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## Nonprofit Champion | April 4, 2022

Federal

### *State of Play*

## House and Senate Advance Agendas in Fits and Starts

With the two-week Passover/Easter congressional recess looming this Friday, both the House and Senate are making incremental steps toward passing some of their longstanding priorities. Among other things, the House is scheduled to consider [a new COVID-relief bill](#) to prop up for-profit businesses like restaurants and “hard hit industries.” The costs would be offset by funds the federal government seized and reclaimed when prosecuting fraud under the Paycheck Protection Program and similar programs. As currently written, the measure does not provide relief for charitable nonprofits, although advocacy efforts are underway for nonprofits and other employers to secure additional needed relief.

Across the Capitol, negotiators in the Senate today plan to announce they have reached [agreement on a \\$10 billion COVID-spending package](#) to enable the federal government to respond to and prepare for further outbreaks with additional COVID-19 vaccines, testing, and medicines. The announcement comes as Senators are debating and voting this week on the nomination of Judge Ketanji Brown Jackson to

serve as a Supreme Court Justice. The legislation reportedly does not include about \$5 billion in global COVID aid sought by the Administration that the House had initially included in the omnibus appropriations bill enacted last month. House leadership had to remove the COVID-relief provisions from that bill over objections from Governors and others to language that would have cancelled some of the previously authorized Coronavirus State and Local Fiscal Recovery Funds, money that many charitable organizations are seeking as recipients and providers of relief in their communities. No such clawback is expected in the forthcoming legislation, which Senators hope to reach agreement on and pass before starting their recess.

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## **Biden Budget Calls for More Domestic and Defense Spending**

Last week, the White House released [President Biden's FY 2023 Budget Proposal](#), a \$5.8 trillion spending blueprint and set of policy proposals. It proposes spending \$769 billion for domestic (non-defense) programs, an increase of 5%, and \$813 billion for defense, a 4% increase. Of general nonprofit note, the President urges Congress to increase funding for the IRS by 18% to \$14.1 billion, and promises to work with Congress on ways to ease the burden of student debt, including through improvements to the Public Service Loan Forgiveness program. The budget calls for a Billionaire Minimum Income Tax on taxpayers with incomes exceeding \$100 million, imposing a 20% minimum tax that would be applied to income and unrealized gains. The budget, which is only a set of recommendations and not binding on Congress, also proposes modifying income, estate, and gift tax rules for certain grantor trusts. The technical materials detail a provision changing current law to clarify that a contribution from a private foundation to a donor-advised fund (DAF) would have to be expended by the DAF within one year in order for the contribution to count toward the foundation's 5% payout requirement. See [White House budget webpage](#).

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## ***Advancing Nonprofit Policy Priorities***

The charitable nonprofit community took advantage of a Senate hearing last month to advocate for nonprofit policy priorities. These priorities, laid out in the [nonprofit](#)

[community letter](#), focus on “urgently needed pandemic and workforce shortage relief that will enable charitable organizations to fulfill their roles in our nation’s relief, recovery, and rebuilding.” The letter calls for nonprofit-specific policy solutions that would provide disaster relief, address nonprofit workforce shortages, and promote volunteerism to aid our communities. The specific relief nonprofits seek includes restoration and improvement of the universal charitable deduction, renewal and enhancements to the Employee Retention Tax Credit, and tax better treatment of volunteers who drive on behalf of charitable organizations.

## **Read the Letter, Sign the Letter**

The [nonprofit community letter](#) is proving to be a powerful advocacy tool for communicating to Congress and the Administration the immediate needs of frontline organizations. So far, it has been signed by more than 1,500 organizations from all 50 states. The letter remains open for all charitable organizations to sign and circulate to show Congress and the White House that nonprofits in local communities throughout the country support these priorities.

- [Read the Letter](#)
- [Sign the Letter](#)
- [Share the Letter](#)

## **Statements of National Nonprofits**

Below is a sample of statements submitted to the Senate Finance Committee in March in relation to the Committee’s hearing: [Examining Charitable Giving and Trends in the Nonprofit Sector](#).

- [American Alliance of Museums](#)
- [Independent Sector](#)
- [Jewish Federations of North America](#)
- [League of American Orchestras](#)
- [National Council of Nonprofits](#)
- [United Way Worldwide](#)

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Remote video URL

## ***Worth Watching***

[Town Hall Meeting with Sen. Gillibrand](#) (recording 26:58), Mar. 24, 2022, hosted by **New York Council of Nonprofits, Nonprofit New York**, Nonprofit Westchester, and the National Council of Nonprofits, during which the Senator and charitable organizations discussed the nonprofit policy priorities, as articulated in the [nonprofit community letter](#), and the Senator’s agenda for affordable child care and paid leave, and her interest in reforms to the Public Service Loan Forgiveness program.

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## ***In Focus***

### **Child Care**

In [survey data published by the National Council of Nonprofits](#), nonprofits identified the lack of adequate child care as a key factor contributing to the nonprofit workforce shortages crisis. The [nonprofit community letter](#), discussed above, states, “As employers and, in many cases, child care providers, charitable nonprofits are deeply concerned that the lack of child care and equitable wages are impediments to all; as one expert said on a recent Federal Reserve webinar, ‘There is no recovery of the economy without child care.’” These themes were on display at a recent Senate hearing, “[Child Care and Preschool: Cutting Costs for Working Families](#).” The [National Council of Nonprofits submitted material](#) identifying how lack of child care is contributing to the significant nonprofit workforce shortages, while also pointing out that charitable organizations serve their communities as child care providers. The [YWCA USA submitted a statement](#) strongly urging “Congress to immediately implement robust funding that would expand access to high quality care that is dependable, accessible, and reduce costs for families.” Within the past week, more than two dozen Senators and 70-plus House members, all Democrats, signed on to a [letter to President Biden](#) calling on him to push a budget reconciliation bill “that lowers the cost of child care for families, expands access to pre-K, and invests in the early childhood workforce and infrastructure.”

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### **Federal *FastView***

#### **Earmarks Return**

With the President's budget requests now public (see above), the budget and appropriations season has officially commenced. Notable for nonprofits, rules adopted by Congress last year permit individual Senators and Representatives to make **Congressionally Directed Spending** requests, a process for targeted appropriations formerly known as "earmarks." The rules expressly permit Senators and Representatives to request funding for charitable nonprofits. Every congressional office has its own process for soliciting and weighing funding requests, but this guide from the Bipartisan Policy Center is a good place to start: [Earmarks Guidance for the 117th Congress](#).

## Electronic Filing Explained

A recent federal law now requires charitable organizations to file their Form 990s online via electronic filing. The goals of e-filing are to simplify filing burdens for organizations, help regulators identify and stop fraud against charitable nonprofits and donors, and improve research and understanding of the sector. Yet, for first-time e-filers the process can be daunting. To help facilitate e-filing, the Aspen Institute has updated its guide, [Opening the 990: Information and Tools for Driving Impact](#).

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## Relief for Borrowers: Public Service Loan Forgiveness

Nonprofit employees and other eligible borrowers have until October 31 to take advantage of the Limited Waiver for [Public Service Loan Forgiveness](#), which provides for forgiveness of eligible federal loans after 120 eligible payments while working for 501(c)(3) charitable nonprofits and government employers. To spread the word, our next Accessing Public Service Loan Forgiveness webinar will be held on **Tuesday, April 5 at 1 pm Eastern** in partnership with the [Student Borrower Protection Center](#). [Register for the Webinar!](#)

State and Local

*Overcoming Nonprofit Workforce Shortages*

## Reforming Government Grants and Contracts

The pandemic exacerbated, and has brought back into focus, the [well-documented need for reforms](#) to the laws and processes governing grants and contracts between governments at all levels and the charitable nonprofits they hire to perform services in communities. Now the need for reform is more urgent because of the impact of grants and contract challenges on the [inability of nonprofits to hire and retain adequate staff](#). Two recent publications give data and voice to the challenges and solutions that policymakers must consider.

In March, **Washington Nonprofits** published the results of a statewide survey launched in December. The report, [The Nonprofit Experience with Government Contracting: Challenges & Recommendations](#), chronicles problems the responding nonprofits have experienced, prioritizes the challenges they want addressed, and presents the fixes nonprofits feel are most urgently needed. It identifies six specific challenges in the categories of “Complex Contracting Processes” and “Financial Constraints.” The report also provides four recommendations for ways to improve the government/nonprofit partnership, including compensating nonprofits fully for their work, overcoming contracting barriers that disproportionately impact nonprofits serving BIPOC, rural, and other marginalized communities, simplifying contracting processes, and investing in capacity building.

Late last month, two professionals in the human services subsector published an article in the *Chronicle of Philanthropy* providing details on the struggles of the pandemic and its aftermath on nonprofits, with particular focus on the challenges of organizations with government grants and contracts. The article highlights several problems the pandemic worsened, including the failure of governments to pay the full costs of services, imposition of spending caps, and the “restrictive nature of government contracts” that make “it difficult for workers to engage in many activities that could produce meaningful results.” The writers, Jody Levinson-Johnson and Ilana Levinson writing on behalf of [Social Current](#), cite as signs of progress the [recent California hearing](#) on the state of the nonprofit workforce and the [New York City task force](#) aimed at reducing payment delays and increasing funding for costs. As with the Washington Nonprofits report, the article includes recommendations to governments and foundation.

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## **Worth Quoting**

- "We are asked to stand in a gap and that's our job, and we take that job and we take it seriously, But as the demand goes up, it's really hard to continue to stand in the gap effectively - especially with a staff that has been doing that for a couple of years on pretty thin margins."

— Liz Moore, Executive Director of the **Montana Nonprofit Association**, quoted in [Worker Shortage Hits MT Nonprofit World Hard](#), Eric Tegethoff, Public News Service, Mar. 21, 2022

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## ***Worth Reading***

- [Workforce Participation Shortages](#), National Conference of State Legislatures, updated Mar. 23, 2022, revealing the difficulties state governments are experiencing in hiring staff to fulfill government missions. The series includes articles on [employment trends](#), [wages and benefits](#) (with interactive charts), and [state government workforce](#) (focusing on inclusion).
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## **Tracking ARPA Fund Investments**

### **Philanthropic Partnerships Distribute ARPA Funds**

Throughout the year since enactment of the American Rescue Plan Act, [we've reported on the many partnerships](#) between governments at all levels and charitable nonprofits to invest the \$350 billion allocated through the Coronavirus State and Local Fiscal Recovery Funds. The participation of philanthropic organizations in promoting ARPA distributions, while not new, has become increasingly important and better documented. One clear trend is the reliance by governments on local philanthropic organizations to identify eligible grant recipients and administer ARPA funds. A [community grant program in Omaha, Nebraska](#), designates two local philanthropic organizations to administer \$15 million in ARPA funds to qualifying nonprofits. The Omaha Community Foundation will distribute \$10 million in categories such as workforce development and violence intervention and prevention, while United Way of the Midlands will deliver \$5 million in categories that address basic needs. Policymakers in San Marcos, **Texas**, have turned to three community foundations that have relationships with nonprofits in the region to

administer the \$3 million [Nonprofit Community Grant Program](#).

**Know of Other Examples?** [Please share with us other examples](#) of philanthropy – private foundations, community foundations, or individual funders – stepping up to help administer, facilitate, or train charitable nonprofits to secure and implement use of ARPA funds in their communities.

## Keeping Track of ARPA Funding

**Local:** [Local Government ARPA Investment Tracker](#), Brookings Institute, Feb. 3, 2022

**State:** [ARPA State Fiscal Recovery Fund Allocations](#), National Conference of State Legislatures, updated Mar. 10, 2022.

**Nationwide:** [ARPA Spending Website](#), National Council of Nonprofits, highlighting opportunities and resources for nonprofits by state, updated regularly.

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## Trend Spotting

## Employment Policies

State legislators are devoting considerable attention this year to legislation affecting employers, including nonprofits, and their employees. In recent days, [Illinois](#) and [Kentucky](#) enacted measures to spend some of their American Rescue Plan Act allocations to replenish their state unemployment trust funds. Bills pending in three states focus on expanding workplace benefits. A measure in the **California** Senate ([S.B. 1126](#)) would expand the requirement that employers offer a retirement savings option to employees. **Kentucky** is considering a bill ([H.B. 499](#)) to establish an Employee Child-Care Assistance Partnership, a revolving fund for employers to contribute and the state to match up to 100% of contributions for employers. **Minnesota** legislation ([H.F. 11](#)) would create a Small Employer Transitional Health Care tax credit for qualified individuals employed at small employers enrolled in a state healthcare plan.

Workplace transparency and confidentiality are also hot topics. **Washington** Governor Inslee signed legislation ([S.B. 5761](#)) to require employers with 15 or more employees to disclose the hourly pay rate or salary range, benefits, and other



compensation in a job posting. In **New York**, Governor Hochul signed a bill ([S. 5870](#)) that includes disclosure of an employee's personnel files as a prohibited form of retaliation against an employee for opposition to or for filing a complaint or for testifying or assisting in a proceeding involving unlawful discriminatory practices. She also signed a bill ([A. 2035B](#)) to establish a confidential hotline for complaints of workplace sexual harassment.

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## ***Charitable Giving Update***

### **Examining Giving Patterns**

Nearly seven out of 10 households in Florida made charitable donations in 2021, and 74% of those donors gave most of their funds to organizations based in the state, according to a new report from the **Florida Nonprofit Alliance**, in collaboration with the Jessie Ball duPont Fund and the Indiana University Lilly Family School of Philanthropy. The report, [Giving in Florida](#), is the state's first in-depth analysis of charitable giving behavior and one of the first of its kind to present data for 2021. The report also examined the differences in giving by Floridians aged 65 and older and Floridians aged 40 and younger: those aged 40 and under were more likely to volunteer and give online, through an app, or through a crowdfunding campaign. One of the goals of *Giving in Florida* is to empower local nonprofits to match donor interest.

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### **Did You Know?**

On March 30, the White House COVID-19 response team launched [COVID.gov](#), a site for users to find resources on where to get a second booster, order tests, and access treatments.

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### **Upcoming Events**

- Apr. 5, [Building Your Public Policy Agenda](#), Momentum Nonprofit Partners
- Apr. 12, [Oregon Nonprofit Leaders Conference](#), Nonprofit Association of Oregon

## Investing Surprise Surpluses... for the Public Good

There are surprising new fiscal realities that no one anticipated two years ago: most [states are running large budget surpluses](#) and [revenues continue above expected projections](#). The question on most lawmakers' minds is what to do with the unexpected windfalls in their states. Speaking in generalizations, progressives across the country largely have been seeking to [restore past spending cuts](#) and focus new programs to address continuing and new community challenges, notably those affecting low-income families and disadvantaged communities. Conservatives, on the other hand, mainly have been [promoting tax cuts](#) and putting money back into people's pockets.

But a far simpler answer to the question of what to do with the windfalls: advance the agendas of both sides by empowering efforts to confront community challenges while also lowering residents' tax burdens. That is, regardless of political leanings, lawmakers can - and should - seize this moment to do good through good tax policy.

[Read More](#)