



## Before the Committee on Small Business United States House of Representatives

Hearing on  
**The Shutdown: Economic Impact on Small Businesses**  
February 6, 2019

### Statement of the National Council of Nonprofits

On behalf of the National Council of Nonprofits, the largest network of charitable nonprofits in the United States, we submit this statement to inform Committee Members:

1. How the recent federal government shutdown inflicted harm on charitable nonprofit organizations, the people they serve, and the overall economy – citing examples from across the country; and
2. The firm belief and expectation of nonprofits nationwide that *government shutdowns are completely unacceptable and should **never** be an option at any level of government.*

We believe it is appropriate for the Committee to consider the shutdown's impact on nonprofits because charitable organizations are predominantly small employers. Ninety-two percent of America's nonprofits have budgets under \$1 million; 88 percent have budgets of less than \$500,000 for their work. Collectively, nonprofits employ [more than 12 million people](#) – about 10 percent of the workforce (and even higher in some states, such as New York, where nonprofits employ almost 17 percent of the state's private-sector workforce).

In this statement, we address the unacceptable human and financial costs the shutdown imposed on individuals, smaller organizations, and the economy. We share the nonprofit perspective and provide insights from the real-world experiences of organizations that stepped up to address the many problems created by the shutdown.

Here's an initial sampling of the impact and comments from around the country:

- **Nonprofits serving families:** “The middle-school-aged girls we work with bring a lot of their family stressors to the program with them and we anticipate needing to guide them through processing this situation.” (Maine)
- **Nonprofits providing food assistance:** “Our clients – SNAP recipients – are confused and anxious. We are hearing from more people who need help accessing food, including furloughed federal employees. Mitigating the impact of the shutdown is our top priority, but as a nonprofit, the attention the shutdown demands is consuming significant resources and staff time across our entire organization.” (Massachusetts)
- **Nonprofit domestic violence shelters:** “Our staff members already work for very little to accomplish important social services for domestic and sexual violence survivors and we are at the point where we will have to tell survivors we can't help them and tell our staff to go home and that we can't pay them until the government approves a budget. This is completely unacceptable for victims of violence and our community.” (Utah)

- **Strain on nonprofit resources:** “Call volume is increasing daily from people seeking assistance because other providers have been adversely affected and are unable to help. Impact on our resources at this point is moving from moderate to high.” (Maine)
- **Hardships on nonprofits:** “The unexpected – and troubling – message is that the shutdown affected nonprofits and communities in surprisingly large ways. From food banks and housing groups to education and arts organizations, people are reporting hardships across the state.” (California)
- **Lasting Impact of the Shutdown:** “The current agreement ... is only a temporary fix until February 15. These stops and starts are preventing nonprofits from delivering critical services in their communities. In some cases, the disruption is undoing years of work and planning that were to ensure consistent, quality services over the long term. While it is expected that federal employees will receive back pay once the government reopens, it is still unknown whether laid off employees of contractors and grantees, including many nonprofit employees, will receive back pay. This will be completely destabilizing if these payments are not restored.” (Hawaii)

### **The Unacceptable Impact on Individuals, Smaller Organizations, and the Economy**

During the federal government shutdown, charitable organizations played a major role in working to alleviate some of the consequences in communities throughout the United States. Nonprofits saw first-hand that the number of people being harmed by the federal government shutdown far exceeded the frequently cited number of 800,000 federal employees who were not being paid. Their family members – hundreds of thousands of additional innocent people – also were being hurt. The adverse impacts extended to the hundreds of thousands of employees of federal contractors not being paid – a number again expanded by family members swept into this avoidable disaster. Nonprofit employees and their family members were among those being hurt, as the shutdown also meant that the federal government was not paying on many of the contracts and grant agreements made with nonprofits to provide various services.

The federal government shutdown inflicted unnecessary injury on the people of this country and on the economy. That’s not just our opinion. All three key segments of our nation’s economy – public, private, and nonprofit – sent letters last month telling the President and congressional leaders: end the shutdown immediately, because it’s hurting people, it’s hurting the economy, and it’s hurting individual businesses and nonprofits. See these letters from the [National Governors Association](#), the [U.S. Chamber of Commerce](#), and the [National Council of Nonprofits](#).

### **The Nonprofit Perspective on the Shutdown**

Charitable nonprofits are on the front lines of our nation’s most pressing problems, whether caring for returning soldiers, educating children, rebuilding cities, training the workforce, nursing the sick, supporting older residents, inspiring innovation through the arts, housing homeless people, mentoring our youth, protecting natural resources, nurturing our faith and spirituality, promoting diversity, inclusion, and equity, and many more ways of touching the lives of Americans in every community, every day. These organizations are all committed to their missions of improving lives and did not care about who won or lost political points in this senseless confrontation.

The federal government shutdown imposed significant burdens for which there is no reasonable justification. In addition to costing the economy more than \$11 billion, the shutdown imposed unfunded costs on nonprofits, resulting in direct harm and significant collateral damage to the work of charitable nonprofits across the country.

### Direct Harm to Nonprofits

Charitable nonprofits – as well as the people and communities they serve – suffered direct harm from the shutdown. For instance, furloughed federal employees, kept from their jobs, could not issue grants or contracts to nonprofits and could not make payments to reimburse nonprofits for work nonprofits had performed on behalf of the government. More people in need turned to nonprofits seeking more assistance than usual because they couldn't wait for policymakers to agree. As the shutdown dragged on, some of these and other organizations were forced to take out lines of credit or layoff staff and reduce or eliminate certain services, costs in financial and human terms that will never be recovered even after government operations ultimately return to normal.

### Nonprofits as Collateral Damage

Equally harmful are the indirect, yet still significant financial and human costs of the shutdown that charitable organizations experienced. Furloughed federal employees who previously were regular contributors to the Combined Federal Campaign began showing up at local food banks seeking boxes of food to tide them over until reason prevailed in Washington. They joined the already long lines of individuals seeking assistance. Nonprofits providing various forms of human services were called upon to provide support for new populations of persons in need – federal employees and contractors out of work without paychecks through no fault of their own. Most tragically, among those programs affected were domestic violence shelters that were not receiving payments the federal government agreed in writing to pay, which in turn forced many of these vital shelters to lay off staff (e.g., as reported in [New York](#), [North Carolina](#), and [Ohio](#)). The dollars and hours of service diverted from nonprofit missions to address this politician-inflicted crisis will never be recouped and the unnecessary human toll will not be erased in too many instances.

Charitable nonprofit organizations are integrally involved in the economies of their communities, their states, and the country. Nonprofits employ more than 12 million individuals nationally, which is more employees than the construction, finance, and insurance industries combined. The [Government Accountability Office](#) has documented that governments hire and “rely on nonprofit organizations as key partners in implementing programs and providing services to the public, such as health care, human services and housing-related services.” Yet there are tangible limits. The federal government cannot shirk its responsibilities and offload unfunded and unanticipated services onto nonprofits for which the organizations simply do not have existing capacity to handle.

To be clear, it is not the business of the charitable sector of the economy to overload their vital missions by filling the gaps and protecting Americans from their own government. When governments deny spending, they don't cut human need by an equal amount – and indeed, as this shutdown showed in dramatic fashion, the shutdown compounded the human need and pain. Charitable nonprofits cannot reasonably be expected to serve as the shutdown shock absorbers; the stress of this breakdown in federal leadership is too great to absorb.

### **Insights from the Real World**

Charitable nonprofits experienced or witnessed first-hand the significant problems flowing from the 35-day federal government shutdown. Initially, leaders of state associations of nonprofits, like other people throughout the country, hoped that reason would prevail quickly. As days turned into weeks, however, those leaders began identifying the heroic efforts of charitable organizations to protect the public from the closure of government and to identify the adverse consequences on individuals, nonprofits, and communities. Because the harm still continues after the temporary 21-day reprieve started, many nonprofit leaders are continuing to gather additional examples. We share the stories of numerous organizations, as reported by their state associations of nonprofits.

## California

The [California Association of Nonprofits](#) (CalNonprofits), reporting on its survey results, wrote, “The unexpected – and troubling – message is that the shutdown affected nonprofits and communities in surprisingly large ways. From food banks and housing groups to education and arts organizations, people are reporting hardships across the state.”

The state association of nonprofits shared quotes from nonprofits experiencing challenges because government officials were not at their jobs. One wrote, “It is impossible to learn anything about . . . applications for infrastructure, fire disaster response, and economic development . . . from the U.S. Department of Commerce.” The shutdown had gone on so long, one nonprofit that was forced to consider layoffs, confided, “Our federal grant funds will be held for 2019 until the shutdown resolves. This could result in staff furloughs until the cash flow resumes.”

Among other findings, CalNonprofits discovered that the shutdown created problems for the clients and constituents of nonprofits. Organizations responding to the survey expressed concerns about federal housing subsidies for low-income renters, food stamps for struggling families, and other public benefits that were delayed. Nonprofits serving communities with high numbers of federal employees were hit especially hard.

CalNonprofits provided this observation that should resonate with every Member of the Small Business Committee: “What happens in Washington affects the whole country, and California nonprofits and communities are among those facing more and more urgent difficulties.”

## Florida

The [Florida Nonprofit Alliance](#) described how the shutdown imposed unfunded costs on nonprofits. Challenges arose because numerous federal offices were not functioning, creating challenges that nonprofits, as entities dedicated to addressing problems in communities, were called upon to address. One area was housing assistance, in which the Department of Housing and Urban Development warned landlords that its ability to make rental assistance payments was in doubt and that HUD might be unable to renew contracts with local entities that provide housing. Nonprofits addressed serious concerns raised by the prospects of the shutdown affecting Supplemental Nutritional Assistance Payments (SNAP), continued funding for domestic violence shelters, and food inspections.

The state association of nonprofits also found that many Native American tribes saw funds for healthcare and other vital services dry up. The federal government is legally obligated to support services like medical clinics, food pantries, and educational programs, but the shutdown stopped many of these payments. This forced some services to be reduced or eliminated altogether.

## Hawai`i

The [Hawai`i Alliance of Nonprofit Organizations](#) (HANO) reported on January 25, the day the shutdown temporarily ended, that three out of every four nonprofits responding to the state association’s survey said they had been directly impacted by the federal government shutdown. The stories of the harmful consequences were as troubling as the statistic. A nonprofit stated, “We were going to close on [the purchase of] a new facility on Dec. 28 using a USDA community facility loan. Because government shut down, we are now in limbo. We have extended our purchase agreement but are waiting for the USDA to cut the check. If the sellers are not willing to extend the date, we could be out of the deal that we have been working on with USDA for over 2 years.”

Another nonprofit, working with the Hawai`i Island Community Development Corporation on an affordable housing project, pointed out the hardship caused by the shutdown on individual clients:

“The participating families are waiting to have their loan applications processed by Rural Development, which unfortunately is not able to do so because of the government shutdown. The families are waiting.”

These and other comments by adversely affected nonprofits led Lisa Maruyama, President and CEO of HANO, to express the concerns of many:

“The current agreement ... is only a temporary fix until February 15. These stops and starts are preventing nonprofits from delivering critical services in their communities. In some cases, the disruption is undoing years of work and planning that were to ensure consistent, quality services over the long term. While it is expected that federal employees will receive back pay once the government reopens, it is still unknown whether laid off employees of contractors and grantees, including many nonprofit employees, will receive back pay. This will be completely destabilizing if these payments are not restored.”

### Maine

The [Maine Association of Nonprofits](#) (MANP) found from survey results that charitable nonprofits had serious concerns about the impact of the shutdown on daily nonprofit operations and the organizations’ ability to serve Maine residents. Two-thirds (66%) of respondents reported that they had either a moderate or high level of impact from the federal shutdown. One respondent wrote: “We have seen moderate increase in the numbers of people seeking food and diapers through our pantry; many of them are furloughed or working without pay.” Another wrote: “Call volume is increasing daily from people seeking assistance because other providers have been adversely affected and are unable to help. Impact on our resources at this point is moving from moderate to high.”

The adverse affects of the shutdown clearly went farther than the federal employees who were furloughed or forced to work without pay. A nonprofit reported: “The middle-school-aged girls we work with bring a lot of their family stressors to the program with them and we anticipate needing to guide them through processing this situation,” demonstrating also that the pain of the shutdown goes far beyond the economic and will have lingering effects.

“Despite challenges imposed on Maine nonprofits by the shutdown, many are doing what they normally do when there’s a community need, serving more with fewer resources. It’s what we do,” said Jennifer Hutchins, MANP’s Executive Director in the organization’s report on its survey shortly before the temporary reopening was announced. Hutchins continued, “But Maine’s nonprofits cannot replace the government, and should not be called on to do so. It’s time this shutdown ends, so that Mainers can get back to work and our charitable nonprofits can turn from this politician-created crisis to address the ongoing needs of our residents.”

### Massachusetts

A survey by the [Massachusetts Nonprofit Network](#) found disruptions in funding streams, including delays in existing grant programs, uncertainty around entitlement funding, little to no federal technical assistance on grant and program administration, and lapses in federal approvals needed to carry out local projects and activities, among many other things. The report quotes Erin McAleer, President of Boston-based nonprofit Project Bread, who said:

“Our clients — SNAP recipients — are confused and anxious. We are hearing from more people who need help accessing food, including furloughed federal employees. Mitigating the impact of the shutdown is our top priority, but as a nonprofit, the attention the shutdown demands is consuming significant resources and staff time across our entire organization.”

[Providers' Council](#) in Massachusetts wrote their congressional delegation to report on the many negative impacts of the shutdown on human services providers, and shared one poignant quote from a front-line nonprofit professional that resonates with many:

“All it takes is one missed payment, voucher or rental subsidy to put them at extreme risk. It is imperative that those who are the most frail and vulnerable are not held hostage to a system that is meant to be a safety net for them. This is a most cruel and unusual way to force policy change.”

#### New Jersey

Among the many nonprofits responding to a request for information by the [Center for Non-Profits](#) in New Jersey, one food pantry executive expressed the spirit of the community that nonprofits naturally embrace. Reporting that the organization had received its first direct request for assistance from a furloughed federal employee, the survey responder wrote, “She is struggling to pay her rent and bills. Of course, we will be providing her food right away and seeing if there are other ways to help navigate this situation.”

A social service provider responded to the survey: “We anticipate calls within 30 days for food, [as] food stamps cover 99% of our homeless and extremely low-income clients. Our county government funding through HUD will be affected, if HUD is closed, rental assistance payments will be delayed, and we will not be able to help as many families facing eviction.” This same organization reported hearing of a backlog of responses by federal offices to inquiries from county government. “This covers community development block grants, so cities will be affected, both social service agencies and road and building projects. This is already starting.”

Summarizing the tragic consequences of the shutdown, Linda Czipo, President and CEO of the Center, stated succinctly: “Lives and livelihoods are on the line.”

#### Utah

A survey by the [Utah Nonprofits Association](#) showed that nonprofits and their constituents experienced a wide range of hardships as a result of the government shutdown. “The uncertainty and being in limbo is hard,” replied one survey respondent. Some nonprofit respondents reported that they had seen delays in their own organizations’ work and new projects due to lack of funding; some were concerned about their clients not receiving benefits, and others were concerned about their clients’ ability to pay for things like daily medications.

As in other states, the most poignant comments from respondents were about the impact of the shutdown on people who have experienced trauma. “Our staff members already work for very little to accomplish important social services for domestic and sexual violence survivors and we are at the point where we will have to tell survivors we can't help them and tell our staff to go home and that we can't pay them until the government approves a budget. This is completely unacceptable for victims of violence and our community.”

The state association of nonprofits highlighted the fact that many nonprofits made their services available for free or at reduced cost to individuals affected by the government shutdown. One noted that they had opened a food bank “to serve furloughed government employees by providing them with a cart full of groceries twice a month, all they need is to provide proof of employment.” Similar stories occurred at airports across the country as nonprofits delivered food to TSA agents forced to work without pay.



## Concluding Comments

Recognizing the extra burdens the shutdown was imposing on nonprofits, the National Council of Nonprofits published a special [Thank You to Nonprofits](#) message hours before the temporary reprieve from the shutdown was announced. The letter marveled at how charitable nonprofits “stepped forward, yet again, to help innocent people who are being hurt by circumstances beyond their control.” It observed that, while this is normal for nonprofits when “helping others cope with everyday struggles and natural disasters,” this time nonprofits volunteered to help their fellow Americans during “an unnatural disaster” caused by politicians. The letter concluded with these words of praise to the nonprofit community that we trust will resonate with the Members of the House Small Business Committee:

“We hope politicians will learn from your positive example of putting people first. We’re proud to serve with you. For the public good. Every day.”

Respectfully submitted,



Tim Delaney  
President and CEO

[tdelaney@councilofnonprofits.org](mailto:tdelaney@councilofnonprofits.org)



David L. Thompson  
Vice President of Public Policy

[dthompson@councilofnonprofits.org](mailto:dthompson@councilofnonprofits.org)