



Published on National Council of Nonprofits (<https://www.councilofnonprofits.org>)

Original URL: <https://www.councilofnonprofits.org/nonprofit-champion-march-20-2023>

Nonprofit Champion | March 20, 2023

Federal

Budget, Spending, and Impasse

This month, the White House released President Biden's proposed [Budget of the U.S. Government, FY 2024](#) calling for a 7% increase in non-defense funding for the next fiscal year and asking for a smaller boost in spending for the military and national security programs. See [budget overview/fact sheet](#). House [Republicans rejected the budget proposal](#) and have said they plan to produce a budget that balances in 10 years without raising taxes. Also, the conservative [House Freedom Caucus](#) sent a warning to Republican leaders saying they would not support raising the debt limit unless Congress enacts \$130 billion in spending reductions, caps future budgets for federal agencies at fiscal 2022 levels, and claws back certain federal spending on climate and the IRS, among other things. Last week, the [Congressional Budget Office](#) essentially declared these approaches unworkable by showing that efforts to balance the federal budget in 10 years would require extremely draconian cuts to federal spending programs. In short, Washington is no closer to reaching agreement on any of the pressing spending priorities.

The President's budget proposal, while predictably declared "dead on arrival," still contains details that will shape the spending, tax, and other policy debates over the next six months or longer. Here are a few proposals viewed from a nonprofit perspective:

- **Deficit:** The budget proposal claims it would cut the deficit by \$3 trillion over the next decade.
 - **Medicare:** It seeks to boost Medicare's solvency for the next 25 years by raising taxes on taxpayers making over \$400,000 annually, among other tax changes. See the President's *New York Times* op-ed: [My Plan to Extend Medicare for Another Generation](#).
 - **Other tax-related provisions** include higher capital gains taxes, ending the carried-interest loophole, and curtailing a tax break for offshoring.
 - **Child Care:** The President is calling for the restoration of the full Child Tax Credit, plus increasing funding for child care and universal pre-K. Republicans have responded that they would need the full repeal of the state and local tax (SALT) deduction as a tradeoff for an expanded Child Tax Credit
 - **Philanthropy Provisions:** The President once again is seeking to disqualify (for purposes of pay-out requirements) distributions by a private foundation to a donor-advised fund (DAF) unless the funds are expended as a qualifying distribution by the end of the following tax year. Distributions to another DAF would not qualify. Another returning provision would exclude payments to disqualified persons (typically family members) from counting toward the private foundation payout requirement. ([Green Book](#) pp. 139-41)
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Worth Quoting

- "I don't have space in this article to go into how 'failing to raise the [debt] 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. ... [G]et prepared for government shutdowns by thinking ahead and positioning your nonprofit now."
~ Tim Delaney, writing in [Common Sense Warns Nonprofits to Get Prepared](#), *Nonprofit Essentials*, Mar. 15, 2023.
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Worth Reading

- ['Catastrophic Financially.' What It Means for Cities If the Debt Ceiling Isn't Raised](#), Kery Murakami, *Route Fifty*, Feb. 21, 2023.
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Worth Listening

- [What Is the Congressional Debt Limit?](#) (00:21:37), *Understanding Congress*, Episode 32, American Enterprise Institute, Mar. 6, 2023.
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Nonprofits Confront the “Hunger Cliff”

Inflation is not the only challenge for individuals struggling to feed their families and the charitable nonprofits dedicated to supporting them. The last of the enhanced federal food relief prompted by the pandemic went out at the end of February, forcing millions of families to turn to hunger-alleviating nonprofits for basic support. Congress authorized the end of “emergency allotments,” additional benefits averaging \$95 per month, under the Supplemental Nutrition Assistance Program (SNAP), after the February 2023 payments. Eighteen states had already ended those pandemic food benefits. See [USDA explainer](#). As a result, individuals and families are turning to food banks, churches, and other charitable nonprofits for food and assistance. About three-quarters of food banks reported that the ending of the emergency allotments has driven up demand, [according to a Feeding America survey](#). “We are transitioning from a pandemic crisis to a hunger crisis,” said Vince Hall, chief government relations officer at Feeding America. [Additional temporary SNAP COVID-related benefits](#) for able-bodied adults without dependents, college students, and states with workload waivers are also expected to end May 11.

Worth Quoting

- “When the federal government doesn’t provide as much support for food, it doesn’t mean that hungry people all of a sudden are better off, or no longer need assistance, or they go away. The hunger is still there, people are still there, the need is there, but the federal government is too abrupt in shifting the burden and costs of dealing with that downstream, to states [and] localities,

and puts a greater burden on charities.”

~ Ellen Vollinger with the Food Research and Action Center (FRAC), quoted in [Low-income Americans face a ‘hunger cliff’ as Snap benefits are cut](#), Michael Sainato, *The Guardian*, Mar. 17, 2023.

- “My message to nonprofits is: Things are going to get harder.”
~ Liz Moore, Executive Director of the **Montana Nonprofit Association** and Board Chair of the National Council of Nonprofits, quoted in [Inflation and Labor Costs Squeeze Nonprofits as Pandemic Relief Wanes. Is a Fiscal Cliff Ahead?](#), Drew Lindsay, *Chronicle of Philanthropy*, Mar. 8, 2023.
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Worth Studying

- [Inflation, Public Supports, and Families with Low Incomes](#), Gregory Acs and Laura Wheaton, Urban Institute, Feb. 8, 2023.
 - [Going Hungry in America](#), German Lopez, *New York Times*, Mar. 17, 2023.
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FastView

- **Increasing Affordable Housing Options:** Recognizing the impact of affordable housing shortages, there is activity at the federal level to address this challenge. In his recently released budget proposal, President Biden is calling for an additional [billion dollars for existing programs](#) to boost affordable housing nationwide. Also this month, Senators Cardin (D-MD) and Young (R-IN) introduced the [Neighborhood Homes Investment Act](#) to create a federal tax credit to reduce the cost of building or renovating a home in eligible low-income communities. Chris Vincent of [Habitat for Humanity](#) said, “This legislation has the potential to unlock hundreds of thousands of affordable homes that are currently needed, making homeownership more attainable and sustainable across the country.” The measure would also create \$56 billion in wages and produce \$26 billion in federal tax revenues and fees, according to estimates from the [Neighborhood Homes Coalition](#).
- **Economic Impact of the Arts and Cultural Industries:** The [National Endowment for the Arts](#) released new data on the contribution of 35 arts and cultural industries to the economy. According to the report, the arts economy in

2021 represented 4.4% of Gross Domestic Product, or more than \$1 trillion. While the total economic value added by arts and cultural industries grew by 13.7% from 2020-2021, several subsectors (independent artists, music groups, and theater, dance, and opera companies) still have not returned to pre-pandemic levels.

State and Local

The American Rescue Plan Act, Two Years Later

The American Rescue Plan Act (ARPA), enacted two years ago, provided state, local, Tribal, and territorial governments tremendous flexibility in how they invest their allotments under the \$350 billion Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program. New reports from the Treasury Department and Brookings Institute highlight some of the ways in which governments have spent their funds over the last two years.

A [report from the U.S. Treasury Department](#) identifies several focus areas that have benefitted from government investments. For example, so far governments have budgeted \$11.8 billion for public health projects, \$10.9 billion for workforce support, and \$15.9 billion for housing. Some of these projects include grants and contracts to nonprofits. Treasury's report also stresses that ARPA funds can address disparities and support capacity-building efforts of governments (and nonprofits) to have an equitable recovery.

Charitable nonprofits planning to seek ARPA funding from their state and local governments likely will stand a greater chance of securing funding if they tailor their proposals to align with priorities that some governments have indicated they will be advancing. An [analysis by the Brookings Institute](#) identifies past spending by local governments (cities, counties, and consolidated city-counties) and their strategies going forward. As of September 2022, local governments have spent the biggest share of their funds on their own operations (such as revenue replacement); other areas include community aid such as supporting nonprofits. The Brookings report also highlights five areas in which city and county officials are planning to spend their remaining funds. These include leveraging or crafting strategic plans, workforce training, capital investments, strengthening civic capacity and

participation, and “catalyzing transformative place-based investments.”

Worth Quoting

- “Florida nonprofits have mostly recovered from the pandemic but are now tackling a new set of challenges. A third of existing CEO leaderships will turn over by 2025. Sixty-six percent of organizations had no increase in unrestricted revenue in 2022. More organizations need to invest in internal infrastructure but don’t have the funding to do so.”
~ Sabeen Perwaiz, President and CEO of the **Florida Nonprofit Alliance**, quoted in [Florida Nonprofits Struggling To Keep Up](#), Eric Obermaier, *The NonProfit Times*, Mar. 1, 2023.
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Worth Reading

- [County should share ARPA windfall with nonprofits](#), editorial, *Ozaukee (WI) Press*, Mar. 8, 2023.
 - [Debate Grows Over How Some Ohio Local Govs Use ARPA Funds](#), Josh Sweigart, London Bishop, and Avery Kreemer, *Springfield (Ohio) News-Sun*, Mar. 13, 2023.
 - [Ways that Cities Are Directing ARPA Dollars Toward the Arts](#), Vanessa Cooksey, Nick Dunne, Chase Law, and D.D. Adams, National League of Cities, Mar. 13, 2023.
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Employment Legislation that Impacts Nonprofits

Several states are advancing legislation on employment policies that also could apply to charitable nonprofits and foundations as employers. **Colorado** would require employers to notify employees in writing of the [availability of certain state and federal income tax credits](#), such as the Earned Income Tax Credit and the Child Tax Credit, under a bill headed to Governor Polis’s desk. The written notice would be required to be in English and any other language the employer uses to communicate with employees and would need to include any other content prescribed by the state Department of Revenue. In **Illinois**, Governor Pritzker signed into law legislation [mandating paid leave](#) that guarantees one hour of paid leave for every 40 hours

worked, up to 5 days per year. A bill in **New Mexico** would [prohibit employment discrimination based on gender or disability](#). The measure would also bar a governmental entity or public contractor from refusing, limiting, or putting conditions on services based on a list of protected criteria that includes, but is not limited to, race, age, religion, national origin, sexual orientation, gender identity, pregnancy, and medical condition.

Latest Data on Workforce Shortages

New findings show the public continues to suffer a reduction in services they need because of the ongoing severe challenges nonprofits experience in recruiting and retaining enough employees to meet the public's demands. **The New Jersey Center for Nonprofits** [annual survey results](#) show that more than half of nonprofits (53%) have staffing shortages, with an average vacancy rate of 19%. The biggest obstacles to filling vacancies included difficulty offering competitive compensation due to budget constraints or lack of funding; trouble recruiting credentialed employees for positions that require them; and competition for employment from other sectors. Hospitals in **Michigan** have more than 27,000 job openings around the state, according to a [survey](#) conducted by the Michigan Health & Hospital Association. On March 15, Governor Whitmer signed [legislation that allocated \\$67 million to create workforce grants](#) to providers, including nonprofits, that promote "recruitment, retention, training, or career development initiatives." Finally, in a nationwide survey, [LeadingAge](#), a nonprofit association of providers of aging services, found that 64% of respondents to a poll said their problems with staffing shortages have not improved since June 2022, making workforce an advocacy priority.

Providing Affordable Child Care Options

The lack of access to affordable, quality daycare is a primary reason job applicants give for not going to work at charitable nonprofits, thus exacerbating [nonprofit workforce shortages](#). Some relief may be in the offing in two states:

- A pending bill in **Montana** would create the [Best Beginnings Child Care Scholarship Program](#) and appropriate \$10 million to provide scholarships to

qualified low-income families whose child received care provided by a licensed child care provider or day-care facility.

- Bills in **North Carolina** also seek to expand access to child care and potentially promote nonprofit employment. One would establish the [Tri-Share Child Care pilot program](#) as a public-private partnership between the Department of Health and Human Services and Partnership for Children to improve access to affordable, high quality child care for working families, including nonprofit employees. A [Senate bill](#) and [House bill](#) would appropriate \$300 million to extend child care stabilization grants through 2025. Separate legislation would [increase the child care subsidy rate](#) to market rate study recommendations and appropriate \$99 million to make improvements to the child care subsidy rate structure.
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Data Privacy, the States, and Nonprofits

Data privacy laws around the country are intended to afford consumers and online users more control over their personal information that entities collect through their websites. Lawmakers in **California, Colorado, Connecticut, Utah, and Virginia** have enacted statutes that [provide consumers the right to know](#) what information has been collected, request for correction or deletion of the data, and have their data removed from any sale or transfer. Similar legislation in [Iowa](#) is awaiting the Governor's signature. Currently, lawmakers in at least [25 more states are considering bills](#) this year with an [emphasis on protecting youth](#). Many of these laws and bills expressly exempt nonprofits. Others effectively exclude charitable organizations via thresholds and safeguards based on gross revenues, whether the organization derives annual revenues from selling consumer data, what kind of data is collected, how is it collected, how is it used, the number of individual's data processed, whether the data was sold or transferred.

Worth Studying

- [2023 Consumer Data Privacy Legislation](#), National Conference of State Legislatures, updated Feb. 15, 2023.
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In Focus:

Voting Legislation

Lawmakers have introduced more than [1,500 bills in all 50 states](#) that aim to alter access to voting or the voting process. Some proposals seek to further restrict the ability to vote while others aim to encourage people to exercise their right to vote. Proposed changes seek to address a broad range of issues, such as voter ID requirements, same-day and automatic registration, early voting, in-person voting, mail-in voting, voter list maintenance, and shifts in election oversight and authority. Here are some recent developments:

- **Maintenance of registration rolls** has become a hot topic as several states (**Alabama, Florida, Missouri, Ohio, and West Virginia**) [announced leaving the Electronic Registration Information Center \(ERIC\)](#), a multi-state program of 30 states plus D.C. that allows secure sharing of voter registration data to eliminate the names of dead voters, find people who illegally voted in more than one jurisdiction, and register eligible voters after moving.
- **Auditing Election Result:** A new trend has emerged for bills to require an [“audit” or review of the certification of election results](#), the election process, and voter registration lists as well as transfer authority to the legislature, judiciary, or other agency to count ballots, certify, alter, or reject results.
- **“Ballot Harvesting”:** The **Mississippi** Legislature has passed a bill to [prohibit “ballot harvesting,”](#) which the bill defines as knowingly collecting and transmitting a ballot that was mailed to another person. The measure provides exceptions for election officials, US Postal Service workers, individuals allowed by federal law, family members, household members, or caregivers, and common carriers. The bill awaits the Governor’s approval.
- **Making It Easier to Vote: New Mexico** legislation on the Governor’s desk would expand access to voting. [H.B. 4](#) would, among other things, extend the period for early voting, require drop boxes in every county, make election days a school holiday, and establish automatic voter registration with an opt-out option. The measure includes the Native American Voting Rights Act. [Learn more.](#)

Worth Reading

- [6 Things Lawmakers Can Do to Bolster Election Security](#), Saige Draeger, National Conference of State Legislatures, June 6, 2022
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Worth Playing



- [The American Democracy Game](#) from the National Conference of State Legislatures, designed as a way for young people to learn about representative democracy in a familiar format — online gaming.
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Worth Reading

- [As Supreme Court considers student loan forgiveness, states may expand their programs](#), Elaine Povich, *Stateline*, Mar. 13, 2023.
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Numbers in the News

30,000+

The number of state, local, Tribal, and territorial governments that have received Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) to support immediate needs from the COVID-19 pandemic and long-term rebuilding efforts.

Source: [American Rescue Plan: Two Years In](#), U.S. Department of the Treasury, Mar. 14, 2023.

2,451

The approximate number of women serving in the 50 state legislatures in 2023, making up 33% of all state legislators nationwide, the highest percentage in the nation's history.

Source: [Women in State Legislatures for 2023](#), National Conference of State Legislatures, Feb. 22, 2023.

March is

- [Women's History Month](#)
- [National Disability Awareness Month](#)
- [National Deaf History Month](#) (March 13 – April 15)

Nonprofit Advocacy Events

- Mar. 23, [Accessing ARPA Funds](#), Nonprofit Connect
- Mar. 28, [Legislative Reception](#), Iowa Nonprofit Alliance
- Mar. 29, [Working in Coalitions](#), Florida Nonprofit Alliance
- Apr. 3-4, [Oregon Nonprofit Leaders Conference](#), Nonprofit Association of Oregon
- Apr. 20, [Midsouth Nonprofit Conference](#), Momentum Nonprofit Partners (Memphis, TN)
- Apr. 20, [It's Time to Advocate: Tips](#), Center for Nonprofit Excellence (Charlottesville, VA)
- Apr. 25, [Nonprofit Advocacy Day](#), Oklahoma Center for Nonprofits

Nonprofit VOTE Webinar

[Voter Engagement in Rural and Small Towns](#)

Wednesday, March 22, 1:00 pm ET

Learn how creative nonprofit staff in rural areas and small towns are using creativity, empathy, and strong community ties to turn the tide on low voter turnout while offering voter education that empowers people to make their voices heard on election day. [Register now!](#)

Advocacy in Action

Communicating the Why, the How, and the What

Advancing policy goals requires clear communications that answer the key questions of “why” the issue matters, “how” the proposed solution is effective, and “what” interested people can and should do to get involved. Recently, Jim White, Executive Director of the **Nonprofit Association of Oregon** (NAO), answered all three questions. In one paragraph!

[Read the full article!](#)