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Federal

Debt and Spending Deal Reached - At What Cost?

President Biden and House Speaker McCarthy (R-CA) reached an agreement over the weekend to avert a default on federal debt obligations by lifting the borrowing limit while making some of the spending and other policy adjustments demanded by Republicans. The deal calls for suspending the debt limit until early 2025 (thus avoiding a similar crisis until after the next general election), capping spending for both defense and non-defense spending at levels below the rate of inflation, and rescinding (or clawing back) \$30 billion in unspent Covid-related relief. The parties agreed to reduce IRS funding by \$1.4 billion this year and shift an additional \$20 billion (from the \$80 billion authorized last year) to backfill other nondefense spending over the next two years.

Here are additional details from the "[Fiscal Responsibility Act](#)" (H.R. 3746) of broad interest to charitable nonprofits:

- **Clawback of Covid Funds:** The legislation identifies more than 100 programs subject to the cancellation of the "unobligated balances" at federal agencies as of the date of enactment of the bill. Among funding programs to be effectively

cut, the measure would clawback American Rescue Plan Act money still in federal agencies that had been provided for vaccination research, community health centers, family planning, mental health among health care professionals, home visitation program emergency assistance, enhanced AmeriCorps funding for award adjustments, and emergency assistance to non-public schools. In total, the bill rescinds about \$30 billion of the several trillions of dollars appropriated during the pandemic. Sections 1-81, 251.

- **Work Requirements:** Unlike the [House-passed version of work requirements](#), which also sought to impose new burdens on Medicaid recipients, the Fiscal Responsibility Act would both limit and expand eligibility for benefits under the Supplemental Nutrition Assistance Program. The legislation calls for imposing a work requirement on more people by raising the age limit for work from the current level of age 50 to age 54 by 2025 and eliminating the current work requirements for others by exempting individuals who are homeless, veterans, and some who were raised in foster homes. The new requirements would expire in 2030. Notably for nonprofits, the bill does not mandate “community service” or other forms of [forced volunteerism](#) at charitable organizations as a form of work requirement. Sections 311-314.
 - **Student Debt:** Of interest because so many nonprofit employees have significant student loan debt, the bill would terminate the moratorium on repaying federal student loans and accrual of interest at the end of August 2023 and require the Education Department to begin collecting payments again. The measure does not block the President’s student debt cancellation plan, which is currently under consideration at the U.S. Supreme Court. Last week the House passed a mostly [symbolic resolution](#) to cancel the President’s plan. See [statement of the National Council of Nonprofits](#) warning against unintended consequences connected to the Public Service Loan Forgiveness programs. Section 271.
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***Charitable Act* Introduced in the House**

The House version of the bipartisan *Charitable Act*, [H.R. 3435](#), was introduced on Wednesday, May 17, sponsored and cosponsored by Representatives Blake Moore (R-UT), Danny Davis (D-IL), Michelle Steel (R-CA), and Chris Pappas (D-NH). The bipartisan bill would enable taxpayers who take the standard deduction (about 88% of taxpayers) to deduct charitable donations of up to one-third of the standard

deduction, or about \$4,600 for individuals and \$9,200 for married couples based on the current standard deduction. “This important bipartisan and bicameral bill bolsters the power of American generosity by enabling more people to support the causes they hold dear,” said Representative Moore in a [joint news release](#). The bill’s lead co-sponsor, Representative Davis stated, “Research is clear that this charitable deduction generates the giving that helps our communities thrive.” Among others, letters of support were submitted by the [Charitable Giving Coalition](#), the networks of the [National Council of Nonprofits](#), and the [Utah Nonprofits Association](#). The companion bill in the Senate is [S. 566](#).

Worth Quoting

- “The Charitable Act would increase charitable giving while creating opportunities for new classes of donors to engage with the nonprofit sector, empowering millions of taxpayers to support the work of nonprofits in their communities.... If passed, the impacts of this funding will be felt broadly across the nonprofit sector, where many organizations struggle to have enough resources to do their work.”

~ [Letter to Representative Blake Moore](#), **Utah Nonprofits Association**, May 15, 2023.

- “We applaud Congressman Pappas for introducing a real incentive to support charitable giving. The nonprofit sector is integral to the wellbeing of New Hampshire communities and we need a non-itemizer deduction to help sustain their good work.”

~ Kathleen Reardon, CEO, **NH Center for Nonprofits**, quoted in [Pappas Reintroduces Legislation to Encourage Charitable Giving and Support Local Communities](#), Office of Chris Pappas, May 17, 2023.

Worth Reading

- [New Congressional Support For A Universal Charitable Deduction](#), Paul Clolery, *The NonProfit Times*, May 18, 2023.
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Federal *FastView*

- **Defunding Humanitarians:** Anti-immigration conservatives in the House have settled on a new target for their professed outrage: charitable nonprofits providing humanitarian aid on the country's southern border. In a [letter to House colleagues](#), Representative Gooden (R-TX) called for action, and perhaps prosecution, against "taxpayer-funded non-governmental organizations (NGO)" that, he claimed, are playing "a disturbing role in the inflow and spread of illegal immigrants throughout the country." The perceived "open threat to our society," according to Gooden's letter, appears to be participation in longstanding immigrant relocation programs and providing assistance to individuals in need. The House passed an [immigration bill](#) in May that (at Section 115) seeks to curb funding for nonprofits working on the southern border.
- **Addressing Racial Disparities in Tax Return Audits:** In January, research found that [Black Americans are more likely to have their federal tax returns audited](#). IRS Commissioner Daniel Werfel sent a [letter to the Senate Finance Committee](#) emphasizing that the IRS does "not and will not consider race as part of our case selection and audit processes," yet acknowledging that Black taxpayers are audited at higher rates. Werfel noted that most of the disparity is due to the approach of flagging potential errors in claiming the Earned Income Tax Credit. The Commissioner pledged that the IRS will identify and implement changes "prior to next tax filing season," and that new funding will go towards retooling algorithms to eliminate racial bias. In response, Senate Finance Committee Chair Ron Wyden (D-OR) [acknowledged that algorithms and racial bias](#) are also an issue outside of government agencies and plans to introduce legislation to require more audits of private sector algorithms.
- **Countering Antisemitism:** On May 25, the White House released its first [U.S. National Strategy to Counter Antisemitism](#) that identifies over 100 actions to raise awareness, improve safety and security, and build cross-community solidarity. The announcement reported that while American Jews account for 2.4% of the U.S. population, they are the victims of 63% of [reported religiously motivated hate crimes](#). The new strategy is the first work product of the Interagency Policy Committee on Antisemitism, Islamophobia, and Related Forms of Bias and Discrimination formed in December 2022.

Remote video URL

- **Supporting Mental Health at Work:** The Department of Labor recently released a new public service announcement, “[Mental Health at Work](#),” to mark the launch of an initiative to encourage discussions around mental health in the workplace. A webpage [dedicated to resources](#) also includes Know Your Rights documents for mental health conditions, determining the treatments covered by health insurance, and receiving support in a crisis.
- **HELPIng to Expand 211 and 988 Help Lines:** Newly introduced bipartisan bills seek to provide funding to help states build out 211 services and the 988 Suicide and Crisis Lifeline that link callers to both emergency and long-term human services, as well as mental health support. Specifically, the Human Services Emergency Logistics Program (HELP) Act ([S. 1729/H.R. 3498](#)) seeks to reduce the number of non-criminal, non-fire, and non-medical emergency calls to 911 systems and expand the reach of state and regional 211 and 988 systems by creating a consistent stream of federal funding to support the referral lines. The legislation also creates an oversight system for 211 and 988 networks to provide annual evaluations and recommendations to ensure that both networks are reaching communities in greatest need.

State and Local

Investing American Rescue Plan Act Funds

Charitable nonprofits are eligible for many funding streams under the American Rescue Plan Act (ARPA), such as the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), encouraging stronger partnerships in communities. [Special Note: The legislation to avoid a federal default, the “[Fiscal Responsibility Act](#),” does not propose to claw back unspent CSLFRF dollars because those funds have already been allocated to state, local, and tribal communities and, thus are not “unobligated.”]

- Earlier this month, **Delaware** announced that [more than \\$65 million](#) in ARPA funds will be distributed to community centers and nonprofits in the state’s three counties. The funds will support initiatives like workforce development programs, renovation of medical facilities, purchase of accessible equipment to help individuals with disabilities, and expansion of operations.

- Lowndes County, **Mississippi**, finalized the distribution of [\\$1.75 million in ARPA funds](#) to nonprofits after the state legislature approved the expenditures.
 - The City of Charlotte, **North Carolina**, announced \$2.5 million in grants that will be available to nonprofits to [support operating costs](#) – the deadline to apply is June 30.
 - Twenty-four nonprofits in Burlington, **Vermont**, will receive \$1 million, including a grant to the ONE Arts Center, which plans to [increase access to child care](#) programs, provide free meals, and support families with tuition costs.
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Increasing Access to Affordable Child Care

For many households around the country, finding affordable child care is still a challenge. Providers are also facing workforce challenges that leave them with long waiting lists or ceasing operations. Several states are advancing solutions to create more options.

- **Arizona** Governor Katie Hobbs recently issued a [one-time summer child care payment](#) of \$500 per child to cover registration fees for children participating in the Subsidized Child Care Program. She also instructed the state’s Department of Health Services and Department of Economic Security to create a separate child care license for “out-of-school time” programs and broaden the types of enrichment programs eligible for licensure.
 - **Colorado’s** Governor signed into law a bill to [extend the child care contribution tax credit](#) through 2027. The credit is available to households that contribute to facilities and programs that provide child care.
 - The **Missouri** budget will provide \$81 million to increase [state subsidies to child care providers](#). Also, a [ballot measure](#) for the November 2024 general election, if approved, would exempt child care facilities from state property taxes.
 - Voters in **Texas** will decide this November whether to adopt a [constitutional amendment](#) to authorize local governments to provide property tax breaks for eligible child care facilities. The measure was proposed in response to a state report that Texas had lost nearly a quarter of its child care providers between March 2020 and September 2021.
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Trend Spotting

Employment Legislation

States continue to adjust employment laws and workforce benefits packages. In **Maine**, the Governor has signed legislation that [expands severance pay requirements](#) to employers, including nonprofits, with 100 or more employees. Another pending bill would establish the [Paid Family and Medical Leave Benefits](#) program to provide up to 12 weeks of paid leave per year. Last week, **Minnesota** Governor Walz signed into law a [paid leave](#) program of up to 12 weeks of family leave and up to 12 weeks of medical leave. **Vermont** has three employment bills waiting to be signed by the Governor. One would [eliminate the unemployment insurance exemption](#) for nonprofits with fewer than four employees and require the Department of Labor to consult with **Common Good Vermont**, the state association of nonprofits, to create outreach materials. A separate measure would [prohibit discrimination](#) in employment beyond harassment that is pervasive or severe. The third bill would establish the **VT Saves Program** to [provide access to an individual retirement account](#) for employees of employers, including nonprofits, that do not offer a retirement savings plan. The legislation would require an employer to offer its employees the choice to contribute to a payroll deduction individual retirement account by automatic enrollment, but with an opt out.

Worth Quoting

- “For those who wonder if they are making a difference in this world, I urge you to engage with a nonprofit on some level. If a career in the sector is not for you, explore volunteer and board service opportunities. Actively working to make a difference does more than change the world, it changes you, too.”

~ Marnie Taylor, President and CEO, Oklahoma Center for Nonprofits, in [The thought of leaving the world a better place lies at the center of what they do](#), *The Oklahoman*, May 19, 2023.

Numbers in the News

1,480,565

The number of charitable nonprofits organized under Section 501(c)(3) of the Internal Revenue Code as of the fiscal year that ended on September 30, 2022.

Source: [IRS Data Book, 2022](#).

126.8 million

The number of households in the U.S. as of 2020, an increase of 8.7% from the 116.7 million households identified in 2010. This new data builds on the initial results with new information on the voting-age population, and information on many topics by race and Hispanic origin.

Source: [Census Bureau Releases New 2020 Census Data on Age, Sex, Race, Hispanic Origin, Households and Housing](#), U.S. Census Bureau, May 25, 2023.

Nonprofit Advocacy Events

- Jun. 2, [Legislative Session Recap](#), Together SC
- Jun. 5-7, [2023 Leadership Summit](#), Wyoming Nonprofit Network
- Jun. 7, [Legislative Wrap-Up](#), Alliance of Arizona Nonprofits + Arizona Grantmakers Forum
- Jun. 7-8, [Nonprofit Leadership Conference](#), North Dakota Association of Nonprofit Organizations

Sign of the Times?

Revolutionaries

The new nickname for sports teams and other groups at George Washington University in Washington, DC. Colonials, the moniker since 1926, was “deemed divisive and dated during a recent period of racial and social reckoning,” according to the [Washington Post](#). The school mascot remains George (for George Washington).

Nonprofit VOTE Webinar

[Nonprofit Power: Engaging Voters in Immigrant Communities](#)

Wed. May 31, 2:00 PM Eastern

This program focuses on overcoming language barriers, cultural differences, and skepticism to help nonprofits ensure that recent and first-generation immigrants have representation and a voice in decisions affecting their lives.

[Register now](#)

Advocacy in Action

Rallying Support for Nonprofits



There are times when subtlety is needed to advance public policy objectives of charitable nonprofits. Then there are times when the calls for action need to be public, loud, and voiced by as many people as possible. Nonprofits in **Connecticut**, **Massachusetts**, and **New York** recently deemed it necessary to engage in mass

mobilization to alert policymakers, the media, and the public to the need for funding increases and other legislative changes. Nonprofits showed up in numbers to advance their common agenda. The events were as profound as they were impactful.

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