

## Patterson Policy Watch – A Resource for the Nonprofit Sector

Welcome to the *Patterson Policy Watch*, which tracks key legal and policy developments that matter to the nonprofit sector. In response to the rapidly evolving landscape under the new presidential administration, Patterson Belknap's Tax-Exempt Organizations Group is highlighting executive actions, agency directives, legislative updates, and judicial responses that have the potential to impact nonprofit organizations and the communities they serve.

Below is a digest of select developments from the past week through March 9, 2026, which are organized broadly by issue area. We note that this is not a comprehensive list of all updates that may potentially be relevant to tax-exempt organizations. We will continue to provide regular updates to the *Patterson Policy Watch* to help you anticipate and navigate policy and legal developments. You can also view prior editions of the *Patterson Policy Watch* [here](#).

### Education

- March 6: The Education Department (ED) [issued](#) a [notice of proposed rulemaking](#) to establish the "Workforce Pell Grant" program, a new category of Pell Grants established under the One Big Beautiful Bill Act (OBBA) and available, beginning on July 1, 2026, to eligible students enrolled in short-term and workforce-aligned programs offered by eligible institutions. The proposed regulations would implement two of the OBBA's provisions: (1) permitting students to receive Workforce Pell Grants for eligible workforce programs that include 150-599 hours of instruction and last between 8 and 15 weeks and (2) clarifying the eligibility requirements for approval of eligible workforce programs, including meeting specific accountability benchmarks, such as completion rates, job placement rates, and value-added earnings measures, and receiving approval from a state's Governor. Public comments on the proposed rule are due by April 8, 2026.

### Other

- March 2: Republican members of the House Committee on Oversight and Government Reform [issued](#) a press release and [sent](#) a letter to Attorney General Pam Bondi regarding the Committee's investigation "into the extensive fraud and money laundering in Minnesota's social services and programs." The Committee is specifically investigating the "sources of funding for efforts to create social unrest and obstruct federal law enforcement operations, including organized efforts to impede actions by U.S. Immigration and Customs Enforcement." In the letter, the Committee members requested that, by March 9, the Department of Justice (DOJ) address, among other concerns, "[t]he extent to which DOJ is assessing the routing of fraud schemes through nonprofit, community-based, or organizational entities."
- March 4: The U.S. District Court for the Northern District of Florida [granted](#) the Council on American-Islamic Relations' (CAIR) motion for a preliminary injunction to prevent the enforcement of Florida Governor Ron Desantis's executive order against CAIR, which designated CAIR a "terrorist organization" for purposes of Florida law and directed Florida agencies "to undertake all lawful action to prevent any [designated] terrorist organization . . . or any person known to have provided material support or resources to such organization . . . from receiving any contract, employment, funds, or other benefit or privilege" from Florida agencies or Florida counties or municipalities. For prior coverage related to CAIR, please see the [November 11, 2025](#), [November 25, 2025](#), [December 9, 2025](#), [December 23, 2025](#), and [January 21, 2026](#) issues of the *Patterson Policy Watch*.

### Judicial Watch

As legal challenges to executive actions continue to grow, and as the DOJ has begun to initiate actions in court to enforce the administration's priorities, we are tracking developments in key cases that have the potential to most directly impact nonprofit organizations across the sector.

#### Denial of Congressionally Appropriated Funds

A growing number of nonprofit grantees have sued the federal government (and their agents) for improperly withholding Congressionally appropriated funds. Updates in cases we are following in this area include:

- *American Council of Learned Societies v. McDonald* (Southern District of New York) and *Authors Guild v. National Endowment for the Humanities* (Southern District of New York): On May 1, 2025, the American Council of Learned Societies and other humanities associations that receive funding from the National Endowment for the Humanities (NEH) [filed](#) a lawsuit to challenge the dismantling of the NEH. They allege that mass termination of grants and staff layoffs at the NEH violate the Constitution and the Administrative Procedure Act. On May 12, 2025, the Authors Guild and several individual authors who receive NEH grants [filed](#) a similar lawsuit alleging that the termination of NEH grants violates the Constitution. On May 14, 2025, the District Court [issued](#) an order to consolidate the two cases.
  - On July 25, 2025, the District Court [granted](#) a preliminary injunction in the *Authors Guild* case, holding that the government's termination of NEH grants for content-based reasons likely violated the First Amendment. The District Court denied a preliminary injunction in the *American Council of Learned Societies* case, rejecting the Plaintiff's argument that the government acted illegally by terminating staff at the NEH.
  - On **March 6**, Plaintiffs filed a [motion](#) for summary judgment, requesting that the District Court declare that the terminations of NEH grants were invalid, vacate the NEH grant terminations, and permanently enjoin Defendants from unlawfully continuing to terminate NEH grants in the future.
- *Rhode Island AFL-CIO v. United States Environmental Protection Agency* (District of Rhode Island): On October 6, 2025, a group of business owners and nonprofit organizations [sued](#) the federal government over its termination of the Solar for All program, a Congressionally funded program designed to provide low-income households and communities with savings based on the creation of household and community solar energy programs through grants to local communities and nonprofit organizations. Plaintiffs allege that the termination of this program violates the Administrative Procedure Act, Constitutional separation-of-powers principles, and the Presentment Clauses of the Constitution.
  - On February 6, Plaintiffs [filed](#) a motion for summary judgment against the federal government, requesting that the District Court vacate the government's termination of the Solar for All program so that the program can be restored.
  - On **March 6**, Defendants [filed](#) their opposition to Plaintiffs' motion for summary judgment and cross-moved for summary judgment, arguing that the termination of the Solar for All program was not contrary to law and was not arbitrary and capricious. Defendants requested that, if the District Court finds Plaintiffs' claims meritorious, the case be remanded back to the Environmental Protection Agency (EPA) instead of granting injunctive relief.
- *State of Washington v. United States Department of Housing and Urban Development* (District of Rhode Island): On

November 25, 2025, 21 states [sued](#) the United States Department of Housing and Urban Development (HUD) regarding the new conditions it announced for grants under the Continuum of Care (CoC) Program, which provides federal funding to nonprofit organizations and state and local governments to provide housing and services for individuals experiencing homelessness. The new conditions include, among others: (1) reducing the percentage of CoC funding for permanent housing from 90 percent to 30 percent; (2) prohibiting CoC funding to applicants that acknowledge transgender and gender diverse individuals; and (3) requiring funding recipients to align with the policies set forth in the July 24, 2025 executive order, entitled "[Ending Crime and Disorder on America's Streets](#)," which requires HUD to prioritize grants to states and localities that enforce prohibitions on illicit drug use, urban camping and loitering, and urban squatting. This executive order was covered in the [July 29, 2025 issue](#) of the *Patterson Policy Watch*. Plaintiffs argue that HUD's new conditions on federal funding violate the Administrative Procedure Act, separation-of-powers principles, the Spending Clause, and the Tenth Amendment. Plaintiffs additionally [filed](#) a motion for a preliminary injunction, requesting that the District Court enjoin the new grant conditions and reinstate the previous grant conditions; the Court converted the motion into a motion for temporary restraining order and a preliminary injunction. Similarly, on December 1, 2025, in [National Alliance to End Homelessness v. United States Department of Housing and Urban Development](#) (District of Rhode Island), Plaintiffs, nonprofit organizations and several local municipalities, [sued](#) HUD, challenging the same conditions as *State of Washington v. U.S. Department of Housing and Urban Development*.

- On December 23, 2025, the District Court in both cases [granted](#) Plaintiffs' [requests](#) for a preliminary injunction, ordering that HUD's rescission of the 2024 and 2025 funding conditions is stayed and that HUD is preliminarily enjoined from replacing the 2024 and 2025 funding conditions.
- On January 14, both Plaintiffs [filed](#) motions for summary judgment, requesting that the District Court (1) vacate and set aside the 2024 and 2025 funding conditions, meaning that the 2024 and 2025 funding conditions would be nullified and have no legal force, and (2) enjoin Defendants from implementing or enforcing the 2024 and 2025 funding conditions.
- On January 23, Defendants in both related cases [filed](#) a [cross-motion](#) for summary judgment and opposition to Plaintiffs' motions for summary judgment, arguing that HUD has statutory discretion in how it administers the CoC Program and that the new conditions on CoC funding are within HUD's statutory discretion.
- On February 17, Defendants in both related cases [filed](#) an [expedited request](#) to dissolve the District Court's preliminary injunction, arguing that the preliminary injunction "will not preserve the status quo pending the outcome of this litigation but will instead effectively dictate the final disposition of billions of FY 2025 dollars." Defendants argue that the preliminary injunction needs to be dissolved or, in the alternative, that the District Court must rule on the pending motions for summary judgment because, under the 2026 Consolidated Appropriations Act, if HUD does not award fiscal year 2025 funds to CoC projects under a Notice of Funding Opportunity before July 1, 2026, those projects will receive renewed funding.
- On February 27, the District Court [issued](#) a text order in both cases to deny the Defendants' request to dissolve the preliminary injunction, finding that Plaintiffs continue to face the risk of irreparable harm from gaps that Defendants would cause by changing the funding selection criteria on an expedited basis and from trying to reimplement the Notice of Funding Opportunity for December 2025, which the Court had already found Plaintiffs had a strong likelihood of showing was illegal.
- On **March 2**, Defendants in both related cases [filed](#) a notice of appeal with the First Circuit Court of Appeals and [filed](#) an [emergency motion](#) to stay the preliminary injunction issued by the District Court while Defendants appeal the injunction in the First Circuit.
- On **March 6**, the District Court [issued](#) a text order to deny Defendants' requests for an emergency stay, noting that Defendants had failed to appeal the preliminary injunction itself and finding that Plaintiffs would be substantially injured by staying the case and subjecting them to the harms caused by Defendants trying to implement the 2025 funding criteria.

## Legislative Watch

- On March 5, H.R. 7799, the "[Stop Proxy Organizations Nurturing Subversive Operations and Riots Act](#)" (SPONSOR Act), was introduced in the House of Representatives by Rep. Nathaniel Moran (R-TX) and referred to the House Committee on Ways and Means. H.R. 7799 is the companion bill to [S. 3942](#), which is also referred to as the SPONSOR Act and was introduced on February 26 in the Senate by Sen. Ted Cruz (R-TX) and referred to the Senate Committee on Finance. See the [March 3 issue](#) of the *Patterson Policy Watch* for prior coverage of S. 3942.
  - The SPONSOR Act would amend Section 501 of the Internal Revenue Code of 1986, as amended (the "Code"), by adding a new section to Code Section 501 that would provide that any Section 501(c)(3) organization that expends funds for a fiscal sponsorship "shall bear any criminal liability related to or arising from such fiscal sponsorship, and any civil liability concerning a covered activity related to or arising from such fiscal sponsorship." The SPONSOR Act defines a "covered activity" as including aiding international terrorism, intimidating individuals exercising constitutional rights, and obstructing commerce. The SPONSOR Act defines "fiscal sponsorship" as a relationship in which a Section 501(c)(3) organization (A) "agrees to receive and administer funds on behalf of a project or organization that is not exempt from tax" under Section 501(a) and (B) "retains discretion and control over such funds to ensure they are used for the purposes for which such organization was organized and operated."
  - The SPONSOR Act would also establish a presumption that a Section 501(c)(3) sponsoring organization is responsible for ensuring proper oversight of funds distributed through fiscal sponsorship.

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