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Common Sense Warns Nonprofits to Get Prepared

By: Tim Delaney

When asked recently what nonprofits can expect from the new Congress, the Eeyore in me sighed at the reality: “nothing,” “frustration,” and perhaps “misery.” Then the Tigger side began hopping ahead to identify suggested action steps we all can take. Allow me to explain.

A perilously balanced Congress

Many see Congress as being extremely divided. It is. Yet, it's also true that voters across the country produced a *perilously balanced* new Congress, with each political party just barely claiming a chamber. Republicans hold only a slender majority in the House (222 Rs vs. 213 Ds); Democrats just a faint majority in the Senate (51 caucus with Ds vs. 49 Rs). Those scant numerical majorities make governing dicey. Just look at the [ultraconservative Republicans who blocked Kevin McCarthy from being elected Speaker](#) until the fifteenth ballot, and Democratic Senators Feinstein and Fetterman who've been [unavailable to vote since being hospitalized last month](#), leaving a 49-49 split. Each chamber's majority is built on a shaky house of cards fragile enough to topple if anyone missteps – by accident or design – thus granting inordinate power to every Member to thwart anything.

Accordingly, there is no expectation that Congress will resolve any important issues affecting charitable nonprofits over the next two years. My perspective is not unique. “Nothing meaningful will get passed,” according to a senior Republican aide quoted in the [Washington Post](#), because House “leaders [have] what many see as the impossible task of corralling far-right-wing demands while balancing them with the desires of more moderate members.” But they won’t be bored, the [New York Times](#) observed. “When there is divided government, lawmaking tends to grind to a halt and Congress is dominated by oversight fights.”

Unfortunately, it gets worse than that, hence Eeyore’s **warnings of “frustration” and perhaps “misery.”** The extreme and abrasive partisanship in the House – as seen during the recent State of the Union address and votes for Speaker – could erupt in ways this year that would make matters worse for charitable nonprofits and, most crucially, those we serve.

First, dozens of Republicans in the House and at least [24 in the Senate](#) have vowed they will not vote to raise the debt limit without drastic spending cuts. They are [refusing to honor America’s obligations](#) for past expenditures in an attempt to gain leverage to [extract massive spending cuts](#). If they block raising the debt limit, [economists predict](#) the “economy could quickly shed a million jobs and fall into recession,” and “the damage could spiral to seven million jobs lost and a 2008-style financial crisis.” If this debt ceiling fight isn’t resolved, then sometime this summer the U.S. government will no longer be able to pay its existing bills on time. I don’t have space in this article to go into how “[failing to raise the ceiling would be catastrophic and unprecedented](#)” or how the resulting economic crisis would impose immediate and severe adverse consequences on the work of charitable nonprofits; just look up “misery” in the dictionary.

Even if our country avoids such incalculably dangerous harm, there’s a second severe pain point on the horizon: the potential shutdown of the federal government on October 1 when the new federal fiscal year begins. The conservative House Freedom Caucus has a long history of voting against spending bills; just think back to the 35-day shutdown in 2018 as a recent example. Fresh demands by some in that caucus to defund government investigations and prosecution of crimes committed on January 6 “sets up a new and explosive spending clash that could easily prompt a government shutdown,” according to [Politico Playbook](#).

Think through the operational and financial implications for your nonprofit, and plan accordingly

Now is the time to prepare (not panic) for possible widespread economic turmoil and federal government shutdowns later this year. Those events would affect nonprofits in multiple ways.

Consider, for example, what will happen if federal funding for individuals and programs were to stop. Human needs will spike, driving even more people to nonprofits for help. We've seen this horror movie before during past federal and state government shutdowns. And we're already getting another preview now, as federal funding to alleviate the pandemic is shut off in multiple programs, including housing and food stamps. See, for example, the emerging ["hunger cliff"](#) (CBS News, Feb. 27, 2023) as "16 million American households are seeing a sharp cut in how much they can spend on food this month. ["SNAP benefits ...drop for millions of Americans as pandemic aid winds down"](#) (NPR, March 8, 2023). See also [Struggling families say pandemic food stamps ending at a horrible time](#) (Washington Post, March 4, 2023), quoting the Executive Director of the Ohio Association of Food Banks, who – noting demand has soared to historic heights as Ohio food banks served 3.1 million people in the last quarter of 2022, which is about 600,000 more than were served during the same period in 2021 – warned: "We are bracing, and our agencies, member food banks, food pantries and soup kitchens are not prepared for what is about to hit them."

Now is the time for frontline nonprofits to think through what further spikes in demand would mean for them. For example, what would a government shutdown mean for your nonprofit's revenues streams to keep your mission sustainable?

1. Nonprofits with government grants/contracts should anticipate and plan for payments stopping. This stoppage would include your state and local government grants that are funded by federal appropriations.
2. Nonprofits depending on foundation grants need to recognize that a debt ceiling crisis will disrupt the stock market, cutting into foundation assets. A short government shutdown may spook the market somewhat, and a longer one will become more disruptive.

3. Donations will fall further as individuals worried about the future hang on to what they have.

To help nonprofit staff and boards prepare for different futures, our website offers numerous resources on topics like [Financial Management](#) and [Budgeting](#). For example, our page on [Financial Literacy for Nonprofit Boards](#) shares links to resources on:

- [Scenario Planning](#) (Propel Nonprofits), which can help boards and staff make informed budget and management decisions based on different external and internal scenarios.
- [Budgeting in uncertain times](#) (Grant Thornton).
- [Personnel Strategies in the Face of Impossible Choices](#), a webinar (with Curt Klotz) – precipitated by the COVID-19 crisis but applicable to any time of constrained resources – that explores how nonprofits can develop financially effective and equitable personnel strategies that uphold their values during an economic crisis.
- [The Big Reset: Guidance for Nonprofits](#) (Mario Morino), a collection of a dozen frank and motivating suggestions for nonprofit boards and leaders, along with a [Triage Tool](#) that provides a “relatively quick way to identify and prioritize action items in times of crisis and change.”

Additional actions you can take for all nonprofits

As noted, there’s no expectation that Congress will resolve any important issues affecting charitable nonprofits. Yet, even when the odds seem impossibly long, **sometimes the unlikely can quickly shift into the possible**, which is why nonprofit leaders and advocates can never give up. An example is the recent introduction of the bipartisan *Charitable Act*, which positions the bill in the event favorable circumstances suddenly materialize. The legislation would create a universal charitable (non-itemizer) deduction, providing all taxpayers, not just the wealthy, with an extra incentive to support their communities by donating to charitable nonprofits. See our article “[Introducing a Bill When the Odds Appear Long](#)” for more background about that legislation and its chance of becoming law.

Nonprofit leaders like you can help your nonprofit and others secure more financial and other operational support by keeping federal officials representing your interests informed about today’s challenges. **Work your existing federal**

relationships and form new ones. Using the real-world challenges your organization faces, explain why Congress needs to restore charitable giving incentives, including facts like:

- The number of individuals giving to charity has shrunk at an alarming rate, driven by a [“collapse” in giving during the first three quarters of 2022 \(the latest data\) among the segment of people accounting for almost 98 percent of all donors: those who give under \\$500](#) and first-time donors.
- Inflation ate away 13.5 percent of buying power the last two years ([7% in 2021 and 6.5% in 2022](#)), but government grants and contracts didn’t increase to cover those higher costs - and neither did foundation grants.
- Severe [nonprofit workforce shortages](#) have hurt the public because understaffed nonprofits cannot provide the volume or level of services people need.

But especially in these days of divided federal government, don’t overlook **nonprofit public policy opportunities and threats at the state and local levels.** For example, we were inspired to see several recent [policy initiatives from Providers’ Council](#) in Massachusetts regarding student loan forgiveness and wage parity for human service providers. And watch for perennial threats by localities to take money away from nonprofit missions by trying to tax tax-exempt charitable nonprofits directly or via PILOTs (Payments In Lieu Of Taxes), including [several attempts this year](#) in Massachusetts, Pennsylvania, and Rhode Island.

In summary, when considering what the best advice would be for nonprofit leaders today as we all face the unsettled situation in Congress, potentially volatile economic conditions, and the seemingly fickle nature of the universe, I offer the following: expect nothing good from Congress (but keep your contacts alive and be prepared to jump into action), get prepared for government shutdowns by thinking ahead and positioning your nonprofit now, and remain alert and nimble so you can seize opportunities and defeat any threats.