

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 30, 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](#).

DEI

- March 26: President Trump [issued](#) an executive order, entitled "Addressing DEI Discrimination by Federal Contractors," which imposes new requirements on federal contractors and subcontractors. The order requires all federal agencies to include certain provisions in contracts, including the requirement that federal contractors and subcontractors agree that they will not engage in any "racially discriminatory DEI activities," which is defined as "disparate treatment based on race or ethnicity in recruitment, employment (e.g., hiring and promotions), contracting (e.g., vendor agreements), program participation, or the allocation of an entity's resources." Additionally, federal contractors and subcontractors must provide federal agencies with access to their books, records, and accounts to verify compliance with the executive order. Noncompliance may result in a contract's cancellation, termination, or suspension, and contractors and subcontractors may also be declared ineligible for future federal contracts and could be held liable under the False Claims Act, which the Department of Justice (DOJ) has been directed to prioritize for enforcement. This executive order builds upon the January 20, 2025 executive order, entitled "[Ending Radical and Wasteful Government DEI Programs and Preferencing](#)," and the January 21, 2025 executive order, entitled "[Ending Illegal Discrimination and Restoring Merit-Based Opportunity](#)," which were covered in the [February 10, 2025](#) issue of the *Patterson Policy Watch*. See also the Fourth Circuit Court of Appeals' February 6, 2026 [decision](#), which was covered in the [February 10, 2026](#) issue of the *Patterson Policy Watch*, which vacated the District Court's preliminary injunction that had blocked enforcement of the January 2025 executive orders.

Education

- March 24: The Department of Education (ED) [issued](#) a "Letter of Impending Enforcement Action" to San José State University for its noncompliance with Title IX of the Education Amendments of 1972, which prohibits discrimination on the basis of sex in education programs and activities that receive federal financial assistance. On January 28, the ED [announced](#) that the university's policies allowing transgender students to compete on women's sports teams and access female-only facilities violated federal law; this announcement was covered in the [February 3, 2026](#) issue of the *Patterson Policy Watch*. According to the ED, the university has refused to sign a proposed Resolution Agreement or negotiate terms to separate sports and facilities based on biological sex. The university has 10 days to come into compliance with Title IX before the matter is referred to the DOJ for enforcement, which could include the termination of federal funding to the university.
- March 27: The ED [announced](#) that it has begun issuing guidance to approximately 7.5 million borrowers to transition out of the "Saving on a Valuable Education" (SAVE) Plan and into alternative repayment options. The One Big Beautiful Bill (OBBB) eliminated the SAVE Plan and introduced new student loan repayment plans, including the Repayment Assistance Plan (RAP) and the Tiered Standard Plan, both of which are scheduled to launch on July 1, 2026. According to the ED's guidance, borrowers currently enrolled under the SAVE Plan will have 90 days to enroll in the RAP or the Tiered Standard Plan. Under the RAP, a borrower's monthly payment is based on the borrower's income and number of dependents; under the Tiered Standard Plan, borrowers have a fixed term to pay their loans based on their total outstanding loan balance. The ED's guidance also follows a court's approval of a settlement between the ED and the State of Missouri, which the ED [announced](#) in December 2025, under which the ED will not enroll any new borrowers in the SAVE Plan, will deny any pending applications for enrollment in the SAVE Plan, and will move all current SAVE Plan borrowers into other repayment options.

Other

- March 24: Representative Claudia Tenney (R-NY) [sent](#) a letter to former Acting Internal Revenue Service (IRS) Commissioner Scott Bessent regarding "recently reported evidence of nonprofit organizations in New York State (NYS) failing to comply with federal tax rules for tax-exempt charitable organizations engaged in campaign activities," [citing](#) reporting from the *Times Union*. Rep. Tenney's letter alleged that, based on *Times Union* reporting, hundreds of New York-based Section 501(c)(3) organizations have contributed directly to political candidates' campaigns in violation of the Section 501(c)(3) prohibition on political campaign activity. In concluding her letter, Rep. Tenney, in her capacity as the Chair of the House of Representatives Election Integrity Caucus, "urge[d] the IRS to investigate these New York-based 501(c)(3) entities and take appropriate enforcement action in accordance with IRS policies and federal statute."

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.
- On **March 27**, Defendants [filed](#) a cross-motion for summary judgment and opposition to Plaintiffs' motion for summary judgment. Defendants argue that the District Court lacks jurisdiction over Plaintiffs' claims because under the Tucker Act, claims related to grant agreements are to be exclusively heard by the Court of Federal Claims. Defendants also deny that the grant terminations violate the First Amendment or the Equal Protection Clause of the Constitution. Defendants further argue they have not exceeded their statutory authority by enacting the grant terminations or that doing so was in violation of the Administrative Procedure Act.

Legislative Watch

On March 26, [H.R. 8117](#), the "[Fair Treatment of Religious Organizations Act of 2025](#)," was introduced in the House of Representatives by Rep. Blake Moore (R-UT). The bill would amend Section 501 of the Internal Revenue Code of 1986, as amended (the "Code"), by adding a new subsection that would prohibit the IRS from considering an organization's "religious beliefs or practices concerning marriage, sexuality, or gender identity, and without regard to whether such beliefs or practices are otherwise inconsistent with law or public policy" when determining whether the organization should be granted tax-exempt status under Section 501 of the Code. The bill would also prohibit federal agencies from discriminating against any employer that is a religious corporation, religious association, religious educational institution, or religious society that applies for or receives federal grants or other federal financial assistance based on the organization's "employment actions or practices consistent with the right to employ persons who share the religious beliefs and comply with the religious standards of the employer."

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