



Pennsylvania Association of
Nonprofit Organizations

High Level Federal Updates

September 2026 Recap

Facilitator:

Anna Keilly, Senior Manager of Policy and
Advocacy

Congress Temporarily Blocks OMB Grant Overhaul

The Continuing Resolution (CR) funding the federal government through December 11 includes bipartisan language temporarily blocking OMB from finalizing its proposed overhaul of federal grantmaking. Congress acted after nearly 500,000 public comments, most of them opposed.

Why It Matters

- **A Temporary Win:** if the block lapses, the proposal could move forward again, letting agencies terminate grants without cause, change terms mid-award, and weigh a grantee's affiliations or its civil rights, DEI, or immigration-related work.
- **Pennsylvania's Stake:** PA nonprofits brought in \$40 billion in federal dollars from 2016 to 2024. The services that funding supports depend on a stable, criteria-based grant process.

Where Things Stand

- **Four Weeks to Decide:** after the November 3 midterms, Congress will have four legislative weeks to decide whether to keep blocking the rule.
- **Three Actions:** sign NCN's national letter, call or email your members of Congress, and [mark November 10 for the National Day of Action and PANO's Community Action Summit](#).



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White House Rescinds \$810M in Appropriations

On September 25, President Trump announced “pocket rescissions” of \$810 million Congress had appropriated for HHS, Education, HUD, and DOJ. The largest cut, \$567 million, hits HHS immigration and refugee services.

Why It Matters

- **Money That Flows to Nonprofits:** cuts reach refugee and asylee services, HUD housing counseling, minority health, migrant education, and programs tied to LGBTQ groups and DEI.
- **A Troubling Precedent:** an administration can hold approved funds until the final weeks of the fiscal year and then cancel them, leaving grantees no time to plan.

Where Things Stand

- **Bipartisan Objection:** Senate Appropriations Chair Susan Collins (R-ME) called it an attack on Congress's power of the purse, citing a GAO finding that pocket rescissions violate the Impoundment Control Act.
- **No Time to Respond:** the fiscal year ended September 30 and the House is out until November, so the funds expire first. [Check whether your awards draw on these accounts.](#)



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2030 Census Proposed Rule: Comment by October 13

The draft rule PANO flagged in August is now official. On September 10, the Census Bureau published a proposed rule that would significantly change how the 2030 Census counts people and collects demographic data.

What the Rule Would Do

- **A Narrower Count:** only U.S. citizens and lawful permanent residents would count toward apportionment, leaving out international students, H-1B holders, and undocumented residents. Government records would verify residence and status.
- **No Demographic Data:** no questions on race, ethnicity, or sexual orientation, ending race and ethnicity data collection that dates to 1790, and locking the changes into regulation.

Why It Matters

- **A Decade of Impact:** census data sets congressional seats and steers trillions of dollars in federal funding. Nonprofits rely on its demographic data to understand and address community needs.
- **Comment by October 13:** use NCN's comment guide, sign NCN's national letter, and [explain how your organization uses census data to plan services and win funding.](#)



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IRS Publishes Proposed Tax-Exempt Rule for Schools

On September 4, the IRS published its proposed regulation extending the “fundamental public policy doctrine” from *Bob Jones University v. United States* to strip tax-exempt status from schools with programs found to discriminate by race.

What the Proposal Would Do

- **Schools Only, For Now:** the rule covers private schools, colleges, trade schools, and universities, not all 501(c)(3) organizations, though NCN had feared broader application.
- **Broad Definition:** programs designed to remedy past discrimination or promote diversity could count as prohibited discrimination, and race-conscious scholarships could lose their tax-deductible status.

Where Things Stand

- **Key Dates:** comments are due November 3, with a public hearing on December 2. The rule is expected to take effect after May 31, 2027.
- **A Signal of Intent:** the rule shows the administration is willing to use this doctrine in new ways. [PANO will share comment opportunities as NCN reviews the proposal.](#)

Treasury/IRS Weighs Audits of Disfavored Nonprofits

Treasury and the IRS are reportedly considering a draft plan to audit foundations and nonprofits the administration disfavors under a vague “substantial illegal purpose” standard, with revocation of tax-exempt status or significant fines on the table.

Who's Named and the Pushback

- **Named Targets:** reported targets include Open Society Foundations, the Southern Poverty Law Center, the Council on American-Islamic Relations, the Private Equity Stakeholder Group, and SEIU.
- **Congressional Pushback:** Sens. Ron Wyden (D-OR) and Raphael Warnock (D-GA) demanded information from Treasury and the IRS and directed them to preserve all related records.

The Broader IRS Pattern

- **More Disclosure Proposed:** the IRS is also weighing new reporting on government grants, contracts, and fiscal sponsorships, and on whether top officials have certain financial or terrorism-related convictions.
- **Be Ready:** NCN calls using the IRS against disfavored nonprofits an abuse of power under any administration. [Keep governance documents, board minutes, and financial records current.](#)

SNAP Cost Shift to Pennsylvania Begins October 1

The first major SNAP cost shift under H.R. 1 (the One Big Beautiful Bill Act) took effect October 1. States now cover 75% of SNAP administrative costs, up from 50%, as the federal share drops to 25%.

What Comes Next

- **Benefit Cost Share in 2027:** starting October 1, 2027, Pennsylvania will also owe a share of SNAP benefit costs tied to its payment error rate. At the 2025 rate of 9.21%, the state would owe 10%.
- **The Price Tag:** an estimated \$381 million to \$410 million a year. Food assistance groups are urging Congress to delay the shift.

Why It Matters

- **Competing for State Dollars:** every new dollar the state spends on SNAP competes with the human services lines nonprofits rely on, and experts warn of program cuts.
- **Plan Ahead:** food banks and human service providers should expect demand to keep rising and [factor the 2027 cost share into FY 2027-28 budget planning.](#)

In the Courts: PSLF, Mail-In Voting, and Funding

Several federal cases PANO is tracking moved in September. Some developments favor nonprofits, while others leave important questions unresolved.

Rules on Hold

- **PSLF Employer Rule:** the administration appealed the ruling that vacated the Department of Education's PSLF employer rule. The rule stays blocked while the appeal moves to the circuit court.
- **Mail-In Voting:** on September 14, the Supreme Court declined to lift the injunction blocking the Postal Service's new mail-ballot rule, so mail voting will work as usual this November.

Funding Litigation

- **Freeze Injunction Vacated:** the order that blocked OMB's January 2025 funding freeze was vacated in August after the government acknowledged the freeze was unlawful. The freeze was never reimposed.
- **\$410 Billion Withheld:** withholding has prompted hundreds of lawsuits. An appeals court upheld NCN's injunction protecting funding enacted under the IRA and the bipartisan infrastructure law.

The Big Picture: NCN's Threats Briefing

NCN's briefing, "Unprecedented Threats to the Nonprofit Sector," assembles more than a year of federal pressure into one timeline, showing a coordinated, sustained effort rather than a series of unrelated incidents.

Two Categories of Threats

- **Financial:** funding freezes and withholding, OMB's grantmaking overhaul, and GSA's grant certifications, which await White House review before an expected second comment period.
- **Political:** investigations of more than 400 organizations without evidence of wrongdoing, plus claims that nonprofits commit fraud or support terrorism and political violence.

What Nonprofits Can Do

- **Stay Unified and Safe:** the sector's biggest wins came when it spoke with one voice. Check in on staff capacity and morale, not just compliance.
- **Advocacy Is Core to Mission:** Congress needs to hear directly from nonprofits about real-world impact. [Speaking out remains the sector's most effective tool.](#)

