

Connect the Dots



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Every state has hot public policy issues that are impacting nonprofits. Is your organization's voice being heard at the decision-making table?

Board members, the choice is yours. Would you rather have to raise billions more in funding or provide leadership by advocating for realistic solutions to your community's funding challenges?

To put your choice in context, let's connect the dots between three realities:

- State and local governments are starving for revenues.
- Governments are shifting their burdens to nonprofits.
- Nonprofit board members are being forced to raise more and more money to meet community needs.

State and local governments are starving

The National Conference of State Legislatures [warns](#) that fiscal conditions are so bleak that "it is difficult to forecast when the vast majority of states will no longer face budget gaps."

The National League of Cities [predicts](#) that fiscal strains on governments are so severe that "local government job losses in the current and next fiscal years will approach 500,000," which will "curtail essential services, and increase the number of people in need." Others have [documented](#) that "whatever there was to cut, states have slashed it, often at

ruinous costs to the most vulnerable: the poor, the sick and disabled, students, tens of thousands of laid-off workers."

Now, on top of that, state budget officials in 40 states [forecast](#) deficits of an additional \$130 billion over the next two years. So states will have about 20 percent less than what their cumulative budgets had just a few years ago.

Governments are shifting their burdens to nonprofits

As the lengthy economic recession continues to wear down their budgets, state and local governments have been shifting their fiscal burdens to nonprofits and foundations in three ways:

The First Wave: Withholding payments contractually owed to nonprofits

The Urban Institute recently conducted the nation's first comprehensive [study](#) of government-nonprofit contracting relationships. The study revealed that government administrators have been withholding payments they legally owe to nonprofits for services the nonprofits had delivered pursuant to legal, binding contracts. Nationwide, nonprofit human service providers that

have government contracts reported numerous problems, including

- 68 percent reported governments were not paying the full cost of contracted services
- 58 percent reported governments were changing contracts midstream
- 53 percent reported governments were paying late

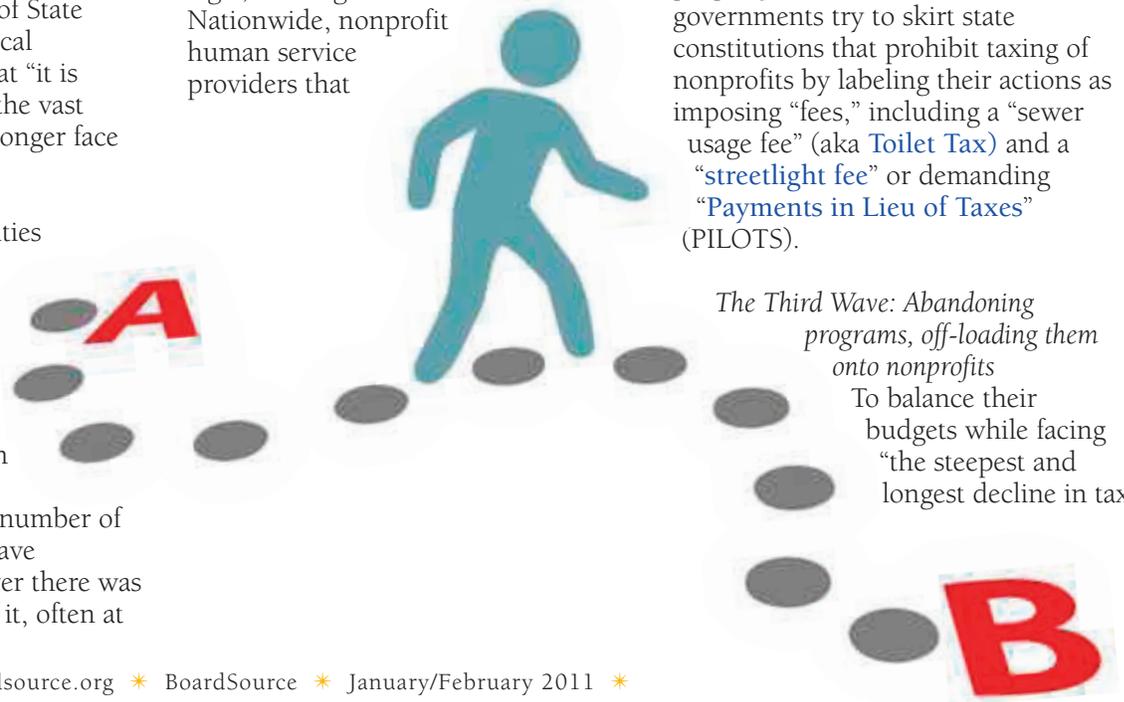
The National Council of Nonprofits issued a [companion report](#) providing additional context, including how the contracting problems hurt not just nonprofits with contracts but also nonprofits that see funders shift their dollars elsewhere, individuals not getting services, and taxpayers paying too much for senseless red tape. That report also identified numerous solutions.

The Second Wave: Taking money from nonprofit programs

To raise revenues, state and local governments have been attempting to impose new fees and taxes on tax-exempt nonprofits, taking money that nonprofits would otherwise use to deliver programs and services. Some governments are attempting to impose [new property taxes](#) or reclassify property as taxable. Other governments try to skirt state constitutions that prohibit taxing of nonprofits by labeling their actions as imposing "fees," including a "sewer usage fee" (aka [Toilet Tax](#)) and a "[streetlight fee](#)" or demanding "[Payments in Lieu of Taxes](#)" (PILOTS).

The Third Wave: Abandoning programs, off-loading them onto nonprofits

To balance their budgets while facing "the steepest and longest decline in tax



collections on record, state, county, and city governments have resorted to major life-changing **cuts in core services**, such as education, transportation, and public safety that, not too long ago, would have been unthinkable.”

When eliminating funding for programs, governments have not simultaneously eliminated the **underlying human needs**. Rather, policymakers apparently have assumed that someone else will step forward to continue to deliver the programs to meet the community's on-going needs. Who? Nonprofits and foundations.

Board members will be forced to raise billions more

Government officials are not taking these actions because they are evil or want to purposefully hurt nonprofits, their employees, and those they serve. Yet policymakers are woefully misguided when they withhold what they owe to nonprofits, raise revenue through fees and taxes on tax-exempt organizations, or abandon government programs because they believe that nonprofits can simply get additional grants from foundations.

Anyone who does the math will see quickly that foundations can't possibly replace government funds. The Congressional Research Service reports that government payments for delivering services account for 29 percent of funding for the entire

nonprofit sector, compared to just 12 percent from private contributions, of which only 1 percent comes from foundations. So burdens shifted to nonprofits from governments must be funded by nonprofits themselves. Therefore, board members can either raise the needed funds themselves or find another solution.

Nonprofit boards must provide leadership

There are no easy answers. Policymakers will have to make tough decisions, for sure. But would you prefer that policymakers — who have proven they have no understanding of how their actions are placing unreasonable burdens on nonprofits — make those decisions without your informed input or with your guidance?

Nonprofits *must* — **MUST** — pull up a chair to the public policymaking table. For too long, the compliance/accountability movement has swung the pendulum so hard toward internal focus that attention has been diverted from recognizing the tremendous need for a strong external voice. Every nonprofit was created with a public benefit mission. When we lose sight of our core mission to benefit our communities, the compliance/accountability pendulum has swung too far.

As a matter of good governance, *every single board* ought to have a public policy committee. Board members cannot assume their nonprofit is

immune to policy issues because it doesn't receive any direct government funding. Every nonprofit has a stake in these challenging economic times.

But a committee alone won't solve this long-brewing problem. Start with a special board meeting dedicated exclusively to public policy re-engagement. Discuss ways to advance your organization's mission through advocacy at the state or local level. Appoint someone to come back a month later with a board resolution declaring your organization's long-term commitment to public policy and explaining why. Ask the public policy committee to propose a policy agenda. Provide advocacy training for your board and staff.

And don't feel like you have to do this alone. All nonprofits have to return to these basics now. We can all help each other. The best way to get help and learn what the hot issues are in your state is to **join your state association** of nonprofits. Through your state association, you can unite your voice with other nonprofits and provide the meaningful leadership your community needs.

RESOURCES:

“Nonprofit Advocacy Matters,” free e-newsletter. National Council of Nonprofits. www.councilofnonprofits.org

“Lobbying and Nonprofits: Rules for Sharing Your Expertise” by John Pomeranz. *Board Member*®, March/April 2008.



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