Abstract

The nonprofit sector faces unprecedented operational challenges as the federal government shutdown enters its second week, disrupting grant payments, workforce stability, and regulatory oversight. Organizations must navigate immediate cash flow pressures while the administration escalates investigations targeting progressive foundations and advocacy groups. Critical developments include HHS's revised grants policy effective October 1, Massachusetts's new pay transparency requirements beginning October 29, and DOL's aggressive H-1B enforcement initiative. State governments lack capacity to replace federal funding gaps, and philanthropic response remains limited despite sector-wide appeals. November Form 990 deadlines remain in effect despite shutdown complications. Organizations need immediate action on workforce planning, grant compliance, and operational contingencies.

October 6, 2025 Navigator News Update: Including Federal Government Shutdown Impacts and Administration Investigations of Nonprofits and More!

From Nonprofit Management Navigator

Please see Understanding This Information and Disclaimer at the conclusion of the article

Introduction

The federal government shutdown dominates this week's developments, creating cascading operational challenges across virtually every nonprofit sector. With over 11,000 Department of Labor employees furloughed and the Wage and Hour Division reduced from 1,500 staff to just seven, organizations face regulatory oversight gaps alongside funding interruptions. The administration's unprecedented criminal investigation directive against Open Society Foundations and the formal designation of "Antifa" as a domestic terrorist organization signal intensified scrutiny of advocacy nonprofits. Meanwhile, routine compliance obligations continue: HHS's updated Grants Policy Statement took effect October 1, Massachusetts implements pay transparency requirements October 29, and November Form 990 deadlines approach regardless of federal disruptions. Organizations must simultaneously manage immediate shutdown impacts while maintaining long-term strategic planning and regulatory compliance.

Priority Legend

Priority Legend

Priority indicators help nonprofit leaders quickly identify which developments require their most immediate attention based on urgency and operational impact.

🔴 Immediate Action 🟡 Requires Organizational Response 🟢 Monitor and Prepare

---

NOTE: This edition contains an unusually high volume of shutdown-related content, reflecting the widespread impact of the federal government shutdown across all nonprofit sectors.

Nonprofit News

📋 **Executive Summary**: The federal government shutdown creates immediate operational challenges for nonprofits dependent on federal funding, with limited support available from foundations or state governments. Organizations face cash flow pressures, workforce uncertainty, and reduced federal agency responsiveness. The administration has escalated targeting of progressive nonprofits through criminal investigations and expanded domestic terrorism definitions, creating significant legal and operational risks for advocacy organizations.

⚡ **Key Actions for This Section**: Organizations should take immediate steps to protect operations and assess legal exposure:

- Contact federal grant administrators immediately about invoice submission before communications cease
- Review cash reserves, assess operating runway, and explore bridge financing options
- Document all delayed work and reporting deadlines during the shutdown period
- Develop contingency plans for service delivery without federal funding
- Assess organizational exposure to expanded domestic terrorism definitions and investigations
- Strengthen legal counsel relationships for potential First Amendment challenges
- Review all communications and partnerships for potential regulatory scrutiny

🔴 **Managing Nonprofit Operations During and Post-Shutdown**

Nonprofits must immediately contact grant and contract administrators to inquire about submitting invoices for reimbursement before communications cease. Organizations should review federal agency contingency plans to understand operational status, assess cash reserves and operating runway, and explore bridge financing including credit lines, short-term loans, or emergency funding from private donors. Document all delayed work and reporting deadlines while briefing staff on potential payroll implications. Organizations must identify programs at risk of disruption and develop contingency plans for service delivery without federal funding. Nonprofits should proactively communicate with members of Congress about shutdown impacts on communities served.

Once the shutdown ends, nonprofits must immediately reconnect with federal grant administrators to clarify payment timelines, submission deadlines, and any modifications to performance requirements. Organizations should submit accumulated invoices and documentation for delayed reimbursements, track all additional costs incurred during the shutdown period, and document financial impacts for potential future relief claims. Nonprofits must conduct internal debriefs assessing what worked and what didn't during the crisis, identifying lessons learned for future disruptions. Organizations should strengthen financial reserves and operational resilience by diversifying funding sources, building larger cash reserves, and developing formal contingency protocols. Nonprofits must catch up on delayed reporting requirements and resume normal programmatic operations while managing backlogs created during the appropriations lapse.

Source: National Council of Nonprofits, https://www.councilofnonprofits.org/articles/government-shutdown-what-should-nonprofits-do

🟢 Lessons from History: The 35-Day Shutdown That Reshaped Federal Workforce

The 2018-2019 shutdown during Trump's first term lasted a record-breaking 35 days over a border wall funding dispute, affecting 800,000 federal employees and costing the economy $11 billion. The impasse ended January 25, 2019, when air traffic controller sick-outs caused flight delays and Trump signed a three-week funding measure without wall funding. That shutdown saw federal workers lining up at food banks, economic activity permanently lost, and 900 FDA food safety inspections delayed. Nonprofits should study that precedent: liquidity stress intensified dramatically after week two, forcing many organizations to activate emergency credit lines and drastically reduce services to vulnerable populations.

Source: Al Jazeera, https://www.aljazeera.com/news/2025/10/1/a-history-of-us-government-shutdowns-every-closure-and-how-long-it-lasted

🟡 Foundation Response Remains Limited Despite Nonprofit Sector Pleas

Philanthropic sector response to the current shutdown has been modest despite nonprofit calls for emergency support, with most major foundations remaining largely silent on immediate relief measures. Notable exceptions include Bloomberg Philanthropies' commitment to UN climate funding and a coalition of foundations pledging $37 million for public media stations facing closure from earlier federal cuts. Community foundations in Lincoln, Santa Fe, and Central Florida have launched targeted emergency grant programs for organizations demonstrating federal funding disruptions. However, experts note private philanthropy cannot replace government funding that comprises 33% of nonprofit sector revenue. Most foundations cite concerns about establishing precedents for replacing government funding and potential political targeting if perceived as opposing administration policies.

Source: Chronicle of Philanthropy, https://www.philanthropy.com/article/new-emergency-funds-open-as-federal-funding-tightens

🟡 State Governments Lack Resources to Replace Federal Shutdown Gaps

States report limited capacity to backfill federal funding interruptions during the shutdown, with most directing scarce resources toward maintaining essential services like Medicaid processing and emergency management operations. California Governor Newsom issued strong statements criticizing the shutdown but announced no state replacement funding for affected nonprofits. Texas officials confirmed FEMA disaster recovery operations will continue but acknowledged potential slowdowns. States that previously used their own funds to keep national parks open during past shutdowns face budget constraints limiting similar interventions in 2025. State associations of nonprofits are coordinating information-sharing but emphasize that state governments cannot sustainably replace federal appropriations. Organizations should not expect meaningful state financial intervention beyond existing pass-through grants and existing contractual obligations.

Source: Texas Tribune, https://www.texastribune.org/2025/10/01/government-shutdown-texas-congress-benefits-parks-veterans/

🔴 Federal Agencies With Greatest Nonprofit Impact

The Department of Health and Human Services wields the greatest influence on nonprofit operations, furloughing 32,000 of 80,000 employees while administering Medicare, Medicaid, CDC operations, FDA oversight, and NIH research grants flowing to universities and nonprofits. HHS freezes research contracts and grants to external organizations, halts new NIH patient admissions except medical emergencies, and suspends FOIA processing. The Department of Agriculture controls critical SNAP and WIC nutrition programs serving millions through nonprofit partners, though October funding remains available before contingency reserves deplete. The Department of Labor furloughs 11,000 employees, reducing the Wage and Hour Division from 1,500 to seven staff, effectively eliminating oversight nonprofits rely on for compliance guidance. The combination of HHS's massive grant portfolio, USDA's nutrition programs, and DOL's employment law administration creates cascading operational impacts across virtually all nonprofit sectors.

Source: NBC News, https://www.nbcnews.com/politics/congress/government-shutdown-2025-air-travel-social-security-impact-rcna235119

🟢 Shutdown 101: What's Actually on the Table

A comprehensive explainer from USAFacts details critical shutdown mechanics including legislative deadlines, Office of Management and Budget operational directives, and specific federal service impacts across departments. Nonprofit leaders should use this authoritative resource with boards and staff to align organizational messaging, adjust operational workflows including payroll timing and program delivery calendars, and make informed decisions about grant drawdown schedules. The guide clarifies which "essential" services continue versus what halts, helping organizations assess their specific vulnerabilities and communication needs during the funding lapse.

Source: USAFacts, https://usafacts.org/articles/government-shutdown-2025-what-to-know/

🟡 **Unions Sue Over 'Layoff' Threats During Shutdown Prep**

AFGE and AFSCME federal employee unions filed emergency lawsuits against OMB and OPM, arguing that the administration's directive to prepare "reduction in force" plans violates established shutdown protocols and labor protections. For nonprofits partnering with federal agencies, this litigation signals that already-limited agency staffing capacity will shrink further as officials focus on legal defense rather than mission delivery. Organizations should anticipate even longer approval delays and reduced federal partner responsiveness. The suits raise constitutional questions about executive authority that could reshape future shutdown management practices.

Source: Politico, https://www.politico.com/news/2025/09/30/labor-unions-sue-omb-opm-00589170

🔴 **Trump Administration Orders Criminal Investigation of Soros Foundation**

Department of Justice officials directed U.S. attorney offices in multiple states to prepare comprehensive criminal investigations of Open Society Foundations, citing alleged material support for terrorism, racketeering, wire fraud and arson. The unprecedented directive represents a significant escalation in the administration's targeting of nonprofits perceived as political opponents. Progressive organizations face intensified scrutiny as the administration expands traditional definitions of domestic terrorism financing beyond conventional parameters. Legal experts question the constitutional basis for investigations that appear motivated by ideological disagreement rather than evidence of criminal activity, raising First Amendment concerns across the sector.

Source: NPR, https://www.npr.org/2025/09/29/nx-s1-5554232/george-soros-foundations-investigation-doj-trump

🔴 **Administration Labels "Antifa" Domestic Terrorist Organization**

President Trump signed an executive order formally designating "Antifa"—a loosely-defined anti-fascist ideology rather than an organizational structure—as a domestic terrorist organization, dramatically expanding federal investigative authority. The designation enables enhanced surveillance, asset freezing, and criminal prosecution of individuals and nonprofits allegedly associated with the ideology. Organizations advocating for immigrant rights, climate action, racial justice, or opposition to administration policies face potential IRS tax-exempt status reviews, financial sanctions, and referrals for criminal investigation. The broad, undefined nature of the designation creates significant uncertainty about enforcement scope and threatens constitutionally-protected advocacy activities.

Source: Democracy Docket, https://www.democracydocket.com/news-alerts/trump-order-terrorism-network-left-leaning-nonprofits/

Nonprofit Federal Regulatory Developments

📋 **Executive Summary**: Federal agencies published critical regulatory updates immediately before the shutdown, with HHS's revised Grants Policy Statement effective October 1 requiring immediate compliance reviews. OPM and USDA released shutdown contingency plans clarifying which operations continue and which cease entirely. These developments create dual compliance burdens: organizations must simultaneously implement new regulatory requirements while managing shutdown-related disruptions to normal oversight and technical assistance.

⚡ **Key Actions for This Section**: Organizations must address regulatory compliance despite federal workforce disruptions:

- Conduct immediate compliance gap analysis comparing current practices to HHS GPS v2.0 requirements
- Update internal policies, procedures, and staff training for new grant management standards
- Document all attempts to contact federal agencies for prior approvals and technical assistance
- Review USDA contingency plan to identify which programs continue and which pause
- Adjust project deliverable timelines to account for federal workforce unavailability
- Prepare for delayed agency responses on compliance questions and modification requests

🔴 **HHS Grants Policy Statement v2.0 Effective October 1**

The Department of Health and Human Services published its updated Grants Policy Statement effective October 1, 2025, establishing revised requirements for most non-NIH discretionary award recipients with compliance obligations flowing through to subrecipients. The comprehensive policy update modifies prior approval requirements, refines allowable cost principles, adjusts financial and programmatic reporting calendars, and clarifies administrative requirements. Grants management teams should immediately conduct thorough reviews comparing current practices against the new baseline requirements, update internal policies and procedures, provide staff training, and assess subrecipient monitoring protocols. Early compliance gaps can trigger audit findings and potential repayment obligations.

Source: HHS.gov, https://www.hhs.gov/sites/default/files/hhs-grants-policy-statement-oct-2025.pdf

🟡 **OPM Issues Shutdown Instructions to Agencies—Implications for Nonprofits**

The Office of Personnel Management published detailed special instructions for federal agencies implementing workforce management during an appropriations lapse beginning October 1, clarifying distinctions between furloughed employees, excepted employees who work without pay, and employees funded through alternative appropriations. The guidance specifies timekeeping requirements, leave administration policies, and benefits continuation procedures. Nonprofits relying on federal staff for grant agreement modifications, prior approval requests, payment processing, and technical assistance should expect significantly slower response times or complete communication cessation. Document all attempts to reach federal contacts to demonstrate good-faith compliance efforts during shutdown-related delays.

Source: U.S. Office of Personnel Management, https://www.opm.gov/policy-data-oversight/pay-leave/reference-materials/special-instructions-for-agencies-affected-by-a-possible-lapse-in-appropriations-starting-on-10-1-2025/

🟡 **USDA Posts Revised 'Lapse of Funding' Plan**

The U.S. Department of Agriculture published its updated contingency plan detailing which mission-critical functions continue with excepted employee staffing during the shutdown, including meat, poultry and egg inspection services, while numerous other programs pause indefinitely. The plan specifies that research activities, statistical reporting, data analysis and publication, rural development loans, and conservation technical assistance all cease during the lapse. USDA grantees, cooperative agreement holders, and contracting partners should immediately document existing communications with agency personnel, carefully review agreement terms for shutdown provisions, and proactively adjust project deliverable timelines to account for federal workforce unavailability.

Source: USDA, https://www.usda.gov/shutdownplans

Nonprofit Human Resources Developments

📋 **Executive Summary**: The shutdown creates significant human resources compliance challenges, with E-Verify system unavailability affecting employment verification, dramatically reduced DOL and EEOC staffing halting enforcement activities, and uncertainty about workforce stability at federal partner agencies. DOL launched aggressive H-1B enforcement before the shutdown, requiring immediate compliance audits. Federal contractors face WARN Act obligations for shutdown-related workforce adjustments.

⚡ **Key Actions for This Section**: Organizations must maintain HR compliance despite regulatory agency shutdowns:

- Document good-faith E-Verify compliance efforts during system outages

- Conduct immediate H-1B compliance audits of wage payments and documentation
- Review WARN Act obligations for potential shutdown-related layoffs
- Ensure internal discrimination complaint procedures function without EEOC support
- Maintain employment law compliance despite reduced DOL oversight
- Prepare for eventual enforcement backlog when agencies reopen
- Assess decisional and effects bargaining obligations for unionized workforces

🔴 Employer Advisory: Shutdown HR Implications

Leading labor and employment law firm Ogletree Deakins published comprehensive guidance on human resources implications of the federal government shutdown, emphasizing impacts on E-Verify system availability for employment eligibility verification, Department of Labor prevailing wage determinations for government contractors, visa processing delays, and dramatically reduced agency response times. Nonprofits actively hiring staff, managing H-1B or other visa holders, or holding federal contracts should document good-faith efforts to comply with employment verification requirements during system outages. Employers may need to reverify employees after system restoration and should maintain detailed records of E-Verify unavailability to demonstrate reasonable compliance efforts despite technical barriers.

Source: Ogletree Deakins, https://ogletree.com/insights-resources/blog-posts/what-the-federal-government-shutdown-means-for-employers/

🟡 OPM Authorizes RIF Processing During Shutdown

In unprecedented guidance issued September 28, 2025, OPM clarified that agencies may conduct Reductions in Force (RIFs) during the shutdown, with OMB authorizing RIF-related work as "excepted activities." This policy shift raises serious concerns for nonprofits as it combines shutdown uncertainty with potential permanent workforce reductions. Organizations must monitor how federal agency restructuring affects their partnerships, grant programs, and regulatory oversight. The decision suggests increased volatility in federal workforce stability, requiring nonprofits to develop more resilient operational strategies that don't depend solely on consistent federal staffing.

Source: FEDweek, https://www.fedweek.com/fedweek/opm-advises-agencies-on-conducting-rifs-during-shutdown/

🟢 NLRB Issues Ethics Reminder During Appropriations Lapse

On October 1, 2025, the NLRB issued an ethics reminder emphasizing that furloughed employees remain federal employees subject to all ethics laws and regulations. The guidance addresses political activity restrictions under the Hatch Act, outside employment requirements, and prohibitions on using official positions for personal benefit. While this guidance targets federal employees, nonprofits should recognize that ethical standards during organizational disruptions matter deeply for maintaining trust. Organizations experiencing financial challenges must ensure employees understand their ethical obligations regarding outside employment, confidentiality, and proper use of organizational resources during difficult periods.

Source: National Labor Relations Board, https://www.nlrb.gov/documents/2025/10/division-of-administrations/Ethics%20Reminder%20During%20Lapse%20in%20Appropriations%2010.01.25.pdf

🟡 DOL Publishes Department-Wide Shutdown Contingency Plan

The Department of Labor released its contingency plan for the appropriations lapse on September 27, 2025, indicating it will furlough more than 11,000 employees. The Wage and Hour Division reduces from over 1,500 employees to just seven, effectively halting enforcement activities except those involving safety threats. Nonprofits must recognize that wage and hour complaint investigations, compliance assistance, and enforcement actions cease during the shutdown. Organizations should ensure their own compliance with FLSA requirements, as the eventual backlog when WHD reopens may trigger increased scrutiny. Proactive self-audits become especially important when regulatory oversight temporarily disappears.

Source: Jackson Lewis, https://www.jacksonlewis.com/insights/preparing-government-shutdown-key-employment-and-compliance-considerations-federal-contractors

🟡 EEOC Furloughs 95% of Workforce During Shutdown

According to its contingency plan, the Equal Employment Opportunity Commission furloughs approximately 95% of employees during the shutdown, halting charge investigations, scheduled mediations, and FOIA responses. Nonprofits with pending discrimination charges or seeking guidance on employment practices face significant delays. Organizations must manage internal discrimination complaints without EEOC support, emphasizing the importance of robust internal complaint procedures. The shutdown highlights the vulnerability of relying on external agencies for conflict resolution, making investment in internal HR capacity and alternative dispute resolution mechanisms more critical for nonprofit employers.

Source: Jackson Lewis, https://www.jacksonlewis.com/insights/preparing-government-shutdown-key-employment-and-compliance-considerations-federal-contractors

🔴 DOL Launches Project Firewall H-1B Enforcement Initiative

On September 19, 2025, the Department of Labor announced Project Firewall, a sweeping enforcement initiative targeting H-1B visa program compliance. For the first time, the Secretary of Labor will personally certify investigations where reasonable cause exists to believe employers violated H-1B rules. Nonprofits employing foreign nationals on H-1B visas face heightened scrutiny of wage payments, job descriptions, and labor condition applications. Organizations must conduct immediate compliance audits of H-1B practices, ensure proper wage payments, maintain accurate documentation, and prepare for potential unannounced site visits. The initiative's interagency coordination with DOJ, EEOC, and USCIS increases exposure to multi-agency enforcement actions.

Source: Holland & Knight, https://www.hklaw.com/en/insights/publications/2025/09/dol-launches-project-firewall-new-h1b-enforcement-initiative

🟡 **Federal Contractors Face WARN Act and Bargaining Obligations**

Federal contractors experiencing shutdown-related layoffs or furloughs must navigate Worker Adjustment and Retraining Notification (WARN) Act requirements and collective bargaining obligations. Nonprofits with federal contracts should evaluate whether workforce reductions trigger 60-day advance notice requirements under WARN. Organizations with union contracts must assess decisional and effects bargaining obligations even though the NLRB is closed. Contract grievance and arbitration provisions remain enforceable during shutdown, meaning labor disputes continue despite regulatory paralysis. Contractors must carefully plan workforce adjustments, provide required notices, and fulfill bargaining obligations to avoid violations that could be prosecuted after government reopens.

Source: Jackson Lewis, https://www.jacksonlewis.com/insights/preparing-government-shutdown-key-employment-and-compliance-considerations-federal-contractors

---

IRS, Accounting, and Finance Developments

📋 **Executive Summary**: November Form 990 filing deadlines remain in effect despite the government shutdown, though extended shutdown duration threatens tax-exempt determination processing and 2026 filing season preparations. The IRS maintains operations for approximately five days using Inflation Reduction Act funding but faces significant staffing reductions from earlier 2025 workforce departures. Organizations must file returns electronically by deadlines despite reduced IRS support availability.

⚡ **Key Actions for This Section**: Organizations must meet IRS deadlines despite shutdown complications:

- File Form 990 series returns electronically well before November 17 deadline
- Submit Form 8868 extension requests immediately if unable to complete returns
- Monitor determination letter application status through IRS online systems
- Plan for extended processing delays on pending tax-exempt status applications
- Prepare for reduced customer service availability during 2026 filing season
- Document good-faith compliance efforts during pending application periods
- Build additional processing time into filing schedules for post-shutdown backlogs

🔴 **Form 990 November Deadlines Remain Effective Despite Shutdown**

Tax-exempt organizations with fiscal years ending June 30, 2025, face Form 990 series return deadlines of November 17, 2025 (or November 15 if that falls on a weekend), regardless of the government shutdown. While the IRS plans to maintain operations initially, organizations should file electronically well before deadlines to account for potential processing delays if shutdown extends. Electronic filing provides confirmation of timely submission and faster processing when operations resume. Nonprofits unable to complete returns by November deadlines should file

Form 8868 extension requests immediately, recognizing that six-month extensions from the May 15 deadline provide filing time through November 17.

Source: Internal Revenue Service, https://www.irs.gov/charities-non-profits/return-due-dates-for-exempt-organizations-annual-return

AICPA Warns Shutdown Threatens Tax-Exempt Organization Filings

The American Institute of CPAs sent urgent correspondence to Treasury Secretary Scott Bessent on September 28, 2025, expressing concern that an October shutdown would impact timely processing of extended 2024 returns due October 15, tax-exempt organization returns due November 17, and expatriate returns due December 15. The organization emphasized that shutdown delays could significantly hamper the January 2026 filing season and delay critical guidance implementing the One Big Beautiful Bill Act. Nonprofits facing filing deadlines should submit returns immediately and document all communications during the disruption period to establish good-faith compliance efforts.

Source: CPA Practice Advisor, https://www.cpapracticeadvisor.com/2025/09/29/aicpa-expresses-concern-urges-immediate-irs-announcement-of-contingency-plan-in-preparation-for-government-shutdown/169819/

October 15 Extended Return Deadline Unaffected by Shutdown

The IRS confirmed that extended 2024 tax returns remain due October 15, 2025, despite the government shutdown beginning October 1. The agency's contingency plan ensures return processing continues using Inflation Reduction Act funding for at least the first five business days of the appropriations lapse. Taxpayers and organizations with extended returns should file electronically by the deadline to avoid late-filing penalties. Nonprofits should note that even with IRS operations continuing temporarily, phone support and live assistance may be limited, making electronic filing and payment options especially critical during the shutdown period.

Source: Taxpayer Advocate Service, https://www.taxpayeradvocate.irs.gov/news/tax-tips/important-reminders-for-october-extension-filers/2025/09/

Determination Letter Processing May Face Extended Delays

While the IRS maintains operations for five days under its shutdown contingency plan, determination letter applications for tax-exempt status could face significant processing delays extending weeks or months beyond the shutdown period. The agency was already working to minimize delays from previous backlogs when the shutdown began. Organizations awaiting 501(c)(3) determinations should expect extended timelines and plan operations accordingly. Applicants should monitor application status through the IRS online system and consider whether to request private letter rulings or proceed with provisional operational plans while awaiting formal determinations. Organizations should document good-faith efforts to comply with tax-exempt requirements during pending application periods.

Source: Internal Revenue Service, https://www.irs.gov/newsroom/irs-activities-following-the-shutdown

🟢 **Filing Season Preparations at Risk From Extended Shutdown**

The IRS faces critical deadline pressures implementing One Big Beautiful Bill Act provisions, coordinating with tax software companies, and hiring seasonal customer service representatives for the January 2026 filing season. An extended shutdown beyond five days could delay form updates, system modifications, and guidance issuance essential for taxpayers and practitioners. The agency must issue guidance on retroactive provisions including overtime pay deductions, car loan interest deductions, and tip income exclusions. Nonprofits should anticipate potential filing season delays, increased processing times, and reduced customer service availability if the shutdown prevents adequate IRS preparation during the crucial October-December period.

Source: Bloomberg Tax, https://news.bloombergtax.com/daily-tax-report/how-a-shutdown-will-hit-the-irs-and-tax-law-rules-explained

🟢 **IRS Workforce Reductions Compound Shutdown Challenges**

The IRS entered the government shutdown having lost approximately 25% of its workforce since February 2025 through early retirements, deferred resignation programs, and other attrition. More than 8,600 taxpayer services employees departed in 2025, representing 20% of that division. The National Taxpayer Advocate warned Congress in July that taxpayers may struggle obtaining help during the upcoming filing season given these staffing cuts. Nonprofits should expect reduced service levels even after shutdown resolution. Organizations should build additional processing time into filing schedules, rely more heavily on professional tax preparers, and prepare for extended wait times when IRS contact becomes necessary.

Source: Federal News Network, https://federalnewsnetwork.com/government-shutdown/2025/09/irs-shutdown-plan-keeps-employees-working-days-after-funding-lapse/

State Nonprofit News

📋 **Executive Summary**: Massachusetts implements comprehensive pay transparency requirements beginning October 29, creating compliance obligations for nonprofits with 25 or more employees. Texas enacted telemarketing registration requirements affecting SMS and MMS fundraising campaigns. Washington State modernizes overtime exemption rules after 48 years, requiring sustained attention to annually increasing salary thresholds. Massachusetts released its first workforce diversity data report, increasing public scrutiny of nonprofit employment practices.

⚡ **Key Actions for This Section**: Organizations must address state-specific compliance requirements:

- Establish reasonable good-faith salary ranges for all positions before October 29 (Massachusetts)
- Implement disclosure procedures for job postings, promotions, and employee requests
- Assess Texas fundraising communications for registration obligations
- Complete Texas telemarketing registration if required before engaging in solicitations
- Review Washington overtime exemption compliance as thresholds increase annually
- Prepare for stakeholder questions about workforce diversity metrics
- Utilize state-provided implementation tools and online resources

Massachusetts Pay Transparency Law Takes Effect October 29

Massachusetts employers with 25 or more employees must begin disclosing salary ranges in job postings starting October 29, 2025, under the Frances Perkins Workplace Equity Act signed in July 2024. The law requires employers to provide pay range information when applicants apply, upon promotion or transfer, and upon employee request for current positions. Nonprofits must establish reasonable good-faith salary ranges for all positions and implement disclosure procedures immediately. Organizations face penalties up to statutory maximums under state wage law for violations, though a two-year cure period allows two business days to correct defects upon receiving Attorney General notice.

Source: Jackson Lewis, https://www.jacksonlewis.com/insights/massachusetts-pay-transparency-law-takes-effect-october-heres-what-employers-need-do-now

Texas Mini-TCPA Creates Registration and Bonding Requirements

Texas's amended telemarketing law requires entities making telephone solicitations from or into Texas to obtain registration certificates for each physical location and post bonds. The registration requirement now applies to SMS and MMS marketing campaigns, not just voice calls. Nonprofits must determine whether their fundraising communications trigger registration obligations or qualify for exemptions such as solicitations to current or former donors. The law carves out narrow exceptions but broadly captures marketing transmissions intended to induce donations or purchases. Organizations face independent violations for failure to register, carrying penalties up to $5,000 per violation. Nonprofits should immediately assess outreach programs, complete registration applications if required, and update compliance protocols before engaging in text-based solicitations.

Source: Lowenstein Sandler, https://www.lowenstein.com/news-insights/publications/client-alerts/texas-mini-tcpa-goes-into-effect-september-1-2025-what-you-need-to-know-privacy

Massachusetts Publishes First Workforce Data Report and Dashboard

Massachusetts released its inaugural Workforce Data Report in 2025, analyzing EEO-1 data from over 3,000 employers representing 816,000 employee records. The state created a public dashboard allowing filtering by industry, company size, job category, and demographic factors. The report reveals organizational diversity patterns, occupational disparities, and gender gaps across industries. Nonprofits face increased public scrutiny of workforce composition as the state publishes employer-submitted data in aggregated form. Organizations should anticipate stakeholder questions about diversity metrics, prepare explanations for workforce demographic patterns, and consider proactive disclosure strategies. The transparency initiative may influence donor perceptions, grant decisions, and community relations, making workforce diversity efforts increasingly material to organizational reputation.

Source: Massachusetts.gov, https://www.mass.gov/info-details/workforce-data-report

🟢 **Washington State Overtime Rules Modernized After 48 Years**

Washington's 2020 overtime rule updates represent the first major changes to executive, administrative, and professional worker exemptions since 1976. The modernization aligns state rules more closely with federal standards while providing greater worker protections. The Department of Labor & Industries created an eight-year implementation schedule allowing gradual adjustment to higher salary thresholds. Nonprofits benefit from the predictable implementation schedule enabling long-term budget planning, but face ongoing annual compliance reviews as thresholds increase. Organizations should utilize L&I's online overtime resource center, salary threshold implementation schedule, and overtime exempt salary budget tool for planning purposes. The extended transition period provides time for strategic workforce planning but requires sustained attention to changing requirements annually.

Source: Washington Department of Labor & Industries, https://www.lni.wa.gov/workers-rights/wages/overtime/changes-to-overtime-rules

🟢 **Massachusetts Pay Transparency Cure Period Expires 2027**

Massachusetts provides a temporary two-year cure period through October 29, 2027, for pay range disclosure violations, allowing employers two business days to correct defects after receiving Attorney General notice. After October 2027, violations trigger immediate penalties without cure opportunities. The extended grace period recognizes implementation challenges as organizations establish new disclosure practices. Nonprofits should view this period as an opportunity to refine compliance systems, identify common violation patterns, and implement corrective procedures before cure protections expire. Organizations should conduct internal audits testing disclosure accuracy, train hiring managers on legal requirements, and document compliance efforts. Establishing robust processes during the cure period becomes critical as full enforcement begins in late 2027.

Source: Massachusetts.gov, https://www.mass.gov/info-details/pay-transparency-in-massachusetts

---

Summary

The federal government shutdown dominates this week's nonprofit operational landscape, creating immediate cash flow pressures, workforce uncertainty, and regulatory compliance challenges across all sectors. With HHS furloughing 32,000 employees, DOL reducing to skeleton staff, and EEOC shuttering 95% of operations, organizations face unprecedented gaps in federal support and oversight. The administration's criminal investigation of Open Society Foundations and designation of "Antifa" as a domestic terrorist organization signal intensified scrutiny of advocacy nonprofits, creating legal exposure for organizations engaged in constitutionally protected activities. State governments and foundations lack capacity to replace federal funding gaps, forcing nonprofits to rely on internal reserves, bridge financing, and operational contingencies.

Critical compliance obligations continue despite shutdown disruptions: HHS's revised Grants Policy Statement took effect October 1 requiring immediate implementation, November Form 990 deadlines remain unchanged, and Massachusetts pay transparency requirements begin October 29. DOL's aggressive H-1B enforcement through Project Firewall demands immediate compliance audits despite the agency's dramatically reduced operational capacity. Organizations must simultaneously manage immediate shutdown impacts while maintaining long-term strategic planning, regulatory compliance, and workforce stability. The convergence of federal funding interruptions, regulatory policy changes, expanded enforcement definitions, and state-level compliance requirements creates an unprecedented operating environment requiring agile leadership, robust financial reserves, and comprehensive contingency planning.

About Nonprofit Management Navigator

Nonprofit Management Navigator is a trade name of PMG46, LLC doing business as Nonprofit Management Navigator. Nonprofit Management Navigator provides this complimentary weekly subscription service designed for nonprofit leaders. This essential resource provides curated news updates on the legal, regulatory, and operational developments impacting organizations, saving executives time while keeping them informed about the important changes directly impacting their organizations. In addition to timely news, Nonprofit Management Navigator also offers in-depth reports and practical management guidance to help leaders navigate an increasingly unpredictable operating environment. What makes Nonprofit Management Navigator particularly valuable is its commitment to accessibility—the entire service is available as a complimentary subscription, ensuring critical operational intelligence reaches nonprofit leaders regardless of budget limitations during these chaotic regulatory times.

Understanding This Information and Disclaimer

content. While we aim for comprehensive and accurate information, Nonprofit Management Navigator cannot guarantee that every relevant development is included or that all information from our sources is entirely reliable or precise. This report draws on public sources, compiled with the support of artificial intelligence and Nonprofit Management Navigator staff.