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Nonprofit Workforce Shortages: A Crisis That Affects Everyone

An Update

The shortage of workers in all sectors is a matter of common knowledge, but the significance of the crisis affecting the work of charitable nonprofits – which often involves human lives and well-being – is different. The loss of nonprofit jobs means people suffer because nonprofits cannot deliver services the public needs.

As documented at the end of 2021 in [The Scope and Impact of Nonprofit Workforce Shortages](#), charitable nonprofits from across the country and all subsectors have been experiencing higher job vacancy rates than their for-profit and government counterparts. Causes include unbearable salary competition from those other sectors poaching nonprofit employees. Also, nonprofits must deal with burnout from the relentless pressure to deliver higher volumes of services without much relief since the pandemic began more than two years ago.

While job vacancies in the government and business sectors may cause disappointment and lost profits, the lack of adequate nonprofit staffing means the public suffers delayed or complete loss of needed services.

Today, the National Council of Nonprofits is publishing the updated Special Report, [Nonprofit Workforce Shortages: A Crisis That Affects Everyone](#), to identify progress and continuing challenges in the effort to alleviate workforce shortages that hurts real people. The report calls on public officials to commit to advancing policy solutions at the local, state, and federal levels to eliminate a crisis that affects everyone.

Federal

Midyear Mayhem and the Politics of Procrastination

At the midpoint of 2022, it is unclear whether any significant legislation can be enacted before the November elections. Recently, Senate Republican Leader McConnell threatened to block action on a major bipartisan bill dealing with China and limiting future supply chain issues unless Democrats give up their efforts to pass a budget reconciliation bill that includes tax hikes and other provisions Republicans don't like. Although a Democrats-only reconciliation bill is not certain – Senate Majority Leader Schumer (D-NY) and Senator Manchin (D-WV) continue to negotiate – it does present one of the only chances to enact child care relief, and climate, healthcare, and prescription drug reforms supported by many nonprofits. The House is on track to pass all 12 appropriations bills before the start of the 2023 fiscal year on October 1. The Senate hasn't even started, however, thus making a short-term "continuing resolution" all but certain to keep the federal government funded past the elections. Nothing precludes the parties from setting aside their differences and passing legislation (disaster relief legislation comes to mind), but the partisan posturing this midyear is overly ominous.

Federal *FastView*

Public Service Loan Forgiveness Rulemaking: More borrowers would be eligible [for public service loan forgiveness](#) under [proposed regulations by the U.S. Department of Education](#) that will be published soon. The rules propose making permanent some, but not all, of the relaxed eligibility terms in the [temporary](#)

[Limited PSLF Waiver](#) set to expire Oct. 31. Key provisions would allow more kinds of payments (certain types of deferment, forbearance, and lump sum, and late payments) to count as qualifying payments; clarifying the definitions of full-time employment and qualifying employer; and codifying the reconsideration process. The proposed regulations, if adopted, would also provide a hold-harmless option for deferment or forbearance, automate progress toward forgiveness, and eliminate prospective interest capitalization not required by statute. Once published, the rules will be open for **public comments for 30 days**. Borrowers are encouraged to [access the PSLF Help Tool](#) and take immediate action regarding the limited temporary waiver. See this [Comparison of Key Provisions](#).

Assessing the Child Care Shortage: More than one child care worker in 10 hasn't returned to their jobs since the pandemic began, a shortage of nearly 100,000 workers, according to [data from the Bureau of Labor Statistics](#). This shortage in part explains a finding in a [February 2022 survey](#) that 39% of women caregivers had left the workforce or reduced their work hours since the pandemic began. More than four-fifths (83%) of women in the survey said they could not afford to stop working.

Estimating Charitable Giving in 2022: The congressional [Joint Committee on Taxation](#) estimates that, for the current 2022 taxable year, 88.5% of taxpayers (approximately 142.2 million taxpayers) will claim the standard deduction, which for 2022 will be \$12,950/individuals and \$25,900/couples. The remaining 11.5% of taxpayers (about 18.5 million taxpayers) will elect to itemize deductions. Among itemizers, JCT analysts expect 14.975 million to claim charitable deductions amounting to \$219.452 billion. These projections assume no legislative fixes to reinstate and expand the universal charitable deduction being promoted by the nonprofit community.

New Volunteer Mileage Bill: This month, Representatives Craig (D-MN) and Stauber (R-MN) introduced [Tax Emergency Adjustment for Mileage Volunteers \(TEAM Volunteers\) Act](#) (H.R. 8265), a new variation of increasing the volunteer mileage rate. The bill would temporarily raise the volunteer mileage rate from 14 cents/mile to the full business mileage rate ([currently 62.5/mile](#)) for two years "in order to address the financial burden that rising gas prices and inflationary pressures have placed on volunteer drivers." Following those two years, the legislation would set the permanent rate for volunteer drivers at 24 cents per mile to adjust for inflation since the volunteer rate was last set 25 years ago. The IRS would be responsible for adjusting the volunteer mileage rate annually. The volunteer mileage rate is the

amount that is tax-deductible when nonprofit volunteers drive their own vehicles on behalf of the charitable organization.

Promoting ERTC Relief: Last month, 25 mayors sent [a letter to congressional, tax, and small business committee leaders](#) calling for the restoration, extension, and improvement of the Employee Retention Tax Credit (ERTC). Among the signers are the mayors of Chicago, Houston, Los Angeles, Philadelphia, Portland, Oregon, and San Francisco. Earlier, the U.S. Conference of Mayors adopted a [resolution “supporting relief for arts and cultural institutions”](#) that expressly calls out support for restoration of the ERTC. The resolution also calls for restoration of the universal charitable deduction ([S. 618](#) / [H.R.1704](#) / [H.R. 1081](#)), among other things.

Worth Sharing

- [Attention Nonprofit Employers: Did You Forget to Claim Refundable Tax Credits from the IRS?](#), Steven M. Woolf, National Council of Nonprofits, May 11, 2022. This article explains how nonprofits can receive money by claiming the refundable payroll tax credit. Please share it widely so nonprofits “don’t leave money on the table.”
 - [Shuttered Venue Operators Grant: What Your Nonprofit Needs to Know](#), Madeline Moran, EideBailly, June 2022.
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In Focus:

Form 1023-EZ and the IRS’ Abdication of Responsibility

The New York Times recently ran a detailed article about a tax administration problem that has plagued the charitable nonprofit community for years. The article, [76 Fake Charities Shared a Mailbox. The I.R.S. Approved Them All.](#) highlights the flaws in the abbreviated application form for seeking 501(c)(3) status, the [IRS Form 1023-EZ](#). The article provides explicit examples of an individual, bent on fraud, exploiting the weaknesses in both the IRS Form 1023-EZ and the failings of the tax agency’s administration to secure tax-exempt status and attract charitable donations to sham organizations. The article is the latest demonstration that the IRS

Form 1023-EZ is simply too EZ.

In recent years, the [National Council of Nonprofits](#) has called for corrective action on this serious flaw in tax administration. The reason? While we strongly support fixing the onerous long Form 1023, the inadequately brief Form 1023-EZ creates an open door for fraudsters masquerading as charitable nonprofits to syphon money away from donors and legitimate nonprofits doing charitable work. Since the IRS adopted the short form, virtually every applicant using the Form 1023-EZ receives tax-exempt status. According to the Taxpayer Advocate at the IRS, the Form 1023-EZ has led to erroneous approvals at rates of 37%, 26%, and 42% during 2015, 2016, and 2017, respectively. The [Taxpayer Advocate's FY 2019 annual report](#) placed the wrongful approval rate under the Form 1023-EZ at 46 percent!

The National Council of Nonprofits remains committed to the withdrawal of the Form 1023-EZ and the immediate engagement of the IRS with stakeholders – charitable regulators, nonprofit infrastructure organizations, funders, and tax-law practitioners – to develop a workable replacement that will respect the IRS' primary obligation of preventing ineligible organizations and bad actors from receiving and exploiting tax-exempt status for personal gain.

State and Local

Nonprofits Winning Legislative Budget Battles

Nonprofits have been notching budget wins as state legislatures [finalize negotiations before fiscal years turn over](#) and [sessions adjourn or enter summer recess](#). In **Delaware**, lawmakers passed and Governor Carney signed legislation allocating [\\$90 million to the Community Redevelopment Fund](#) for nonprofits and community projects throughout the state. As part of the **Missouri** budget, Governor Parson approved [\\$7.5 million for a nonprofit grant program](#) as well as more than \$10 million collectively for entertainment venues, arts centers, museums, and youth programs.

On the horizon, the **North Carolina** budget awaiting the Governor's signature would appropriate more than [\\$230 million in new funding for nonprofits](#), including \$155 million in increased support for nonprofit programs and operations, \$79 million for nonprofit projects, direct appropriations for 172 nonprofits, funding for the Office of

State Budget and Management staff dedicated to working with nonprofit grants, and \$1 billion for a newly created Stabilization and Inflation Reserve Fund. Finally, the **Michigan** legislature unanimously passed a bill that includes \$50 million for a [dedicated relief program for charitable nonprofits](#) in the state with funds from the American Rescue Plan Act (ARPA). The program, if signed by the Governor, would provide grants to nonprofit community service organizations and be run through the **Michigan Nonprofit Association**.

Tracking ARPA Fund Investments

Governments at all levels can use American Rescue Plan Act (ARPA) funds to partner with charitable nonprofits, either by providing direct assistance or hiring them as subrecipients to provide services to others. Local governments, in particular, have started announcing ARPA investments in charitable nonprofits.

- The [City of Aurora](#), **Colorado**, is providing \$2.5 million in grants to nonprofits responding to community needs from the pandemic. The grants will fund one-time capital or programmatic expenses. Applications will be graded based on community benefit and equity, organizational capacity, and project readiness.
- The [Baltimore County](#), **Maryland**, recently made \$1.3 million in grants available to nonprofits in the County and is partnering with the Baltimore Community Foundation for the third time to administer the program.
- The [City of Omaha](#), **Nebraska**, announced 55 nonprofits are receiving resources from its ARPA-funded Community Grant Program. The local government selected the United Way of the Midlands and the Omaha Community Foundation to help distribute the funding to nonprofits between 2022 to 2024.
- [Hillsborough County](#), **New Hampshire**, announced an application for nonprofit assistance that focuses on adverse organizational impacts and prioritizes organizations and proposals that promote equitable outcomes.
- [Charleston County](#), **South Carolina**, has reopened its nonprofit assistance applications process, allowing local nonprofits to apply for one-time relief grants of up to \$50,000 to enable them to provide direct assistance to county residents experiencing pandemic-related hardships.

Tracking ARPA Spending

- **Nationwide:** [ARPA Spending, National Council of Nonprofits](#), updated regularly.
- **State & Local:** [State and Local Fiscal Recovery Fund](#) interactive dashboard, Pandemic Response Accountability Committee, updated regularly.
- **State:** [ARPA State Fiscal Recovery Fund Allocations](#), National Conference of State Legislatures, updated regularly.
- **Local:** [Local Government ARPA Investment Tracker](#), Brookings Institute, updated regularly.

Interactive Resource

- The [State and Local Fiscal Recovery Fund](#) interactive dashboard, updated regularly, shows the most recent data for 1,756 governments with populations over 250,000 or awards over \$10 million. According to the dashboard, 395 projects totaling \$141 million in ARPA funds spent have been categorized as “aid to nonprofit organizations,” while \$238.7 million have been obligated.
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Additional Essential Reading

- [How Cities and Counties Are Thinking Big With Their ARPA Plans](#), Katherine Barrett & Richard Greene, *Route Fifty*, July 5, 2022.
 - [Locating Your Nonprofit’s Piece Of \\$350B From Uncle Sam](#), Tim Delaney, *The NonProfit Times*, June 23, 2022, guiding readers through both a process to discover what funds might be available and how to work with officials and organizations to determine the best use of funds, and more.
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Worth Quoting

- “Nonprofit organizations are indispensable partners for the public sector to maximize federal dollars and leverage funds for inclusive, systemic change. Yet, to make the most of today’s historic investment opportunities, cities and nonprofits must overcome two preexisting conditions that could hinder such an approach: functionality and equity... The public sector needs to build capacity and strengthen nonprofit sector partners.”

— Lavea Brachman in [Nonprofits’ critical role in deploying federal investments: Observations from the Transforming Cities Lab](#), Brookings Institute, Jul. 6, 2022.

Combatting Nonprofit Workforce Shortages

Relieving Student Loan Debt: While salary competition with governments and for-profits remains the biggest obstacle for charitable nonprofits to recruit and retain individuals, state-level policy solutions that seek to lessen students' loan debt burden of nonprofit and others could help overcome the challenge. A new program enacted in **Illinois** last month, the [Human Service Professional Loan Repayment Program](#), will provide loan repayment assistance to eligible direct service professionals practicing in community-based, human service organizations that contract with or are grant-funded by a state agency. Similarly, a bill in **Massachusetts** would create an [education loan repayment program](#) for eligible human service workers meeting workweek, income, and employment length requirements. Workers would receive up to \$1,800 for as many as four years to repay a qualified education loan. In [California](#), legislation would create an account within the Mental Health Practitioner Education Fund to repay educational loans for practitioners who commit to providing direct care for a specific period. A bill in [New Jersey](#) would allow a gross income tax deduction for employees for amounts paid by their employer for specific student loans. A pending measure in [Michigan](#) would allow an employer to claim a tax credit equal to 50 percent of the amount paid toward the student loan of an employee who received a degree after January 1, 2023 and works at least 480 hours in a year.

Government Grants and Contracting Reform: As explained in the [updated Special Report on nonprofit workforce shortages](#), antiquated and broken government grants and contracting systems at all levels of government impose serious financial challenges on nonprofits. Last week, **North Carolina** made major strides in overcoming longstanding problems that should provide relief there. The [new government-nonprofit contracting reform law](#) makes three notable reforms:

1. It establishes a *de minimis* 10% indirect cost rate for nonprofit grants/contracts with the Department of Health and Human Services (DHHS), regardless of whether funding initiates from federal or state funds. Higher indirect cost rates can still be negotiated.
2. It requires DHHS to provide most nonprofits with multi-year contracts rather than one-year agreements that are re-negotiated every year, thereby reducing red tape, contracting delays, and unnecessary costs for nonprofits and

taxpayers alike.

3. It provides three-month contract extensions for most nonprofits to ensure continuity of services – and of payments for services – after the end of nonprofits’ contracts with DHHS, a change intended to help prevent many of nonprofits’ payment delays that have resulted from understaffing at DHHS.

As a result of these reforms, North Carolina nonprofit service providers will have greater financial security and certainty, enabling them to hire and pay staff to advance their missions.

Doing Something About Democracy

Lots of people are talking about democracy, and here is one example of an entity seeking to do something about it. This month, Simon & Schuster is giving away two books meant to help readers engage with people holding opposing views as the country is divided on issues ranging from abortion to gun rights, the [Wall Street Journal reports](#). The book publisher is making available for free the e-book and digital audiobook editions of Amanda Ripley’s “[High Conflict: Why We Get Trapped and How We Get Out](#)” and Anna Sale’s “[Let’s Talk About Hard Things: The Life-Changing Conversations That Connect Us.](#)” *High Conflict* seeks to explain, “When we are baffled by the insanity of the ‘other side’ - in our politics, at work, or at home - it’s because we aren’t seeing how the conflict itself has taken over.” In *Let’s Talk About Hard Things*, the author uses the best of what she’s learned from her podcast to reveal that when we dare to talk about hard things, we learn about ourselves, others, and the world that we make together.

Worth Quoting

On democracy

- “As a 501(c)(3), your organization can lobby and promote civic engagement with every level of government – local, state, and federal. You are a trusted resource in your community. You have earned that trust. Now is the time to use it.”

— Anne Gingerich, Executive Director of the **Pennsylvania Association of**

Nonprofit Organizations (PANO), writing in [In Support of Democracy: What Nonprofits Can Do](#), July 8, 2022, providing numerous examples of nonpartisan activities in which nonprofits can engage. Regarding PANO's exhortation to get engaged, the message concludes, "We do not believe this is political, but rather an encouragement for everyone to fully participate in our democratic system. We seek to protect the unalienable rights of every human, and look forward to doing this with you."

Worth Reading

- [Remarks by President Biden to Military Families on Independence Day](#), President Joe Biden, White House, July 4, 2022.
 - [America Is in Denial](#), Senator Mitt Romney (R-UT), *The Atlantic*, July 4, 2022.
 - [The Founders Bequeathed Us Something Radical](#), Darren Walker, *The New York Times*, July 4, 2022.
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Numbers in the News

1,431,266

The total number of 501(c)(3) organizations recognized by the Internal Revenue Service in 2021. The IRS approved 86% of the applications for tax-exempt status under Section 501(c)(3) during fiscal year 2021.

Source: Table 14, Tax-Exempt Organizations, Nonexempt Charitable Trusts, and Nonexempt Split-Interest Trusts, Fiscal Year 2021, [IRS Data Book, 2021](#).

Did You Know?

[A nationwide hotline](#) will be launched Saturday, July 16, enabling people in a mental health crisis to dial or text **"988"** to be connected with a trained counselor.

Starting this month (7/1/2022), the standard [business mileage rate](#) is now set at **62.5 cents per mile**, four cents higher than the previously announced rate for 2022. The IRS, however, did not adjust the volunteer mileage rate of 14 cents/mile

because that rate is fixed in statute and has not changed since 1997.

July is

- [Disability Pride Month](#)
 - [National Park and Recreation Month](#)
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Upcoming Events

- July 12, [Policymaker Roundtable](#), Massachusetts Nonprofit Network
 - July 12, [Public Policy Action Network Information Session](#), Momentum Nonprofit Partners (Memphis, TN)
 - July 13, [Advocating for Racial Equity](#), Together SC
 - July 14, [ARPA Funding and Nonprofit Opportunities](#), Minnesota Council of Nonprofits
 - July 19, [Advocacy 101](#), Florida Nonprofit Alliance
 - July 19, [Building Political Power](#), New Jersey Center for Nonprofits
 - Aug. 11, [Advocacy in Action](#), The Foraker Group (Alaska)
 - Aug. 12, [Midsouth Nonprofit Conference](#), Momentum Nonprofit Partners (Memphis, TN)
 - Aug. 18, [Advocacy Prep](#), NetworkPeninsula (Virginia)
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Nonprofit VOTE Webinar

[Staying Nonpartisan During Voter Engagement](#)

Tuesday, July 19 at 2:00 pm Eastern

Activities that promote voting and civic participation are allowed for 501(c)(3) organizations, but those activities, including voter registration, candidate engagement, and voter education, must be strictly nonpartisan. This webinar answers what is considered to be nonpartisan and what activities are acceptable when it comes to charitable nonprofit voter engagement. [Register now.](#)



Take Action:

Become a National Voter Registration Day Partner

National Voter Registration Day (September 20) is a great opportunity for nonprofits to ensure that their staff, volunteers, and community members are registered to vote. [Sign up to join the nationwide effort to register hundreds of thousands of voters](#) on September 20. As an official partner, your nonprofit will receive a free voter registration kit and access to other opportunities to support your nonpartisan voter registration work.

Advocacy in Action

Why We Highlight *Advocacy in Action*

Every edition of this newsletter closes with an “*Advocacy in Action*” article designed to inform and hopefully inspire. The reasons we write these articles are many – highlighting nonprofit advocates who are talking the talk and walking the walk; providing examples of innovative advocacy tools and techniques worth trying; punctuating front-burner policy topics with real-world advocacy insights; celebrating the occasional victories of David over a Goliath; and more. Here’s a recap of some of the topics we’ve covered this year. See if you can detect the patterns and “authors’ messages.”

[Read more](#)