

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 May 18, 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

- May 14: The Department of Justice (DOJ) [announced](#) the completion of its year-long investigation into the admissions policies and practices of the Yale University School of Medicine (Yale). According to the DOJ's [findings letter](#), the DOJ's investigation focused on whether Yale's admissions practices were "in compliance with Title VI of the Civil Rights Act of 1964 (Title VI), as interpreted by the Supreme Court's decision in *Students for Fair Admissions, Inc. v. President & Fellows of Harvard College*, 600 U.S. 181 (2023)" (the *Harvard* decision). Title VI prohibits discrimination on the basis of race, color, or national origin in any program or activity receiving federal financial aid. The *Harvard* decision prohibits the use of race in higher education admissions decisions and was covered in our firm's [July 5, 2023 client alert](#). The DOJ determined that Yale "continues to intentionally discriminate against applicants based on their race after the [*Harvard* decision]," based on its "internal policies, publicly distributed literature, and email correspondence of its leadership." The findings letter also cites "statistical evidence of intentional discrimination" by Yale, including "applicant-level admissions data . . . [that] shows disparities in MCAT scores and GPAs between different racial groups of admitted students." The DOJ "seeks to enter into a voluntary resolution agreement with [Yale] to ensure that admissions practices are brought into legal compliance."
 - Similarly, the DOJ announced that the admissions practices and policies of the David Geffen School of Medicine at the University of California at Los Angeles (UCLA) violated Title VI and the *Harvard* decision. The DOJ's findings on UCLA were covered in the [May 12, 2026 issue](#) of the *Patterson Policy Watch*.

Health

- May 15: The DOJ [announced](#) that it entered into agreements with the Texas Children's Hospital and the Texas Attorney General related to the DOJ's "ongoing national investigation into violations of federal law in connection with the provision of sex-rejecting procedures on minors." Under the agreements, Texas Children's Hospital and the Texas Attorney General have committed not to perform sex-rejecting procedures on minors, including the administration of puberty blockers and cross-sex hormones. Texas Children's Hospital will also pay over \$10 million in damages and civil penalties and provide medical care "to children harmed by the provision of such procedures."

Other

- May 11: The Alabama Attorney General [announced](#) a civil investigation into the Southern Poverty Law Center (SPLC) for alleged deceptive fundraising practices under Alabama's consumer protection statutes. The Alabama Attorney General [issued](#) an investigative subpoena, which commands SPLC to produce all requested documents and evidence by June 1, 2026.
 - The Alabama Attorney General's announcement comes after the Florida Attorney General issued a similar investigative subpoena, as covered in the [May 5, 2026 issue](#) 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:

- *State of Washington v. United States Department of Housing and Urban Development* (District of Rhode Island): On November 25, 2025, 21 states [sued](#) the 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 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 (CAA), 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, which is an order issued by a court directly onto a case’s docket rather than as a separate document, 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.
- On March 9, Defendants filed a motion for an emergency stay of the preliminary injunction in the First Circuit, in which Defendants request that the First Circuit grant a stay of the District Court’s preliminary injunction pending appeal no later than March 30, 2026.
- On April 2, the First Circuit Court of Appeals issued an opinion denying HUD’s request for an emergency stay of the preliminary injunction. The First Circuit determined that Defendants could not show that the District Court abused its discretion by declining to dissolve the preliminary injunction and that Plaintiffs continue to face the threat of irreparable harm related to potential loss of funding.
- On April 22, the First Circuit Court of Appeals dismissed the appeal in *State of Washington v. U.S. Department of Housing and Urban Development*, pursuant to the appellants’ assented-to motion.
- On **May 12**, Defendants stipulated to withdrawing the 2025 grant conditions on the CoC grants that HUD has currently renewed, sent out for renewal, or will renew with grantees. Defendants also acknowledged that these grant conditions “have no force and effect” and agree that no grantee is bound by the conditions.

Legislative Watch

- On May 13, H.R. 8783, the “Charity Parity Act,” was introduced in the House of Representatives by Representatives Donald Beyer (D-VA) and Mike Kelly (R-PA) and referred to the House Committee on Ways and Means. A companion bill, S. 4511, was introduced in the Senate by Senators Chris Coons (D-DE) and Kevin Cramer (R-ND). Both bills would permit taxpayers to make qualified charitable distributions (QCDs) directly from their employer-sponsored retirement plans, such as 401(k) and 403(b) retirement plans, matching the QCD rules of Individual Retirement Accounts (IRAs).
- On May 14, S. 4539, the “Protecting Charitable Giving Act,” was introduced in the Senate by Senators Todd Young (R-IN) and James Lankford (R-OK) and referred to the Senate Committee on Finance. The bill would increase the penalty of any willful disclosure of the identities of donors to tax-exempt organizations (e.g., individuals listed on a public charity’s Schedule B of the Form 990) and expand the jurisdiction of prosecution of any such disclosure to include the judicial district in which the victim of the offense resides.

Patterson Belknap is a firm of approximately 200 lawyers based in New York, delivering a full range of services centered around three areas: litigation and disputes, corporate and transactions, and the legal needs of tax-exempt organizations and private clients.

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