

# Empowering States & Localities



How OMB's Uniform Guidance Updates Can Ensure Federal Funds Work for Communities & Workers

## Overview

The White House's Office of Management and Budget (OMB) [recently took a major step](#) in transforming how communities and local governments can use the trillions in federal funds flowing to states and cities by releasing updates to its Uniform Guidance, which dictates how cities and states can spend federal money. These revisions provide greater clarity and flexibility to support recipients of federal assistance. With these changes, localities, state, and other non-federal recipients will be allowed to take job quality, community benefits, and racial equity into account when contracting.

The Uniform Guidance is a set of federal guidelines housed at the Office of Management and Budget that determines how states and localities can spend federal money and how they award federally-funded contracts to private companies.

## Updates to the Uniform Guidance

The updated guidance incorporates language clarifying that a variety of pro-community, pro-equity, and pro-worker policy tools are not prohibited by the guidance, thus allowing states and localities to utilize practices in their contracting that had previously been prohibited or unclear. Below we have highlighted key areas of the updated guidance that illustrate how local and state governments now have the ability to attach strong worker and community benefits to their federally funded projects:

### *Pro-Community and Pro-Equity Language*

**Removes Geographic Preference Ban** - The updated guidance removes a long-standing ban on the use of geographic preferences in contracts, and permits states and localities to incorporate local hire policies. Local hire policies can help address historic inequities by providing access to quality careers for marginalized communities. By removing this ban, local and state governments will also have the ability to prioritize contracting with small local businesses.

**Disadvantaged Communities in Local Hire** - Permits hiring from disadvantaged communities. It defines those communities by those identified as part of the administration's Justice40 goals, as well as communities with high unemployment or high levels of poverty.

**Targeted Hire** - Permits governments to require their contractors to use hiring preferences for workers in target populations. Agencies can use targeted hire policies to target disadvantaged communities who may benefit from equitable hiring practices.

**Community Benefits** - Permits non-federal agencies to ensure the contracted project provides community benefits. Agencies may use this to require [community benefits agreements](#).



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**Sustainable Contracting** - Encourages recipients and sub-recipients of federally-assisted procurement opportunities to use sustainable products and services in their projects.

## **Pro-Worker Language**

**Worker Retention** - Permits governments to include language mandating that employees of an incumbent contractor are offered employment under a successor contract. This will retain workers, prevent the unnecessary replacement of incumbent workers with lower-paid, inexperienced, or temporary workers, and will provide stability to all participants in federally awarded projects, including the communities they serve.

**Quality Jobs** - Recipients of federal funds are permitted to incorporate a scoring mechanism that rewards bidders for committing to specific job quality metrics, such as paying good wages and benefits. This makes it clear that policy tools like the Jobs to Move America's [U.S. Employment Plan](#) framework can be used on federally-funded projects.

**Project Labor Agreements & Other Pre-hire Agreements** - Permits the use of Project Labor Agreements (PLAs) or other pre-hire collective bargaining agreements. PLAs and other pre-hire agreements can help ensure efficiency, while also serving as a tool for promoting career opportunities and economic equity in underserved communities.

**Workforce Impacts in Cost-Benefit Analysis** - Mandates that when a recipient or subrecipient performs a cost-benefit analysis for the contract, this analysis must include an analysis on the project's potential workforce impacts if the project will displace public sector employees.

**Workers' Right to Unionize** - Prohibits contractors from using federal funds to interfere with workers' right to organize a union.

**Misclassification Protections**- Requires non-federal agencies to consider the proper classification of employees as an element of contractor responsibility, and continues to require that agencies only award contracts to responsible contractors.

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The guidance makes clear that these examples and that other pro-worker and pro-community policies are allowed, so long as they are not explicitly prohibited by other guidance or by laws and regulations governing specific programs.

Some additional policies that non-federal recipients may consider including are:

- Restrictions on companies' ability to [use public money to fund stock buybacks](#)
- [Community compliance monitoring programs](#)
- [Restrictions on executive pay](#)
- Restrictions on drastic cost-cutting after receiving public money

Learn More About Our Work

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