

## 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 June 15, 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

- June 9: The Department of Justice (DOJ) [issued an opinion](#) to the Equal Employment Opportunity Commission (EEOC) that the EEOC's guidelines about disparate-impact liability under Title VII of the Civil Rights Act of 1964 (Title VII) are unconstitutional. Title VII prohibits employment discrimination based on race, color, religion, sex, and national origin. According to the DOJ's opinion, the EEOC's Title VII guidelines are "unconstitutional because they contemplate liability based on disparate effects alone, without regard to an employer's likely intent, and pressure employers to engage in race-based decisionmaking." The opinion states that "disparate-impact liability [under Title VII] proscribes only those practices that reflect a significant likelihood of intentional discrimination."
  - The DOJ's opinion implements the April 23, 2025 executive order, entitled "[Restoring Equality of Opportunity and Meritocracy](#)," which was covered in the [April 29, 2025 issue](#) of the *Patterson Policy Watch*.

### Education

- June 9: The DOJ [announced](#) that it is investigating possible race discrimination by the City University of New York (CUNY) for CUNY's Black Male Initiative (BMI) pursuant to Title VI of the Civil Rights Act of 1964 (Title VI). Title VI prohibits discrimination on the basis of race, color, or national origin in any program or activity receiving federal financial aid. According to the DOJ's press release, CUNY's BMI "appears to favor select non-white minorities — primarily black males — over applicants of other races."
- June 10: The DOJ [announced](#) its findings after its investigation into the admissions practices of the University of California, Davis School of Medicine (Davis Med). According to the DOJ's [findings letter](#), Davis Med violated Title VI, as interpreted by the Supreme Court's decision in *Students for Fair Admissions v. Harvard*, 600 U.S. 181 (2023) (*SFFA*), by discriminating on the basis of race in its admissions process. The DOJ's investigation "found that Davis Med adopted admissions practices with the express purpose of circumventing the Supreme Court's decision in *SFFA*," in part by using "certain class-based 'socioeconomic variables' or 'disadvantages' as proxies for race (e.g., family income, parental education, or being from an 'underserved area')."
  - For more coverage of the DOJ's investigations into medical schools, please see the [May 12, 2026](#), [May 19, 2026](#), and [June 9, 2026](#) issues of the *Patterson Policy Watch*.

### Other

- June 10: The Department of Treasury (Treasury) [issued](#) a press release previewing forthcoming guidance for the implementation of Section 25F, the new federal scholarship tax credit enacted as part of the One Big Beautiful Bill Act (OBBA). The new tax credit, which was covered in our [July 24, 2025 client alert](#), permits individual taxpayers, beginning in 2027, to claim a dollar-for-dollar tax credit worth up to \$1,700 per year per taxpayer for cash donations to "scholarship granting organizations" (SGOs). Under the OBBA, states and the District of Columbia must elect to participate in the tax credit for each tax calendar year and must identify SGOs in their respective states. The Internal Revenue Service (IRS) recently [announced](#) that more than half of the states have signed up to participate in the program.
  - For more coverage on Section 25F, please see the [December 16, 2025](#) and [December 23, 2025](#) 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.

#### Ban on DEI Initiatives in the Executive Branch and by Recipients of Federal Funding

President Trump issued several significant diversity, equity, and inclusion (DEI)-related executive orders (the DEI Executive Orders), including: (1) the January 20, 2025 executive order, entitled "[Ending Radical and Wasteful Government DEI Programs and Preferencing](#)," which orders the termination of DEI programs, offices, and positions as well as "equity-related" grants and contracts; (2) the January 21, 2025 executive order, entitled "[Ending Illegal Discrimination and Restoring Merit-Based Opportunity](#)," which requires federal grant recipients and contractors to certify that they do not operate DEI programs that violate anti-discrimination laws; (3) the January 20, 2025 executive order, entitled "[Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government](#)," which prohibits federal funds from being used to promote "gender ideology"; and (4) the March 26, 2026 executive order, entitled "[Addressing DEI Discrimination by Federal Contractors](#)," which 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." Updates in cases we are following in this area include:

- [California v. United States Department of Education](#) (Northern District of California):
  - On **June 9, 2026**, California, Rhode Island and Wisconsin [sued](#) the Department of Education (ED) for issuing Notices of Non-Continuation of Grant Awards to discontinue funding the State Personnel Development Grants ("SPDG"), which are grants used to support children with disabilities. According to the Plaintiffs' complaint, the ED issued these Notices of Non-Continuation of Grant Awards because the SPDG "violate the letter or purpose of Federal civil rights law; conflict with the Department's policy of prioritizing merit, fairness, and excellence in education; undermine the well-being of the students these programs are intended to help; or constitute an inappropriate use of federal funds." Plaintiffs argue that

these non-continuation decisions are contrary to law, arbitrary and capricious, and ignore the Notice and Comment period in violation of the Administrative Procedure Act. In addition, Plaintiffs argue that the ED is acting in excess of its lawful powers and in violation of the Spending Clause of the Constitution. Plaintiffs request that the District Court vacate the SPDG non-continuation decisions issued by the ED, declare that such decisions are unlawful, and enter an injunction requiring that Defendants make new continuation award decisions.

- *Marvland v. Heqseth* (District of Maryland):
  - On June 10, 2026, 19 states and the District of Columbia [sued](#) the Government, challenging the March 26, 2026 executive order, entitled "[Addressing DEI Discrimination by Federal Contractors](#)." This executive order, which was covered in the [March 31, 2026 issue](#) of the *Patterson Policy Watch*, requires federal agencies to include certain provisions in their contracts, including the requirement that federal contractors and subcontractors agree that they will not engage in "racially discriminatory DEI activities" (the "New Provision"). Plaintiffs allege that the executive order is vague and does not actually explain what sort of activities are prohibited by the New Provision. Despite this, federal agencies have begun incorporating the New Provision into new and existing contracts. Plaintiffs also allege that the federal agencies that have included the New Provision in their contracts with contractors and subcontractors are acting unlawfully and in excess of their authority and that the actions taken by the agencies are arbitrary and capricious, in violation of the Administrative Procedure Act. Plaintiffs request that the District Court vacate Defendants' inclusion of the New Provision in federal contracts, declare that the New Provision is unlawful, and preliminarily and permanently enjoin Defendants from incorporating the New Provision into federal contracts.

## Legislative Watch

- On June 8, [H.R. 9173](#), the "Charitable Deductions for Digital Asset Donations Act," was introduced in the House of Representatives by Rep. Mike Kelly (R-PA). The bill would amend Section 170(f)(11)(A) of the Internal Revenue Code, which requires individual taxpayers, partnerships, and corporations to obtain a qualified appraisal in order to receive a charitable income tax deduction for contributions of certain types of non-cash property in an amount of more than \$500. In particular, the bill would clarify that taxpayers do not need to obtain a qualified appraisal for charitable contributions of certain "widely traded digital assets."
- On June 10, [H.R. 9254](#), the "Stop Subsidizing Political Lawfare by Charities (Stop the SPLC)," was introduced in the House of Representatives by Rep. Chip Roy (R-TX). The bill would provide that "the Southern Poverty Law Center shall not be treated as described in section 501(c)(3) of the Internal Revenue Code of 1986."
  - Rep. Chip Roy introduced a similar bill concerning the Council on American-Islamic Relations (CAIR) in late October, which was covered in the [November 11, 2025 issue](#) of the *Patterson Policy Watch*.
- On June 10, [H.R. 7892](#), the "No Aid for Ghost Students Act of 2026," passed the House of Representatives, and on June 11, the bill was received in the Senate and referred to the Committee on Health, Education, Labor, and Pensions (HELP).
  - The bill would amend provisions of the Higher Education Act of 1965 to require the Secretary of Education to establish an identity fraud detection system to screen and assess each Free Application for Federal Student Aid (FAFSA) application submitted on or after October 1, 2026 to determine whether the application "presents a reasonable suspicion of identity fraud." The bill does not define what constitutes a "reasonable suspicion of identity fraud." If an application presents a reasonable suspicion of identity fraud, the Secretary of Education will notify the applicant and each institution of higher education listed by the applicant. Following such notice, the institution of higher education would be required to carry out additional identity verification requirements for such applicant, such as in-person identity verification, before it may disburse Federal financial aid to the applicant.
  - On April 27, 2026, the ED announced its new "fraud detection capability" within the FAFSA form, which was covered in the [May 5, 2026 issue](#) of the *Patterson Policy Watch*.

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