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# When Government Shuts Down, the Nonprofit Community Pays

The federal government shutdown is more than just a symbol of political dysfunction. Real people are being hurt. And charitable nonprofits and foundations are unfairly being asked to *subsidize government even more than usual* while the government is closed.

Community and human needs do not stop just because the federal government has stopped functioning. Indeed, the shutdown has actually *increased* the needs of millions of Americans. That's why when politicians shut the doors of government, charitable nonprofits struggle even more than usual to meet the needs of their constituents.

## Increased Public Needs Transferred to Nonprofits

The government shutdown means there is no federal money to pay for essential programs. Many federally funded, community-based programs that provide food for infants, children, veterans, and seniors, such as [WIC](#) (Women, Infant, and Children Supplemental Nutrition) and [Meals on Wheels](#), report having only enough resources to continue operating for a few more days. At least twenty-three [Head Start](#) programs in eleven states have already run out of money, leaving children without

access to vital educational programs and their parents scrambling for options. Similarly, people who could be applying for Social Security, Medicare, Medicaid, veterans' benefits, or other essential programs -- all of which have been idled during the shutdown -- turn to charities for help.

## **New Needs From Furloughed Federal Employees**

The government shutdown also means that almost a million federal employees across the country -- not just in Washington, D.C. -- have been ordered to stay home, as have many more people working for government contractors. Collectively, these employees and their families have seen their personal income cut by about \$200 million a day. For government employees working paycheck to paycheck who need to provide for their families, charities are the first place they turn to for help.

When the government reopens, Congress may decide to pay federal employees and even beneficiaries of safety-net programs in recognition of the fact that they were innocent victims of partisan squabbling. But Congress will not make charities whole for the added costs they incurred in filling the void created when Congress closed the doors on the American people.

## **Higher Costs Due to Broken Policies and Practices**

It has been well documented by the [Urban Institute](#) and others that governments at all levels routinely pay nonprofits late, fail to pay the full costs for the services nonprofits perform, and create many other challenges to their nonprofit partners. That broken "system" forces charitable nonprofits to turn to private funders to underwrite, subsidize, and provide bridge funding to keep operations going in the face of government policies and practices of shortchanging nonprofits and imposing wasteful costs.

These systemic problems require systemic solutions, which is why the [National Council of Nonprofits](#) has been publishing a series of solutions-oriented reports on government-nonprofit contracting reform. The latest Streamlining Report, issued the day before the federal government closed its doors, [Investing for Impact: Indirect Costs Are Essential for Success](#), examines how governments undermine the ability of nonprofits to deliver the most effective and efficient services when they reimburse their nonprofit partners for less than reasonable indirect costs; calls on governments

to pay actual indirect costs incurred by nonprofits; and offers solutions for streamlining contracting practices to the benefit of taxpayers and those receiving services. It reflects insights about indirect costs gleaned from such projects as "[Real Talk About Real Costs](#)," run by the [Donors Forum](#) in Illinois. If governments adequately compensated for the management and administrative costs actually incurred, albeit indirectly, to fulfill public contracts and grants, then nonprofit contractors would not have to turn to private philanthropy to subsidize those functions.

## **Subsidizing Government Due to Uninformed Policy Makers**

Nonprofits regularly hear from elected officials that they should turn to private funders to backfill government spending cuts. What policy makers rarely understand is that nearly a third of the sector's revenues (32.2 percent) come from contracts and grants with governments at all levels, compared with only 2 percent from foundations. As everyone in the philanthropic sector can attest, there are not enough assets in the foundation community to provide sixteen times the current level of funding to support the work of charitable nonprofits for a year, much less indefinitely. The recent federal austerity cuts that chopped \$2.2 trillion from the federal budget (including the arbitrary sequestration cuts), combined with state cuts totaling an additional \$250 billion, falsely assume that nonprofits can simply go to a foundation ATM and punch out more money.

While foundations can't begin to replace the full amount of funds received from governments at all levels, they can play an important role in the long-term viability of the nonprofit sector by 1) encouraging nonprofits to accept that advocacy is core to their mission; and 2) providing general operating support. Without effective advocacy, nonprofits and philanthropic organizations will continue to be targeted by federal, state, and local governments to fill budget gaps. Nonprofits are already making amazing contributions to their communities while saving taxpayers money. Likewise, since nonprofits are already subsidizing government services -- through underfunded contracts, late payments, etc. -- general operating support is critical to allow nonprofits to invest in the necessary infrastructure to deliver their services effectively.

What the shutdown crisis serves to highlight is that when government fails the people, people depend on their local charities. Hundreds of millions of Americans come to charities to receive essential services, enhance their quality of life, and uplift their spirit of faith, innovation, and inspiration. Local communities also rely on nonprofits to be problem solvers and engines of economic development.

Why do so many Americans turn to the nonprofit community when times are tough? Because charities are innovative, efficient, and effective. Because we stick to our missions in good times and bad, in political chaos and in calm. And because our doors are always open.