Patterson Belknap

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 July 13, 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

- July 7: The Department of Justice (DOJ) announced that the Minnesota Department of Health voluntarily resolved the DOJ's compliance review of one of its grant programs under Title VI of the Civil Rights Act of 1964 (Title VI). Title VI prohibits discrimination on the basis of race, color, or national origin by recipients of federal financial assistance. According to the DOJ's announcement, the DOJ was reviewing the Minnesota Department of Health's Capacity Strengthening Initiative grant program because the program "limited eligible grantees to organizations that worked with 'people of color,' provided 'strategic consideration and g[a]ve priority' to proposals from organizations 'led by populations of color,' and ensured that grant funds were prioritized and awarded to organizations that were within counties that had a higher proportion of 'Black or African American' and 'nonwhite Latino(a)' communities." After the DOJ notified the Minnesota Department of Health that it was conducting a compliance review, the Minnesota Department of Health ended the grant program.

Other

- July 7: Plaintiffs-Appellants in *National Religious Broadcasters v. Bessent* (*NRB*) filed their opening brief in the Fifth Circuit Court of Appeals to appeal the U.S. District Court for the Eastern District of Texas' decision to dismiss the case for lack of subject matter jurisdiction. Plaintiffs-Appellants argue that the District Court's finding that the District Court was barred from ruling on the parties' proposed consent decree by the Tax Anti-Injunction Act and Declaratory Judgment Act, both of which limit a federal court's jurisdiction over certain tax controversies, was improper. Plaintiffs-Appellants further argue that the Fifth Circuit should reverse the District Court's dismissal and remand the case with instructions to consider the parties' proposed consent decree, which would reinterpret the Johnson Amendment—Section 501(c)(3)'s prohibition on political campaign activity—as not applying to "communications from a house of worship to its congregation in connection with religious services through its usual channels of communication on matters of faith."
  - For more coverage of the *NRB* case, please see the November 25, 2025 and April 7, 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 March 6, 2026, 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 the Government from unlawfully continuing to terminate NEH grants in the future.
  - On March 27, 2026, the Government filed a cross-motion for summary judgment and opposition to Plaintiffs' motion for summary judgment. The Government argues 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. The Government also denies that the grant terminations violate the First Amendment or the Equal Protection Clause of the Constitution. The Government further argues that it has not exceeded its statutory authority by enacting the grant terminations and that doing so was not in violation of the Administrative Procedure Act.
  - On May 7, 2026, the District Court granted Plaintiffs' motion for summary judgment and denied the Government's cross-motion for summary judgment. The District Court found that the Government's mass termination of NEH grants violated the First Amendment and the Equal Protection Clause of the Fifth Amendment and was beyond the Department of Government Efficiency's powers as the agency acted without proper statutory authorization to select and terminate the grants. The District Court permanently enjoined the Government from enacting the mass termination of NEH grants.
  - On **July 6, 2026**, the Government filed an appeal to the Second Circuit Court of Appeals, challenging the District Court's decision to grant summary judgment in favor of Plaintiffs.
- *State of Washington v. United States Department of Housing and Urban Development* (District of Rhode Island): In a case related to *State of Washington v. United States Department of Housing and Urban Development* (covered most recently in the July 7, 2026 issue of the *Patterson Policy Watch*), on **July 7, 2026,** Plaintiff States sued the Department of Housing and Urban Development (HUD) challenging the June 1, 2026 Notice of Funding Opportunity (NOFO) for the Continuum of Care Program, which seeks to implement a cap on permanent housing projects, setting aside money that Congress has reserved for these permanent projects. Plaintiffs argue that the June 1, 2026 NOFO violates the Administrative Procedure Act because it is in excess of HUD's statutory authority, is arbitrary and capricious, and is contrary to law. Plaintiffs request that

the District Court declare the June 1, 2026 NOFO unlawful, set it aside, and preliminarily and permanently enjoin Defendants from enacting the June 1, 2026 NOFO.

Legislative Watch

- On June 24, S.4907, the "Technical Reinvestment and Apprenticeship Development through Endowment Sharing Act" (TRADES Act), was introduced in the Senate by Sen. Ashley Moody (R-FL) and referred to the Senate Committee on Finance. The TRADES Act would amend Section 4968(b)(3) of the Internal Revenue Code of 1986 to increase the top excise tax rate applicable to certain private colleges and universities from the current rate of 8 percent to 15 percent, and the additional revenue generated from such tax increase would be allocated to support career and technical education programs under Title I of the Carl D. Perkins Career and Technical Education Act of 2006. The increased tax rate would apply to taxable years beginning one year after the bill's enactment.

This alert is for general informational purposes only and should not be construed as specific legal advice. If you would like more information about this alert, please contact one of the following attorneys or call your regular Patterson contact.

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