is adopted in (§200.340), require procedural safeguards**, including advance notice, clear justification, and an opportunity for affected recipients to respond and appeal before termination or modification of active awards supporting in-progress infrastructure projects.
5. **Refrain from integrating federal grant administration with the Treasury Do Not Pay system and Department of Homeland Security E-Verify system and adding additional layers of payment justification.** Federal infrastructure grants function as long-term partnership funding mechanisms and depend on timely, predictable reimbursement. **If such integration is adopted**, OMB should establish clear safeguards to ensure that payment screening does not disrupt project delivery, including:
  - d) Timely notice to recipients of any payment flags or holds;
  - d) A rapid resolution process with defined timelines;
  - d) Limitations on payment holds for active, compliant awards; and

266 d) Protections ensuring that administrative or data-related issues do not delay  
267 disbursements necessary to meet contractual obligations and maintain  
268 construction schedules.

269 d) **Place limits on the length or content of payment justifications? What level**  
270 **of detail will be required to demonstrate compliance?**

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272 6. **Extend the implementation date from October 1, 2026 to October 1, 2027.**

273 Extending the implementation date by a year would allow time for federal agencies to  
274 implement relevant policies and procedures that would increase transparency and  
275 understanding by municipalities such as the City of Homer. It would also allow the City's  
276 finance department to develop policies and procedures to best prepare for  
277 implementation of the updated Uniform Guidance.

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279 **SECTION 7. TRANSMITTAL**

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281 The City Clerk is directed to transmit this Resolution to the Office of Management and  
282 Budget as a formal public comment, and to the City's Congressional delegation.

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284 PASSED AND ADOPTED by the Homer City Council this 22nd day of June, 2026.

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286 CITY OF HOMER

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290 SHELLY ERICKSON, MAYOR PRO TEM

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292 ATTEST:  
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295 AMY WOODRUFF, CITY CLERK

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297 Fiscal Note: N/A