



GENERAL

More Good Litigation News for the Charitable Sector

07.21.26 | Linda J. Rosenthal, JD



Last week, we reported on several important court victories for the charitable-nonprofit sector that were handed down on Tuesday, June 30, 2026. See [*Good News in Pushback on Government Overreach*](#) (July 16, 2026). We'll recap them below in the next paragraph.

Since then, there have been additional courtroom wins of interest to the nation's 501(c)(3) organizations. Of particular note is one published Friday, July 17th, and another released yesterday, Monday, July 20th.

The Monday ruling is the latest win against the Trump administration's assault on "sanctuary city" policies. Happily, it's not the only victory on this issue since there have been a string of them recently. But it's particularly noteworthy because it involves the high-profile Twin Cities area, so much in the news this year on immigration-related issues. We'll cover the new ruling in the succeeding paragraph.

The earlier decision – on Friday, the 17th – is a "landmark" defeat for the White House in its relentless assault on already appropriated funding of what it considers "disfavored" organizations or "woke" activities. In the final section of this post, we'll introduce this important ruling: [*State of New Jersey et al v. Office of Management and Budget et al*](#), (July 17, 2026) *Memorandum & Order*, United States District Court, District of Massachusetts, Hon. Indira Talwani, Civil Action No. 1:25-cv-11816-IT.

Recap of June 30th Wins

On June 30, 2026, the U.S. Supreme Court wrapped up its current term by upholding the constitutional right to birthright citizenship in [*Trump v. Barbara*](#). That is a position that many 501(c)(3)



immigrant-rights and civil-liberties groups have diligently supported over the years.

That same day, there were also lower court rulings in Massachusetts and in the District of Columbia striking down the Trump administration's latest attempt to mess up the popular Public Service Loan Forgiveness Program (PSLF). See [Memorandum of Decision](#) [68 pp. PDF] (June 30, 2026) by Judge Myong J. Joun of the federal district of Massachusetts; and [Memorandum Opinion](#) [20 pp. PDF] (June 30, 2026) by Judge Amir H. Ali of the federal district of the District of Columbia.

"Without any legal basis or authority, and in direct contravention of the clear and mandatory language of the PSLF statute, the White House purported to give the Secretary of Education, Linda McMahon, sole and unfettered discretion to tweak the eligibility criteria with the effect of excluding disfavored organizations." The day before the effective date, July 1st, of a harsh new Final Rule, this change was thwarted. Both federal district judges vacated the proposed Final Rule, confirming that the existing Biden-era regulations – which had introduced major fixes to the once-beleaguered PSLF Program – are still in effect and will continue to be valid going forward.

New: Sanctuary Cities Victory

Notwithstanding the Tenth Amendment to the U.S. Constitution, the Trump administration has sought repeatedly to insert itself – (translation: block) – state and local policies that are contrary to its own laundry-list of brand-new "public policy" initiatives and priorities.

In particular, the White House has been laser-focused on achieving its controversial and draconian immigration policies. Many localities have resisted these attempts by adopting "sanctuary city" designations. The Trump administration has tried to take action but sometimes failed. In April 2025, for instance, "a federal judge rejected the president's attempts to withhold federal funding from cities refusing to support immigration enforcement."

The Trump administration has filed a series of lawsuits – dozens of them – to thwart these actions and to force local police to cooperate with federal immigration-enforcement agencies and activities. But in a string of recent cases, the federal government has lost, seeing its cases dismissed on constitutional and well as procedural grounds. For example, last month on June 22, 2026, a federal judge in California threw out the Justice Department's lawsuit to block what it called Los Angeles's "illegal 'sanctuary city' law". Similarly, on May 28, 2026, a Massachusetts federal judge threw out the administration's lawsuit against the City of Boston's ordinance.

Then yesterday, on July 20, 2026, a federal district judge in Minnesota ruled against the Trump administration in a lawsuit it had filed against: the state of Minnesota, the cities of Minneapolis and St. Paul, the sheriff of Hennepin County, and the state attorney general, Keith Ellison. See [Judge tosses feds' suit over Minnesota 'sanctuary city' policies](#) (July 20, 2026) Ryan Leutkenmeyer, [courthousenews.org](#). Chief Judge Eric Tostrud, in his 56-page order dismissing the claims, "said forcing state and local officials to enforce federal immigration law violates the Tenth Amendment of the U.S. Constitution, which establishes a balance of power" between the federal government and individual states.

In a "measured ruling – especially when compared to recent orders from some of his colleagues – the Donald Trump appointee said the challenged laws and ordinances do not discriminate against the



federal government, and are entirely within the state's right. "The preemption claims fail for several reasons, but primarily because, as the United States construes its assertedly preemptive laws, they violate the anti-commandeering doctrine," he wrote.

See also: [Judge dismisses Trump administration's 'sanctuary city' lawsuits against city, county, state offices](#) (July 20, 2026) Jon Collins, [mprnews.org](#): "The administration argued that federal law preempts such local policies and laws and that they burden the federal government." But "... the government's preemption claims 'failed.'" The local laws "... do not command the federal government or its contractors to act. They do not forbid the federal government or its contractors from acting. They do not control how the federal government or its contractors undertake their work. Rather," explained Judge Tostrud, "they regulate how state and local officials perform their duties."

There was [no immediate response to requests for comments](#) either by the the Justice Department nor the Minnesota Attorney General's Office.

New: "Landmark Ruling" on Funding Terminations

[Project 2025](#) was a 900-page blueprint for the second Trump administration's "Shock-and-Awe 2.0" strategy.

Several years in the making, it was formally released ahead of the presidential election in the summer of 2024. A few weeks after Election Day, the incoming administration made clear that Project 2025 would take center stage. A key tactical goal was to be the advancement – indeed, control – of the returning president's "favored" ideas, people, and entities. Simultaneously, that goal would include tangling up the interests of the "disfavored," choking off their financial support.

Recall, for example, the infamous OMB Memorandum (M-25-13) (January 27, 2025): [Temporary Pause of Agency Grant, Loan, and Other Financial Assistance Programs](#) [2 pp. PDF]. We discussed it in [Federal Funding "Pause": Five-Alarm-Fire, Doused for Now](#) (February 4, 2025) *FPLG Blog*: "Just a week after Inauguration Day, the government launched a particularly destructive missile into the air. The Office of Management and Budget directed the heads of each executive department or agency to 'pause' spending for a little while so the newly elected folks could mull over whether spending on this or that is a good idea."

This trajectory has continued – even intensified – over the days, weeks, and months since then. Previously appropriated and awarded grants and contracts on a wide swath of "disfavored" programs and projects were on the immediate chopping block.

"As part of the Administration's [slash-and-burn campaign to indiscriminately cut federal grants](#), [...] has "terminated thousands of grant awards made to Plaintiffs, pulling the rug out from under the States, and taking away critical federal funding on which States and their residents rely for essential programs."

There have been many direct challenges by state and local governments as well as by other interested stakeholders including 501(c)(3) organizations and individuals suffering direct and immediate harm. Some have been successfully thwarted via injunctive relief, but it's a long and



difficult process on a one-by-one basis. And while the brakes have been applied in those sporadic victories, many more unlawful and unfair terminations have been put into effect with devastating consequences.

In late June of 2025, a coalition of twenty states, three governors, and the District of Columbia chose a different approach. They filed a lawsuit on June 24, 2025, against Defendants U.S. Office of Management and Budget (“OMB”), Russell Vought in his official capacity as Director of the OMB, and various grant-making Executive Branch agencies and their heads in their official capacity.” See also First Amended Complaint for Declaratory and Injunctive Relief (July 28, 2025).

The plaintiffs’ primary requested relief in Count I was “Declaratory Judgment” under 5 U.S.C. § 703 and 28 U.S.C. § 2201. More specifically, they asked Judge Indira Talwani of the District of Massachusetts to rule that the Trump administration’s abrupt and arbitrary terminations of already appropriated and awarded federal grants were unlawful across the board and must stop immediately. While this approach would not thereby recover lost grant funds, it could stop the White House in its tracks in connection with additional billions in dollars at imminent risk.

It took almost a year to come to its conclusion (at the district-court level), but the result was a sweeping and unequivocal victory for the plaintiff state governments. See Memorandum & Order dated July 17, 2026. It was also a resounding rejection of the White House’s unsupportable argument that it could abruptly and without notice cut off previously awarded federal funds on the grounds – (liberally paraphrased) – that “we don’t like you” or “we don’t like your ‘woke’ ways” or both.

See, for example:

- Federal judge bars Trump administration from using obscure clause to make huge funding cuts (July 18, 2026) Michael Casey, *The Associated Press* [“A federal judge in Boston on Friday ruled the Trump administration can’t use an obscure clause relating to agency priorities to make billions of dollars in funding cuts.”]
- Judge: Trump admin can’t cut millions in grants to New York (July 20, 2026, updated 3:30 pm EDT) Johan Sheridan, news10.com [“New York and a coalition of 23 states won a lawsuit on Friday blocking the Trump administration from cutting billions in federal grants over ideological priorities. U.S. District Judge Indira Talwani ruled that the federal government doesn’t have the power to cancel state funding just by rewriting regulations.”]
- Judge Shuts Down Donald Trump’s Bid to Pull Billions From States (July 20, 2026) Vanshika Vasundhare Singh, *Yahoo News* [“A federal judge ruled against the Trump administration, stating it cannot cancel previously awarded federal grants due to changing policy priorities.”]

Conclusion

“This case concerns the ‘Termination Clause’” in OMB regulations in effect already for a few years. Plaintiffs’ Count I seeks declaratory relief “... to clarify the meaning of the Termination Clause and, by extension, the rights and obligations of the parties subject to the grant agreements at issue in this case.”



In other words, can the Defendant-Agencies lawfully “... terminate currently awarded grants” based on purported new policies that were not in effect at the time those awards were made? The answer: No. “Defendants’ interpretation of the Termination Clause is not clearly supported by the text of the provision, runs counter to the regulatory scheme, receives no support in the rulemaking history, and would violate the [U.S. Constitution’s] Spending Clause’s requirement that conditions be imposed unambiguously.”

But – the Administration whined – “Plaintiffs’ interpretation of the Termination Clause would be contrary to the function of the OMB: supporting each President in implementing ‘his or her vision across the Executive Branch.’”

“Nothing in this interpretation of the Termination Clause...” Judge Talwani explained, “limits the President ... from setting program goals and agency priorities” He must do it, though, “before grants are awarded.”

In the next post, we’ll continue with a more detailed look at this significant victory. In the meantime, note that the [entire docket](#) with hyperlinks to source material for this case [including all documents, declarations, attachments, exhibits, motions, and briefs (parties and *amici*) from the first filing in June 2025 through the federal district judge’s [Memorandum & Order](#) dated July 17, 2026] is available at the excellent free and online Court Listener site.

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