

Abstract

Federal regulatory escalation, enforcement expansion, and funding instability are reshaping nonprofit operating risk in 2026. From the March 30 “Illegal DEI” SAM.gov certification comment deadline to expanded False Claims Act enforcement and state Medicaid reductions, nonprofit leaders face unprecedented compliance and financial exposure. This March 9, 2026 Navigator News Update provides curated intelligence across federal oversight, HR risk, IRS delays, donor concentration trends, state regulatory enforcement, and emerging fundraising disruptions. Boards and executive teams must move from passive monitoring to active scenario planning to protect funding, governance integrity, workforce stability, and long-term mission resilience.

March 9, 2026 Navigator News Update: Including the March 30 “Illegal DEI” Certification Comment Deadline, Record False Claims Act Enforcement, and More!

From Nonprofit Management Navigator

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

Introduction

The operating environment for nonprofit organizations continues to tighten across every dimension — regulatory oversight, federal funding stability, workforce retention, fundraising concentration, and state-level compliance enforcement. The developments summarized in this March 9, 2026 Navigator News Update reflect accelerating federal enforcement priorities, unresolved legal ambiguity surrounding DEI compliance, growing ERISA litigation exposure, prolonged IRS processing delays, and significant shifts in charitable giving incentives under the One Big Beautiful Bill Act. Simultaneously, nonprofits must contend with heightened

cybersecurity risk, insurance market instability, donor concentration fragility, state registration enforcement, and generational changes in giving behavior.

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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

Nonprofit News and Federal Regulatory Developments

Executive Summary

Federal oversight of nonprofit organizations continues to intensify in 2026. The March 30 “Illegal DEI” SAM.gov certification comment deadline, expanded False Claims Act enforcement, and Executive Order 14332’s termination-for-convenience clauses materially alter federal grant risk. Simultaneously, DHS shutdown continues, foreign assistance restrictions, and mounting DEI enforcement ambiguity are creating legal and funding uncertainty. Cybersecurity threats and vendor concentration risks compound exposure. Boards must treat federal compliance, funding contingency planning, and governance documentation as immediate fiduciary priorities.

⚡ Key Actions for This Section:

- Conduct immediate legal review of SAM.gov “Illegal DEI” certification implications
 - Audit federal grants for termination-for-convenience clauses under Executive Order 14332
 - Assess exposure to False Claims Act enforcement and strengthen documentation controls
 - Develop contingency funding scenarios tied to DHS shutdown impacts
 - Brief boards on Johnson Amendment litigation and tax-exempt status safeguards
 - Implement board-governed cybersecurity and vendor risk oversight protocols
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● The SAM.gov "Illegal DEI" Comment Deadline Is Three Weeks Away — Has Your Organization Acted?

The GSA's proposed requirement that all federal financial assistance recipients add new "illegal DEI" certifications to SAM.gov carries a public comment deadline of March 30, 2026. False certifications could trigger False Claims Act treble-damage liability across an organization's entire operations — not just federally funded programs. The certification language was revised once since publication but remains substantively unchanged. Nonprofits that have not yet engaged legal counsel to review their programs and evaluate submitting formal comments have very little time remaining.

Source: Venable LLP — [GSA Proposes Adding "Illegal DEI" Certifications to SAM.gov](#) (February 2026)

● The DHS Shutdown Continues (Status as of March 9) — FEMA Reimbursements and the Nonprofit Security Grant Program Remain Frozen

The DHS partial shutdown that began February 14, 2026 — the second federal funding lapse in five months — has entered its 4th week. The funding freeze has halted FEMA reimbursements, frozen new award reviews, and stalled the \$335 million FY 2026 Nonprofit Security Grant Program. State and tribal cost-sharing organizations face the sharpest cash-flow strain, as expenses go unreimbursed for weeks. Even nonprofits funded by non-DHS agencies may experience disruptions through paused joint initiatives and heightened agency-wide risk aversion while the stalemate continues. Contingency planning cannot wait.

Source: Granted AI — [DHS Shutdown Begins: What Grant Seekers Need to Know](#) (February 18, 2026)

● Expanded Foreign Assistance Conditions Now Final — Assess Funding Acceptance Decisions

The State Department's expanded "Protecting Life in Foreign Assistance" award term now applies to all U.S. foreign assistance and requires recipients to certify against performing or promoting abortion as a method of family planning or engaging in certain DEI or "gender ideology" activities. This creates compliance requirements that may conflict with organizational mission or international partner operations. Nonprofits should conduct a legal review of impacted foreign awards, assess programmatic alignment with certification obligations, document board deliberations on funding decisions, and communicate enforcement expectations to global partners.

Source: *Federal Register* — [Protecting Life in Foreign Assistance \(Final Rule\)](#) (January 27, 2026)

● Executive Order 14332 Means Compliance Alone No Longer Protects Your Federal Grants

Signed August 7, 2025, Executive Order 14332 requires all discretionary federal grants to include termination for convenience clauses allowing cancellation whenever an award no longer advances agency priorities or the national interest. Agencies must also designate a senior political appointee to review all new awards and require written justification for each fund drawdown. A fully compliant nonprofit can now lose a federal grant for political reasons alone. Boards must audit grant portfolios for termination clauses and develop contingency plans without further delay.

Source: *Georgia Center for Nonprofits* — [A New Chapter in Federal Grant Oversight: Executive Order 14332](#) (October 2025)

● Political Targeting of Tax-Exempt Status Is Creating a Sector-Wide Chilling Effect

The Trump administration has publicly called for revocation of the 501(c)(3) status of Harvard, the Wikimedia Foundation, and the Open Society Foundations. As Tenenbaum Law Group confirmed, established procedural safeguards — including individual audits and multi-stage appeals — remain intact; revocation cannot happen through executive action alone. However, the chilling effect on advocacy and mission delivery is already measurable sector-wide. Nonprofits perceived as opposing administration priorities should strengthen governance documentation and engage qualified legal counsel proactively to protect their exempt status.

Source: *Tenenbaum Law Group PLLC* — [Nonprofits Under Fire: How the IRS Can and Cannot Revoke Federal Tax-Exempt Status](#) (November 21, 2025)

● AI Is Supercharging Cyberattacks — Most Nonprofits Remain Dangerously Unprepared

Artificial intelligence is dramatically increasing the believability and volume of phishing, deepfake, and social engineering attacks in 2026. Ransomware increasingly employs double extortion — encrypting data while threatening public disclosure of sensitive donor or client information. Aprio's February 2026 analysis documented that most nonprofits remain severely under-resourced for defense. A data breach damages donor trust, triggers regulatory penalties, and can cost critical funding relationships. A formal, board-governed cybersecurity strategy with staff training and a written incident response plan is now a fiduciary necessity.

Source: Weinlander Fitzhugh / Aprio LLP — [Cybersecurity Risk Management for Nonprofits](#) (February 3, 2026)

● A Federal Court Decision on the Johnson Amendment Is Imminent — All Nonprofits Should Be Briefed

A ruling is expected before spring 2026 in *National Religious Broadcasters v. Bessent*, where the IRS agreed to exempt houses of worship from Johnson Amendment enforcement for political endorsements made during religious services. The case was reopened in early February 2026. If approved, the decree could create new dark money pathways through religious nonprofits and trigger equal-protection challenges from secular organizations. The ruling — in either direction — will reshape nonprofit governance obligations. Every nonprofit board should be briefed before the decision is issued.

Source: Perlman & Perlman — [Can New York Save the Johnson Amendment?](#) (February 2026)

● Courts Still Cannot Define "Illegal DEI" — Every Federal Grantee Remains in Legal Darkness

Following January 30 oral argument in *Chicago Women in Trades v. Trump*, the Seventh Circuit confirmed the administration has still not defined what separates lawful DEI from unlawful DEI. WilmerHale confirmed active DOJ DEI investigations were underway by December 2025, with a new DOJ fraud division signaling accelerating enforcement. The government's own filings acknowledge that educational and cultural activities promoting awareness without engaging in exclusion or discrimination remain lawful — currently the most defensible compliance position available to nonprofits receiving federal funding.

Sources: [Ogletree Deakins — Still No Answers: Seventh Circuit Oral Argument Leaves DEI Questions Unresolved](#) (February 18, 2026) | [WilmerHale — False Claims Act: Year in Review](#) (February 9, 2026)

● Vendor Dependency Creates Organizational Blind Spots and Operational Risk

Nonprofits increasingly rely on concentrated sets of technology vendors — CRM platforms, payment processors, and cloud storage systems — creating single points of failure. Plante

Moran's 2025 nonprofit risk assessment identifies vendor and supply chain management among the sector's most pressing concerns, noting the need to monitor vendor security standards and data handling practices. Contracts lacking exit provisions, data portability guarantees, or business continuity requirements leave organizations exposed. Review all critical vendor agreements for resilience and accountability provisions.

Source: Plante Moran — [Common Risks Nonprofits Are Facing in 2025](#) (March 2025)

Nonprofit Human Resources Developments

Executive Summary:

Nonprofit workforce risk is accelerating across burnout, succession planning gaps, compliance exposure, and talent competition. Burnout levels remain elevated amid funding instability and rising service demand. Leadership turnover projections outpace formal succession planning readiness. Federal I-9 enforcement, worker misclassification scrutiny, and expanding pay transparency expectations increase regulatory exposure. At the same time, large-scale federal workforce reductions create a rare recruitment opportunity. HR leaders must integrate compliance discipline, retention strategy, and structured AI oversight into board-level workforce planning.

Key Actions for This Section:

- Conduct organization-wide burnout and workload assessments tied to retention metrics
 - Adopt a written board-approved succession plan and emergency transition protocol
 - Audit Form I-9 compliance and contractor classifications immediately
 - Benchmark compensation and conduct annual pay equity review
 - Establish written AI governance policies for HR processes
 - Evaluate recruitment strategies targeting displaced federal talent
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Nonprofit Staff Burnout Reaches Crisis Levels: An Action Agenda

Sector-wide research confirms nonprofit employee burnout is a leading HR risk, amplified by funding instability, political turbulence, and rising service demand. Boards and executives should: (1) conduct anonymous staff wellbeing surveys; (2) evaluate employee assistance program access and utilization rates; (3) establish workload-monitoring systems

tied to budget planning; (4) build structured peer supervision and support structures; and (5) include burnout and retention metrics in regular board reporting.

)Source: Nonprofit Learning Lab — [Employee Burnout Prevention: Self-Care, Supervision, and HR Strategies](#) (December 26, 2025)

● Succession Planning Gap Puts Organizational Continuity at Risk

Up to 75% of nonprofit leaders plan to leave their positions within the next five to ten years, yet fewer than 30% of organizations have a written succession plan in place. Leadership vacuums erode institutional knowledge, stall programs, and unsettle donors and funders alike. Boards must treat succession planning as a fiduciary duty: adopt emergency transition protocols, invest in leadership development pipelines at multiple organizational levels, and make succession a standing agenda item at every board meeting.

Source: Wipfli — [Leadership Turnover in Nonprofits: Strategies for Succession Planning and Retention](#) (May 2025)

● Federal I-9 Compliance Penalties and Employer Obligations

All U.S. employers, including nonprofits, must complete Form I-9, Employment Eligibility Verification, for every individual they hire to verify identity and employment authorization under federal law. Employers who fail to properly complete, retain, or present Form I-9 when required may face civil penalties for each violation and potentially criminal penalties for deliberate violations. Staying current on Form I-9 requirements and correcting errors promptly is key to reducing compliance risk.

Source: USCIS — I-9 Central <https://www.uscis.gov/i-9-central>

● Independent Contractor Misclassification Crackdown Expands Exposure

Misclassification — treating workers as independent contractors when they are legally employees — triggers liability for back wages, taxes, benefits, and state/federal penalties. States like New York explicitly warn that misclassification exposes employers to unemployment insurance, workers' compensation, tax, minimum wage, and overtime compliance issues. Nonprofits relying on contractors should review relationships against federal and state standards to avoid costly liabilities.

Source: NYS Department of Labor — Employer Misclassification of Workers <https://dol.ny.gov/employer-misclassification-workers>

🟡 DOGE Cuts Create Unprecedented Nonprofit Hiring Opportunity

More than 350,000 federal employees separated from government in 2025 through DOGE-driven workforce reductions. Nonprofit organization Work for America has launched an initiative to connect these displaced workers — many with deep policy, grant administration, and program management expertise — with mission-driven employers. Leaders should: (1) review current vacancies for alignment with federal skill sets; (2) contact Work for America's placement service; and (3) update job postings to highlight mission value and Public Service Loan Forgiveness eligibility.

Source: CNBC — [After DOGE Cuts, Federal Workers Find New Roles](#) (February 12, 2026)

🟡 Pay Equity and Compensation Transparency: No Longer Optional

Widening pay gaps between nonprofit and for-profit sectors, combined with growing legal and donor pressure for compensation transparency, are straining recruitment and retention. Deloitte research shows skills-based organizations are 98% more likely to retain top performers. Nonprofits should: (1) commission a compensation benchmarking study; (2) adopt a written compensation philosophy approved by the board; (3) conduct an annual pay equity audit; and (4) add pay ranges to all job postings to remain competitive.

Source: ADP — [2026 HR Trends Guidebook](#)

🟡 AI in Nonprofit HR: Practical Gains, Real Risks

More than half of nonprofits have integrated AI into operations, and HR is among the fastest-growing adoption areas — from automated screening and reference checks to predictive turnover analytics. Risks include algorithmic bias and the erosion of relational judgment central to mission-driven cultures. HR leaders should: (1) audit AI tools for bias; (2) maintain human review at final hiring stages; (3) train staff on AI-assisted workflows; and (4) establish a written AI usage policy for HR processes.

Source: Korn Ferry — [2026 HR Trends Guide](#)

IRS, Accounting and Finance Developments

📄 Executive Summary:

Litigation exposure, IRS operational delays, federal grant scrutiny, liquidity fragility, donor concentration, insurance instability, and tax compliance risks are converging into a heightened financial risk environment for nonprofits in 2026. ERISA fiduciary

litigation has expanded following a significant Supreme Court ruling. IRS staffing reductions are producing prolonged exemption delays. Federal grant enforcement and Uniform Guidance scrutiny are intensifying. At the same time, donor concentration, liability insurance pricing volatility, and unrelated business income tax risks demand stronger board-level financial governance and forward-looking scenario planning.

⚡ Key Actions for This Section:

- Benchmark 403(b) plan fees and document fiduciary review processes
 - Plan for extended IRS determination delays and file electronically where possible
 - Conduct Uniform Guidance compliance reviews and retain grant documentation
 - Strengthen operating reserves and secure working capital lines of credit
 - Audit donor concentration risk and diversify revenue streams
 - Review liability insurance limits and underwriting documentation
 - Conduct UBIT and Form 990 governance compliance reviews
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● The Supreme Court Lowered the Bar for ERISA Lawsuits — Nonprofit 403(b) Sponsors Are More Exposed Than Ever

Plaintiff firms filed a near-record 155 ERISA fiduciary class action lawsuits in 2025, with more than 30 settling at an average exceeding \$3 million. The Supreme Court's 2025 ruling in *Cunningham v. Cornell University* permits prohibited transaction claims with minimal pleading, broadening exposure for all nonprofit 403(b) plan sponsors. The Northwell Health 403(b) settled for \$2.75 million in 2025. Nonprofits must benchmark recordkeeping fees against comparable plans, document rigorous fiduciary review processes, and consider obtaining fiduciary liability insurance without further delay.

Source: *401(k) Specialist* — [155 ERISA Fiduciary Lawsuits Filed in 2025 as Litigation Broadens](#) (February 9, 2026)

● A Weakened IRS Now Takes Up to 191 Days to Process Exemption Determinations

DOGE-driven staffing reductions cut the IRS workforce from approximately 103,000 to 74,000 employees, compounded by the 43-day government shutdown ending November 2025. The IRS now reports 80% of full Form 1023 determinations take up to 191 days, with paper backlogs exceeding 294,000 items as of December 2025. Nearly two-thirds of senior IRS leadership positions remain vacant. New nonprofits should file electronically, submit complete applications to avoid information requests, and plan for extended delays before launching fundraising or applying for grants.

Source: Skadden, Arps, Slate, Meagher & Flom LLP — [A Depleted IRS May Turn to Expedited Processes to Work Off Dispute Backlog](#) (January 2026)

● Federal Grant Compliance Under Uniform Guidance: A 2026 Refresher

With the federal government intensifying scrutiny of grantee spending and terminating grants for alleged noncompliance, mastery of 2 CFR Part 200 Uniform Guidance is essential. Key risk areas include cost allowability, indirect cost rate agreements, and single audit thresholds. Grant recipients should: (1) review indirect cost rate agreements; (2) ensure financial systems meet internal control standards; (3) complete single audits on time; and (4) retain all supporting documentation for at least three years post-closeout.

Source: Nonprofit Finance Fund — [Federal Grants Management Resources](#)

● Cash Flow Timing Risk Demands Stronger Liquidity Planning

Federal funding disruptions in 2025 exposed deep nonprofit cash flow fragility. The Urban Institute found one in three nonprofits experienced at least one government funding disruption in early 2025 — including delays, pauses, freezes, and stop-work orders — leaving organizations that spend first and seek reimbursement later unable to cover expenses. Federal agencies cannot process payments during a shutdown. Organizations must build operating reserves, establish lines of credit, and develop contingency budgets before the next disruption arrives.

Source: Carr, Riggs & Ingram — [How the Government Shutdown Is Putting Nonprofits at Risk — and What They Can Do Now](#) (October 2025)

● Building Financial Resilience After Federal Funding Disruption

Urban Institute data from October 2025 confirmed one in three nonprofits experienced federal funding disruption during 2025, exposing dangerous single-source dependencies. Building resilience requires: (1) a board-approved operating reserve policy targeting 3–6 months of expenses; (2) scenario budgets reflecting 10%, 25%, and 50% revenue reductions; (3) earned income strategies; (4) individual major-donor cultivation; and (5) working capital lines of credit as a short-term cash flow bridge.

Source: Urban Institute — [How Government Funding Disruptions Affected Nonprofits in Early 2025](#)

● Donor Concentration Risk Grows as the Donor Base Narrows

Fundraising dollars are rising — but from a shrinking pool. The Fundraising Effectiveness Project's midyear 2025 report found total dollars raised increased 2.9% while donor counts fell 1.9%. Repeat donors now account for more than 60% of fundraising revenue, while new donor retention stands at just 11%. Organizations raising more money from fewer supporters face acute volatility: one major donor's departure can destabilize an entire budget. Boards should audit revenue concentration now and accelerate diversified donor acquisition strategies.

Source: NonProfit PRO / Fundraising Effectiveness Project — [Midyear Data Shows Signs of Stability With Donor Loss Slowing](#) (October 2025)

● Nonprofit Insurance Market Reaches Crisis Point for Liability Coverage

Human services nonprofits face a deepening liability insurance crisis. A 2025 national survey found respondents reporting average premium increases of 163% since 2019, with some seeing increases of 200–1,800%. Abuse and professional liability coverage is projected to rise an additional 15–20%; umbrella coverage 20–30%. Carriers are reducing limits, declining renewals, and exiting the nonprofit market. Organizations should conduct a coverage gap analysis, document risk mitigation practices for underwriters, and explore group purchasing cooperatives.

Source: Social Current — [The Ongoing Crisis of Nonprofits and Liability Insurance](#) (August 2025)

● Unrelated Business Income Tax: Hidden Liability Traps for Nonprofits

The IRS continues scrutinizing UBIT compliance, especially as nonprofits pursue earned revenue to offset federal funding losses. Any activity generating \$1,000 or more annually from a trade or business not substantially related to the exempt mission may require Form 990-T and tax payment. Finance staff should: (1) audit all revenue streams; (2) assess whether activities are regularly carried on; (3) apply applicable exclusions; and (4) file 990-T where required alongside the annual return.

Source: Brady Martz — [Tax Considerations for Nonprofits: Understanding IRS Compliance in 2025](#)

● Form 990: Your Most Important Public Governance Document

The IRS Form 990 is scrutinized by donors, watchdog organizations, major grant makers, and regulators — yet many boards treat it as a routine tax filing. Finance committees should: (1) review the 990 before filing, not after; (2) ensure Part VI governance questions accurately reflect board practices; (3) use program expense ratios proactively in donor communications; (4) confirm Schedule D properly discloses donor-advised fund

arrangements; and (5) engage auditors early to reconcile financial statements with 990 reporting.

Source: [IRS — 2025 Form 990 Instructions](#)

State Nonprofit News

Executive Summary:

State-level compliance and fiscal pressures are intensifying across charitable solicitation registration, Medicaid funding reductions, fundraising platform enforcement, and DEI-related legislation. Online fundraising continues to trigger multi-state registration obligations, while California's AB 488 enforcement and Hawaii's new platform law demonstrate increasing regulatory scrutiny. Medicaid reductions and structural state deficits limit the likelihood of state backfilling federal cuts. Boards must treat state compliance, digital fundraising registration, and state-specific funding exposure as active governance responsibilities rather than administrative afterthoughts.

Key Actions for This Section:

- Conduct a multi-state charitable solicitation registration gap analysis
- Review online "Donate Now" functionality for nationwide compliance exposure
- Model state-specific Medicaid funding risk and board-level contingency scenarios
- Confirm compliance with California AB 488 and other platform regulations
- Monitor emerging state anti-DEI legislation impacting education or public partnerships
- Update compliance calendars to reflect new state disclosure and reporting requirements

Multi-State Charitable Solicitation Registration: The Online Fundraising Trap

Forty-one states plus the District of Columbia require nonprofits to register before soliciting charitable contributions, and a 'Donate Now' button on your website may constitute solicitation in every state. Boards resisting registration should note that increased regulatory oversight and digital transparency make noncompliance riskier than ever. Leaders should: (1) conduct a registration gap analysis; (2) register in all active solicitation states; (3) update solicitation disclosure language; (4) set a compliance calendar; and (5) consider a professional compliance filing service.

Source: *Cogency Global* — [Addressing Board Concerns: Fundraising Compliance](#) (January 8, 2026)

● Medicaid Cuts Are Already Hitting States — Nonprofit Providers Must Scenario Plan Now

The OBBBA's projected \$911 billion in federal Medicaid reductions over ten years is already producing state-level rate cuts. North Carolina imposed across-the-board cuts in October 2025, reversed them only after legislative intervention, and projects funding will run short again by April 2026. Pew's analysis confirms states face compounding fiscal deficits with declining flexibility to respond. Nonprofits providing human services, behavioral health, or home care must build state-specific Medicaid exposure scenarios into their financial models and communicate that risk explicitly to boards and funders.

Source: The Pew Charitable Trusts — [How States Are Assessing the Impact of Federal Policy Changes](#) (November 24, 2025)

● California AB 488 Enforcement — Fundraising Platform Compliance Is Mandatory

Enforcement actions under California's AB 488 demonstrate that fundraising platform compliance requirements are actively applied, including verification of a charity's good standing with the California Attorney General, Franchise Tax Board, and IRS before solicitation occurs. Platforms must also provide required donor disclosures and obtain written consent from listed charities. Nonprofits using third-party fundraising platforms should confirm platform registration status, verify their own registry compliance, review donor receipt disclosures for required language, and ensure ongoing adherence to Attorney General registry obligations to avoid disruption of online fundraising activities.

Source: Charity Lawyer Blog — [AB 488 Update: Enforcement Activity and the Spread of Platform Regulation Beyond California](#) (December 22, 2025)

● States Cannot Replace Federal Funding — Their Own Fiscal Reserves Are Running Out

Pew's November 2025 analysis confirmed that H.R. 1 is creating new mandatory Medicaid and SNAP spending obligations for states while reserve funds deplete. New Mexico projects new recurring costs exceeding \$1 billion annually by 2029, and multiple states face structural multi-year deficits. Record-high reserves can serve only as a temporary bridge. Nonprofits whose contingency plans assume state governments will backfill federal funding cuts are planning on a foundation that does not exist and must revise their financial strategies immediately.

Source: The Pew Charitable Trusts — [How States Are Assessing the Impact of Federal Policy Changes](#) (November 24, 2025)

● Anti-DEI Legislation Continues Across Multiple States

State legislatures nationwide continue to introduce and enact measures that restrict or ban certain diversity, equity, and inclusion (DEI) initiatives in higher education and other public sectors. As of 2025, dozens of bills targeting DEI offices, training, and hiring practices have been proposed, with multiple enacted laws documented across states. Nonprofits with education or public sector partnerships should monitor these developments and consult legal counsel regarding program compliance.

Source: Chronicle of Higher Education — Here are the states where lawmakers are seeking to ban colleges' DEI efforts <https://www.chronicle.com/article/here-are-the-states-where-lawmakers-are-seeking-to-ban-colleges-dei-efforts>

● Texas Senate Bill 12 Restricts Certain Instruction in Public Schools (2025)

Texas Senate Bill 12, enacted in 2025, imposes restrictions on public school instruction regarding sexual orientation and gender identity and affects student organizations tied to those identities. The law took effect September 1, 2025. Legal challenges have been filed regarding aspects of the statute. Nonprofits partnering with K-12 programs in Texas should evaluate potential program and contractual implications.

Source: Texas Senate Bill 12 Overview https://en.wikipedia.org/wiki/Texas_Senate_Bill_12

● Ohio Senate Bill 1 Restricts DEI in Public Higher Education (2025)

Ohio Senate Bill 1 (2025), known as the Advance Ohio Higher Education Act, prohibits diversity, equity, and inclusion-based hiring and admissions in Ohio public colleges and universities and took effect June 27, 2025. The law limits DEI initiatives within the state's public higher education system. Nonprofits engaged with Ohio higher education institutions should assess potential compliance considerations.

Source: Ohio Senate Bill 1 Overview
[https://en.wikipedia.org/wiki/Ohio_Senate_Bill_1_\(2025\)](https://en.wikipedia.org/wiki/Ohio_Senate_Bill_1_(2025))

Weekly Theme Section: Fundraising & Donor Engagement — Key Trends for Nonprofit Leaders

The following represents a new section which we are adding to the weekly Nonprofit Management Navigator News Update. Every week, we will be devoting this section to a single

topic of critical importance to the success of nonprofits in 2026 and beyond. This week the focus is on nonprofit fundraising and donor engagement and the many significant changes impacting traditional approaches to nonprofit fundraising. The summaries which follow represent a sample of the many different aspects of this critically important issue

Executive Summary:

Fundraising in 2026 is being reshaped by expanded False Claims Act enforcement, major changes to charitable deduction incentives under the One Big Beautiful Bill Act, rapid AI adoption without governance safeguards, accelerating donor concentration risk, and generational shifts in giving behavior. Donor-advised funds continue to grow at record levels, while small donor contraction and high-net-worth participation declines create long-term structural fragility. Corporate giving strategies are shifting under DEI scrutiny. Development teams must modernize governance, diversify pipelines, and strengthen compliance discipline immediately.

Key Actions for This Section:

- Strengthen grant compliance controls to mitigate False Claims Act exposure
- Update donor communications to reflect new OBBBA charitable deduction rules
- Implement formal AI governance policies for fundraising operations
- Integrate donor-advised fund cultivation into development strategy
- Prioritize recurring giving conversion and retention strategies
- Diversify donor pipelines beyond high-net-worth concentration
- Review state charitable solicitation compliance for digital campaigns

Federal Grant Compliance: Record FCA Enforcement Signals Growing Risk for Nonprofits

The U.S. Department of Justice recovered a record \$6.8 billion under the False Claims Act in FY 2025 — the highest annual total in the statute's history — with grant-related matters explicitly named among enforcement priorities heading into 2026. A record 1,297 whistleblower lawsuits were filed, signaling a robust pipeline of future cases.

For nonprofits receiving federal or pass-through funding, this enforcement surge demands urgent action: tighter internal controls, restricted fund tracking, staff training, and documented compliance procedures. Organizations that cannot demonstrate faithful stewardship of grant conditions face substantial liability, including treble damages, even where misconduct was not intentional.

Source: [Morgan Lewis – FCA Enforcement and Litigation Trends Coming Out of 2025 \(February 2026\)](#)

AI-Powered Fundraising: Nonprofits Adopt Widely But Governance Lags Dangerously Behind

A new benchmark study from Virtuous and Fundraising.AI, released February 16, 2026, found that 92% of nonprofits now use artificial intelligence in some capacity — yet only 53% have a formal AI governance policy, and 81% use AI individually without shared organizational workflows. Just 7% report major improvements in overall organizational capability from AI.

The governance gap creates legal, reputational, and operational risk. Boards and senior leadership are urged to treat AI not as an experiment but as infrastructure requiring formal policies, cross-functional oversight, and clear documentation standards. Nonprofits that fail to move from ad hoc experimentation to structured AI integration risk falling further behind while exposing their organizations to unmanaged data and donor privacy risks.

Source: [PR Newswire / Virtuous & Fundraising.AI — 2026 Nonprofit AI Adoption Report \(February 16, 2026\)](#)

One Big Beautiful Bill: A New Era for Charitable Giving Incentives — and New Complications

Signed into law on July 4, 2025, the One Big Beautiful Bill Act (OBBBA) introduces the first meaningful expansion of charitable giving tax incentives for non-itemizing taxpayers in years. Beginning in 2026, non-itemizers can deduct up to \$1,000 (individual) or \$2,000 (joint filers) for direct cash gifts to qualified nonprofits — potentially re-engaging the nearly 86% of Americans who do not itemize.

The legislation simultaneously imposes new constraints on major donors: a 0.5% AGI floor before itemized deductions apply and a cap reducing the maximum deduction benefit to 35% for top-bracket filers. Development teams must retool donor communications to capitalize on the new above-the-line deduction for mid-level donors while proactively advising major donors on the reduced value of large gifts under 2026 rules.

Source: [Tax Foundation — Changes to Charitable Giving Under the One Big Beautiful Bill Act \(November 2025\)](#)

Donor-Advised Funds Under New Tax Rules: Strategic Opportunity Amid Policy Complexity

The OBBBA's new charitable deduction floor and cap — effective January 1, 2026 — materially alter the calculus for donor-advised fund contributions. The new 0.5% AGI floor and the reduction of the itemized deduction value to 35% for top-bracket donors effectively reduce the tax efficiency of DAF contributions by 7–10% for high-net-worth donors, while the universal deduction for non-itemizers explicitly excludes DAF gifts.

Nonprofits dependent on DAF distributions face the challenge of educating mid-level donors about the direct gift deduction newly available to non-itemizers. Organizations must update solicitation materials and gift planning guidance promptly to remain relevant partners in donor strategy under the new framework.

Source: [Daffy.org — OBBBA Is Telling Donors One Thing: Get a DAF \(January 2026\)](#)

DAF Giving Hits New Record: \$18.3 Billion in 2025 Grants — Up 23%

Fidelity Charitable granted a record \$18.3 billion to nonprofit organizations recommended by donors in 2025, a 23% increase over 2024's already historic levels. The platform now supports nearly 227,000 charitable organizations annually. This surge follows 2024's \$14.9 billion in grants — itself a 25% year-over-year gain — confirming donor-advised funds as one of the fastest-growing philanthropic delivery vehicles in American philanthropy.

Nonprofits that have not yet formally integrated DAF cultivation into their development strategies are leaving significant resources uncaptured. Accepting DAF gifts through integrated giving platforms, articulating measurable outcomes for DAF donors, and recognizing DAF holders as major gift prospects are now table-stakes practices, not optional enhancements. Beginning July 1, 2026, Fidelity Charitable will require electronic funds transfer enrollment for all grant recipients — another operational deadline nonprofits must address now.

Source: [Fidelity Charitable — Nonprofit FAQs / 2026 Giving Highlights \(2026\)](#)

Fewer, Bigger Gifts: Donor Base Contraction Poses Long-Term Fundraising Risk

Data from the Fundraising Effectiveness Project through the second quarter of 2025 shows total dollars raised grew 2.9% while the number of donors declined 1.9% — continuing a multi-year structural trend. Small donors (giving \$1–\$100) fell by 10.5% year-over-year, while the smallest donor group now comprises more than half of all donors by count but a shrinking share of revenue. New donor acquisition fell 10.7% and new retained donors dropped 10.2%.

The sector's growing reliance on a narrowing pool of major donors creates a structural fragility that no organization can afford to ignore. A single market correction or major donor departure can produce immediate revenue shortfalls. Development teams must

simultaneously sustain major gift cultivation and reinvest in mid-level and small donor acquisition — a dual strategy that demands budget and staff resources many organizations have not yet committed.

Source: [Funding for Good — Nonprofit Fundraising Trends for 2026 \(December 2025\)](#)

High-Net-Worth Donor Concentration: Gains Mask a Fragile Fundraising Foundation

According to the 2025 Bank of America Study of Philanthropy, affluent household participation in charitable giving fell to 81% in 2024, down from 91% in 2015 — the lowest recorded level in a decade. While high-net-worth donors who are still giving have increased their generosity by 30%, participation is declining. GivingTuesday's State of Generosity 2024–2025 report places global philanthropic giving at \$2.3 trillion, but individual participation rates are declining even as total dollars rise.

Nonprofits that have reconfigured their development programs around major donors must now confront the pipeline risk: as fewer wealthy households participate at all, the supply of future major donors becomes increasingly uncertain. Building multi-tiered donor engagement strategies that cultivate mid-level donors as future major donors — and expanding the prospecting net beyond existing affluent lists — is an urgent strategic imperative for development leadership.

Source: [NonProfit PRO — 12 Revealing Nonprofit Stats From 2025 \(December 2025\)](#)

Corporate Philanthropy in Transition: DEI Scrutiny Reshapes Giving Strategies

A Conference Board survey of 82 corporate citizenship leaders conducted in July–August 2025 found that 55% say increased federal scrutiny of DEI programs has materially affected their corporate giving strategies. More than a quarter are stepping back from socially or politically sensitive giving, while 60% now coordinate philanthropy through legal and compliance oversight — a significant structural change in how corporate grants are authorized and governed.

Nonprofits dependent on corporate partnerships are navigating a risk-sensitive environment where program framing, language choices, and grant eligibility criteria are shifting rapidly. Grants to BIPOC-led organizations and climate justice initiatives slowed in growth relative to prior years, while STEM training and community improvement climbed in priority. Development teams must reassess messaging, diversify corporate relationships, and demonstrate alignment with evolving corporate risk and ESG priorities to maintain funding stability.

Source: [The Conference Board — Corporate Citizenship in Transition: Lessons from 2025. Planning for 2026 \(September 2025\)](#)

Monthly Giving Programs: The Highest-Return Retention Investment in Today's Environment

Monthly giving now accounts for approximately 31% of online nonprofit revenue, up from 27% two years ago, while one-time giving has remained flat or declined in some sectors. Recurring donors demonstrate retention rates vastly superior to one-time givers, and are retained at a 63% rate when given a structured welcome series — compared to an 18% average first-year retention rate for single-gift donors, according to BetterWorld research.

The subscription economy has fundamentally shifted donor expectations: monthly giving is now expected infrastructure, not an upsell. Nonprofits that convert year-end and GivingTuesday donors into recurring supporters using targeted welcome sequences and frictionless giving experiences are generating the most reliable revenue growth. Organizations that have not optimized recurring giving as a default ask on their donation forms are likely forfeiting significant sustainable revenue.

Source: [BetterWorld — 2025 Roundup: Key Nonprofit Trends & 2026 Forecast \(December 2025\)](#)

Millennial and Gen Z Donors Are Rising — But Require a Completely Different Engagement Model

Giving USA Foundation's Giving by Generation report finds that millennial average household giving rose 22% in 2024 to \$1,616 per donor — now surpassing Gen X giving despite lower incomes — while Gen Z donors averaged \$867 annually, up 16%. The Great Wealth Transfer of an estimated \$84 trillion over the next two decades will accelerate these generations' philanthropic influence well beyond current dollar amounts.

These younger donors give through smartphones and peer platforms, respond to creator-led campaigns and social media, support causes over institutions, and prioritize impact transparency and measurable outcomes. Nonprofits whose digital giving infrastructure and engagement strategies remain calibrated to Boomer and Gen X preferences will increasingly struggle to acquire and retain the next generation of donors — a risk that compounds annually as bequests and wealth transfer accelerate.

Source: [Candid — Shifts in Giving Across Generations: What Motivates Donors to Give? \(2025\)](#)

State Solicitation Enforcement Steps Up: Online Fundraising Compliance Is Now a Legal Imperative

State enforcement of charitable solicitation registration requirements has intensified significantly, with California treating online platform compliance as an active enforcement priority rather than a filing formality since implementing AB 488 regulations. Hawaii's comparable charitable fundraising platform law took effect January 1, 2026. Social media donation scams — now flagged by the FTC and multiple state attorneys general — are prompting heightened regulatory scrutiny of how platforms handle charitable transactions.

Nonprofits conducting national digital fundraising campaigns face compounding compliance risk: 41 states and the District of Columbia require registration before soliciting residents, yet many organizations remain unregistered in states where they actively solicit online. Penalties include substantial fines, required back-registration, and potential bar from soliciting within a state. The board and executive leadership team must ensure that compliance review is current in every jurisdiction where the organization is fundraising digitally.

Source: [CharityLawyer Blog — Social Media Donation Scams: Legal Duties of Platforms and Charities in 2026 \(January 2026\)](#)

Nonprofit Workforce Under Strain: Fundraising Staff Retention Reaches Crisis Point

The 2026 Nonprofit Compensation & Talent Strategies Report from Career Blazers Nonprofit Search finds that nearly half (45%) of organizations still report difficulty finding qualified candidates, with fundraising and program management roles among the hardest to fill. Candid research based on the 2026 Social Impact Sector Report survey found that only 32% of nonprofit employees plan to definitively remain in the sector — a troubling decline even from 35% in 2023.

Development staff turnover is particularly costly: the departure of a fundraiser with four or more years of tenure can cost an organization up to five times their salary in lost revenue. The 2025 Nonprofit Leadership Impact Study by NonProfit PRO found that 55% of nonprofit leaders cite competitive compensation as a major staffing barrier. Executive teams must treat fundraising staff retention as a strategic financial risk, investing in compensation equity, workload sustainability, and career development before departure disrupts donor relationships.

Source: [Candid — Nonprofit Employees Survey: Staff Turnover Ahead \(October 2025\)](#)

Summary

The March 9, 2026 Navigator News Update reflects an operating environment defined by escalating federal enforcement, unresolved DEI legal ambiguity, expanded False Claims Act exposure, prolonged IRS processing delays, and

structural shifts in charitable giving incentives. Simultaneously, state-level compliance enforcement, Medicaid reductions, donor concentration risk, and cybersecurity vulnerabilities are increasing financial and governance pressure across the sector.

Workforce burnout, succession planning gaps, ERISA litigation exposure, liability insurance volatility, and AI adoption without governance safeguards further compound organizational risk. Fundraising strategies must adapt to donor-advised fund growth, generational giving shifts, corporate philanthropy restructuring, and new federal tax deduction rules under the One Big Beautiful Bill Act.

Boards and executive leadership teams must move beyond passive awareness toward structured oversight, scenario planning, and documented compliance discipline. Organizations that proactively strengthen governance, diversify revenue streams, formalize AI and cybersecurity policies, and align compliance systems with evolving regulatory standards will be best positioned to preserve funding stability and advance mission performance in 2026 and beyond.

About Nonprofit Management Navigator

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