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Federal

Budget Reconciliation Update

The U.S. Senate approved its Fiscal Year (FY) 2025 budget resolution along party lines last week. The resolution contains spending and revenue raising goals designed to address border security, bolster the military, and increase energy independence but does not address any of the 2017 tax law cuts scheduled to expire at the end of the year. The House is expected to bring its version of budget reconciliation to the floor this week. The House budget outlines \$3.3 trillion in new borrowing with \$4.8 trillion of deficit increases and \$1.5 trillion of spending reductions, including potential cuts to Medicaid and social services. The largest deficit increase portion (\$4.5 trillion) would fund the 2017 tax law provisions as well as other tax proposals advocated by the Administration. Senate Budget Chairman Lindsay Graham (R-SC) stated that while it is his "hope the House can pass one big bill that meet's President Trump's priorities," the Senate action would provide funds needed to address border and military priorities. Meanwhile, Congress has made no efforts to address a potential government shutdown on March 14. That's the date when the current continuing resolution funding the federal government expires.

Worth Celebrating



4,500+ Nonprofit Signers on Letter to Congress

Last week, more than 4,500 charitable organizations from all 50 states sent an [Open Letter to Members of the 119th Congress](#) urging them to keep front of mind the reality that charitable nonprofits are essential to the U.S. economy and society, including as significant employers, taxpayers, and partners with government at all levels.

Worth Quoting

On charitable giving

- “This expands the universe of donors, as well as providing additional incentives to those who already give so they can actually potentially give more. It increases support for the sector.”

— Steven Woolf, Tax Consultant, *Nonprofit Quarterly*, [Nonprofits Prepare for a Fight over Tax Policies](#), Feb. 6, 2025.

Executive Orders Update

Judge Blocks DEI Orders: On Friday, a federal judge issued a [preliminary injunction](#) blocking two executive orders (EOs) ([EO 14151](#), and [EO 14173](#)) attempting to terminate or change federal grants and contracts for programs related to diversity, equity, and inclusion. The judge ruled that the policies and term

“diversity, equity, and inclusion” as used in the EOs were potentially vague, discriminating, and unconstitutional by penalizing private organizations, including charitable nonprofits. However, agencies are permitted to proceed with reviewing various programs related to these EOs and to issue any reports as required under the EOs. The ruling applies nationwide.

To help cut through the noise and determine what to do, check out these resources on actions impacting nonprofit organizations:

- **NEW:** [Frequently Asked Questions on Executive Actions Impacting Nonprofits](#)
 - **UPDATED:** [Executive Orders Affecting Charitable Nonprofits Chart](#)
 - **UPDATED:** [The Impacts of the Recent Executive Orders on Nonprofits](#)
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Federal FastView

- **Retirement Fairness for Charities and Educational Institutions Act Reintroduced:** Earlier this month, Sens. Britt (R-AL), Cassidy (R-LA), and Peters (D-MI) re-introduced a bipartisan bill ([S.424](#)) to expand investment options for 403(b) retirement plans, often used by nonprofit employers. The bill would expand retirement savings opportunities by allowing 403(b) plan participants to invest in collective investment trusts similar to 401(k) plans. “This commonsense bipartisan bill would help Americans who work for [nonprofits], including many of our hospitals, achieve long-term financial stability,” said Sen. Britt [in the press release](#).
- **Student Debt Repayment Plan Blocked:** A federal circuit court affirmed a lower court’s [preliminary injunction blocking](#) the implementation of early forgiveness provisions of the Saving on Valuable Education (SAVE) plan, a repayment plan created last year by the Biden Administration. More than [8 million borrowers](#) were enrolled in SAVE, which lowered payments for some borrowers earning [Public Service Loan Forgiveness](#). The case now goes back to the district court.
- **Data Privacy Working Group:** The House Committee on Energy and Commerce announced the creation of a [new comprehensive data privacy working group](#) earlier this month. “We strongly believe that a national data privacy standard is necessary to protect Americans’ rights online and maintain our country’s global leadership in digital technologies, including artificial

intelligence,” said Chairman Guthrie (R-KY) and Vice Chairman Joyce (R-PA) in the announcement. Previous iterations of data privacy legislation have included nonprofit provisions. The group “welcomes input from a broad range of stakeholders.”

- **Legislation Reintroduced to Strip Nonprofit Status from Certain Nonprofits:** Earlier this month, Congress reintroduced two bills affecting charitable nonprofits working in immigration services. The Fixing Exemptions Choosing to Enable Illegal Migration (FENCE) Act ([S.497](#)), introduced by Sen. Hagerty (R-TN), would amend 501(c)(3) of the Internal Revenue Code by removing 501(c)(3) status for an organization engaging in a consistent pattern of providing financial or material support to individuals they know to be unlawfully present in the United States. The Protecting Federal Funds from Human Trafficking and Smuggling Act of 2025 ([H.R. 1168](#)), introduced by Rep. Gooden (R-TX), would [require certification that a nonprofit](#) is “in compliance with Federal law with respect to human trafficking, alien smuggling, fraud, bribery, or gratuity, and has not been convicted of an offense” under the Immigration and Nationality Act.
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Worth Quoting

On nonprofit nonpartisanship

- “There’s enough money in politics as it exists right now. ... Ending [nonprofit nonpartisanship] would remove trust in the sector; it would remove the core of our mission-based values.”

— Tiffany Gourley Carter, Public Policy Director at the National Council of Nonprofits, *Nonprofit Quarterly*, [Nonprofits Prepare for a Fight over Tax Policies](#), Feb. 6, 2025.

2025 Nonprofit Finance Fund State of the Sector Survey

Fill out and share this one-of-a-kind survey on the nonprofit sector's health and challenges across a variety of subsectors and geographies. Data are used to advocate for the policies needed to secure nonprofits’ long-term resilience.

Advancing Government Grants and Contracting Reforms

Nonprofits continue to advocate for government grants and contracting reforms at the state level to build relationships with government partners and have greater impact in their communities.

- **Comprehensive Reforms:** Carryover bills for positive comprehensive government grants and contracts reform in **Illinois** and **New Jersey** from last year are now moving. Companion bills in Illinois ([H.B. 2746](#)/[S.B. 1778](#)) would set timelines for agencies to issue grant agreements and review invoices. The bills would apply an interest penalty if 1% for late payments, among other things. See [Support the Community Partner Fair Contracting Act](#) from **Forefront**, the state association for nonprofits, for more information. In New Jersey, [A.4692](#) would establish a *de minimis* cost rate of 15%, prohibit governments from limiting reimbursements of indirect, administrative, or overhead costs, require a nonprofit documentation database, and apply interest penalties, among other things.
- **Nonprofit Ombudspersons:** A bill in **Maryland** would establish the [Nonprofit Organizations Navigator](#) in the state's Department of Commerce to provide technical assistance to nonprofits in obtaining access to and applying for state grant programs, work to resolve procedural complexities and delays, collect and share information on grant opportunities, and represent nonprofit interests and concerns as a member of the Maryland Efficient Grant Application Council. A **Minnesota** bill would establish the [Director of Grants Management](#) within the Department of Administration to oversee implementation, ensure compliance, and be a resource in ensuring public accountability and transparency. Establishing state level nonprofit ombudspersons is a priority of the [National Nonprofit Caucus of State Legislators](#).

- **Grants and Contracting Agreements:** A concerning bill in **Arizona** targeting “nongovernmental organizations” that “operate near the international border” awarded state contracts would be required to submit [quarterly financial reports](#) with a detailed breakdown of all sources of funding and detailed account of all expenditures. Pending legislation in **Colorado** would require the Controller to adopt rules requiring a state agency to [award a nonprofit a retainer](#) and a nonprofit would not be required to complete any portion of the contract prior to receiving the retainer. The nonprofit would be permitted to spend the retainer within one year of receipt. A **Connecticut** bill would [require a review](#) every five years to determine whether the rates of nonprofit human service providers are adequate. The bill would require private provider organizations to receive payments for services within 45 days. A **Vermont** bill ([H.233](#)) would modernize how the state and nonprofits meet commitments by requiring a uniform formula and approval process for all state-funded grants.
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Worth Quoting

On government grants and contracting reform

- “[W]e need to meet the moment by coming together to strengthen government-nonprofit partnerships at the state level ... Rep. Nugent’s bill is a huge step forward toward modernizing the agreements between the State and nonprofits – with the goal of creating efficiency, maintaining accountability, and keeping our eye on serving vulnerable Vermonters.”

— Martin Hahn, Director of Common Good Vermont, [New Bill Would Modernize State’s Grant and Contracting Processes to Improve Services for Vermonters in Uncertain Times](#), Common Good Vermont, Feb. 20, 2025.

Nonprofit Regulations in the States

Several states are advancing legislation around nonprofit regulations.

- A bill in **Hawai`i** would clarify that a platform charity may only solicit donations through a [registered charitable fundraising platform](#).

- Pending legislation in **Indiana** would [restrict community benefits](#) for nonprofit hospitals that are not county owned, critical access, or a rural emergency hospital. Community benefits would only apply to uncompensated care provided by the hospital when the service remains unpaid after 180 days and the hospital received less than the Medicaid reimbursement rate for the service.
 - A bill in **Washington** would [increase permitted raffle prices](#) from \$100 to \$250, charitable raffle revenues from \$5,000 to \$20,000, and the number of bingo, raffles, and amusement games a nonprofit may conduct without a license from two to four per year.
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State Budgets and Priorities

As state legislatures advance legislation, governors are releasing budget frameworks and proposals and signing executive orders that could directly impact charitable nonprofits.

- **Delaware** Governor Meyer released the [state transition plan](#) with recommendations that include creating a “central, online resource” on state grants to strengthen partnerships with entities such as nonprofits. Another recommendation is to “stabilize” the state’s reimbursement system and methodology. The **Delaware Alliance for Nonprofit Advancement’s** (DANA) [response](#) to the transition plan states that many priorities align with DANA’s policy priorities and reinforce the impact of nonprofits in communities.
- **Minnesota**: In early January, Governor Walz signed an [executive order](#) to create a unit under the state Department of Public Safety’s Bureau of Criminal Apprehension, intended to address “theft of public funds or fraud upon Minnesota’s public programs.” The **Minnesota Council of Nonprofits** [reiterated](#) that “state grantmaking is not a handout,” and nonprofits are a “crucial part of state infrastructure and are called on to utilize their expertise and relationships to deliver key services on behalf of the state.”
- **Tennessee**: On Feb. 10, Governor Lee delivered his State of the State address and budget proposal. **Tennessee Nonprofit Network** [highlighted proposals](#) such as \$15 million for the Child Care Improvement Fund Grants to distribute grants to nonprofits to “establish new or improve existing childcare agencies.” Another proposal was \$10 million for Paid Parental Leave to reimburse specific

entities for paid parental leave for eligible employees.

Numbers in the News

103,475

The number of charitable nonprofits that reported a government grant in 2021, according to findings from the Urban Institute.

Source: [What is the Financial Risk of Nonprofits Losing Government Grants?](#), Urban Institute, Feb. 21, 2025.

Worth Quoting

On nonprofit advocacy

- “There’s a lot of work ahead of all of us. How we do that is by telling stories, bringing in that data, and really making the connections with our local representatives about why this sector is so important. Right now, we need a strong charitable philanthropic sector to meet the needs that we have all seen in our communities.”

— Jenn Holcomb, Vice President of Government Affairs at the Council on Foundations, *Nonprofit Quarterly*, [Nonprofits Prepare for a Fight over Tax Policies](#), Feb. 6, 2025.

- “I think it’s incumbent upon us to underscore the fact that our services are provided to people of all political parties. The return on investment is going to benefit the country as a whole. Now is the time for us to gather the success stories, the data, all of the work that you and your members are doing on the frontlines, and for communities to raise their voices, to raise that awareness about the work that the sector provides.”

— Laura Walling, Vice President of Government Affairs at Goodwill Industries, *Nonprofit Quarterly*, [Nonprofits Prepare for a Fight over Tax Policies](#), Feb. 6, 2025.

Worth Reading

- [Federal judge will consider further blocking Trump administration from freezing funds](#), Michael Casey, *Associated Press*, Feb. 21, 2025.
- [Federal judge maintains temporary block on Trump freeze of grants and loans](#), Jennifer Shutt, *States Newsroom*, Feb. 20, 2025.
- [State and Local Finance Officers Struggle With Funding Uncertainties](#), Carl Smith, *Governing*, Feb. 20, 2025.
- [Navigating Workforce Challenges: 2025 Trends and Solutions for the Social Sector](#), Social Current, Feb. 4, 2025.

Advocacy in Action

The Role and Impact of State Associations of Nonprofits

As the last few weeks have shown, news travels fast and there is only so much time to process and respond to the policy proposals and decisions that impact charitable nonprofits' ability to carry out their mission. Some of these impacts take time to sink in while others immediately affect nonprofit finances and operations. When it comes to keeping up with the changes happening at the federal, state, and local level, and filtering the information impacting nonprofits, state associations of nonprofits have convened, informed, and advocated for the sector. Whether it is organizing a day at the Capitol, creating a resource page, or responding to policy decisions, the role of a state association goes beyond their membership.

[Read more](#)

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