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# What Do Government Shutdowns Mean to Nonprofits and Philanthropy?

The federal government shutdown is the latest example of maneuvers by politicians at the local, state, and federal levels that force charitable nonprofits and private philanthropy to subsidize government. Nonprofits and philanthropy need to open our eyes, analyze the mounting dangers from this transfer of government responsibilities, and rally together to stop the assaults on our missions and viability.

## Indirect Maneuvers That Shift Burdens to Nonprofits and Philanthropy

The partial closure of the federal government is yet another attempt to offload public responsibilities onto private philanthropy and nonprofits. In 2008, after the Great Recession hit, politicians at all levels of government began making severe austerity cuts to reduce or eliminate government spending. Since then, they have cut [\\$1.3 trillion in spending](#) – but they haven't simultaneously reduced human needs.

When politicians stop funding basic human services, education, *et cetera* – whether through specific program cuts, arbitrary cuts through sequestration, or the [current](#)

[shutdown](#) – they shift massive burdens onto the backs of innocent charities. They seem to expect that we will always fill the gap. Yet the math doesn't work.

According to research in [Giving USA 2012](#) and [Nonprofit Sector in Brief 2012](#), the nonprofit sector as a whole receives almost half (49.6%) of its revenue from earned income (such as tuition, payments for health care, and ticket sales). Government is the second largest source of revenue (32.2%), paying nonprofits to deliver contracted services on behalf of governments. Private philanthropy provides the third largest collective amount of funding through giving from individuals (9.6%), foundations (2%), bequests (0.9%), and corporations (0.8%).

Every dollar that government cuts from contracted services is a dollar that charities must raise elsewhere. Every program delivered directly by government that gets cut results in more individuals turning to nonprofits. And every government employee who loses his or her job due to cuts produces another family with increased needs – and another cost shifted from government to charities.

When cutting funding without eliminating needs, politicians are effectively walking into foundation board rooms to divert foundation giving away from the arts, civil rights, the environment, and other causes that the foundations support and reallocate those private dollars to fund public obligations for basic human services that the politicians abandoned. Philanthropy alone cannot fill the vast and growing gaps.

## **Direct Maneuvers That Take Resources from Nonprofits and Philanthropy**

Since the onset of the Great Recession, nonprofits have seen politicians make calculated decisions to take money away from nonprofit missions. These intentional moves shove more financial burdens onto charities and philanthropy as governments:

- impose new taxes, fees, and [demands for payments in lieu of taxes \(PILOTs\)](#);
- routinely [fail to pay the full amount through contracts and grants](#), and more often than not [pay late](#) – sometimes more than a year after the nonprofit incurred the costs; and
- seek to [limit charitable deductions](#).

Again, policymakers expect nonprofits and philanthropy to magically fill the gaps they create.

## **Dangers Lurking in the States**

The dysfunction of Washington politicians has diverted attention away from significant threats to charitable nonprofits that have been erupting in states and municipalities across the country. During this session of Congress, only 41 laws have been enacted, while this year state legislatures have enacted or adopted more than 38,000 laws. The real action is in the states. To protect and advance their missions, nonprofits and philanthropy must invest more attention and funding to state policy matters.

For instance, while many nonprofits and foundations have concentrated exclusively on federal threats to charitable giving incentives, several state legislatures quietly pursued similar limitations. Fortunately, our state associations of nonprofits and allies prevented that from happening this year in [Hawai'i, Oregon, Minnesota, Kansas, and North Carolina](#) through advocacy efforts demonstrating to legislators that charitable giving is vital to communities.

Nonprofits and philanthropy are beginning to recognize that they cannot continue to ignore or avoid public policy threats that endanger their missions. But this realization is coming late when the threats are daunting. Charitable nonprofits across the country need support and encouragement from donors to be active advocates. Your support can help charitable nonprofits to see advocacy as core to advancing their missions – which also helps protect philanthropic resources for missions, rather than for filling government coffers.

Indeed, perhaps the best answer to the “Ask the Center” question is to ask other questions:

- How much more can charitable nonprofits take on before America’s cultural, spiritual, and social safety nets simply collapse?
- What can your family or community foundation do to help support nonprofit advocacy in your state?