



**PANO**

Pennsylvania Association of  
Nonprofit Organizations

# High Level Overview: Federal Issues

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# Proposes Sweeping Changes to Federal Grantmaking Rules

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- ❑ Comment deadline: July 13, 2026
- ❑ OMB proposed major revisions to the Uniform Guidance — the rules governing all federal grants and cooperative agreements to nonprofits
- ❑ Would give any administration near-unlimited discretion to withhold, suspend, or terminate grants mid-performance, and to change grant terms and conditions without notice
- ❑ Removes objective criteria from award decisions, opening the door to ideology-based funding determinations
- ❑ Reduces public transparency throughout the grantmaking process

# PSLF Rule - UPDATE

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- ❑ On June 30, 2026 — one day before it was set to take effect — two federal courts vacated the rule that would have allowed the Education Department to strip nonprofits of PSLF eligibility
- ❑ The rule was found to exceed the Department's statutory authority, be "arbitrary and capricious," and violate the First Amendment
- ❑ The judge's central objection: the rule tied PSLF eligibility to the administration's policy priorities rather than to settled law, with its definition of "substantial illegal purpose" reaching beyond established criminal statutes
- ❑ The rule is vacated nationwide and does not take effect — PSLF continues for all eligible borrowers at qualifying nonprofit employers
- ❑ The DOE can still appeal; this is a trial court decision

# Stopping Fraudulent Payments Act

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- ❑ Congress is advancing legislation that would expand Treasury Department authority to delay, condition, or segment federal payments identified as presenting an elevated fraud risk.
- ❑ The proposal would apply to a broad range of federal disbursements, including grants and contracts.
- ❑ Nonprofit organizations and grant recipients have raised concerns about payment delays, unclear standards, and potential impacts on federally funded services.

# Religious Liberty Commission

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- ❑ Draft report released July 3, from Commission created by May 2025 executive order
  - ❑ 12 recommendations — #9 calls for full repeal of the Johnson Amendment
  - ❑ Interim steps recommended: Treasury guidance narrowing enforcement, DOJ litigation support, IRS "weaponization" inquiry
  - ❑ Public comment period open through July 12
  - ❑ NCN opposing repeal; PANO can connect you to comment materials