

# Three Simple Things State Legislators Can Do to Strengthen Communities, Improve Government, and Save Taxpayers Money

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*In election campaigns throughout the country, voters are asking candidates what they will do to solve problems in their communities, make government work better, and resolve our many fiscal problems. Recognizing that there are fewer dollars available to state governments, the nonprofit community – working every day to improve lives and solve problems – has three proven, nonpartisan solutions for soon-to-be elected and re-elected state legislators who are committed to strengthening communities, improving government, and saving money for the taxpayers.*

## **Charitable Nonprofits: Nonpartisan, Community-Focused, Solutions-Oriented**

In communities across America, charitable nonprofit organizations are working to address local needs: educating children, training the workforce, nursing the sick, supporting our elders, caring for returning soldiers, rebuilding cities, fostering faith, elevating the arts, protecting natural resources, and more. Some nonprofits successfully pursue their public-spirited missions with very little government interaction; often governments turn to nonprofits to provide vital services to citizens and fulfill commitments and programs established by policymakers. In all cases, charitable nonprofits are essential partners with state government in solving problems and implementing solutions.

## **Simple Thing #1: Establish a Government-Nonprofit Task Force to Streamline Contracting**

### **Cutting wasteful red tape helps everyone.**

Governments at all levels contract with charitable nonprofit organizations to provide efficient and effective services to residents that would be more costly if performed by others. Yet governments are not always good partners with nonprofits, with many routinely failing to pay the full costs of the contracted services, imposing unnecessary and wasteful burdens and reporting requirements, and not living up to the governments' legal obligations of the written contracts.<sup>1</sup>

To address these problems, Democratic and Republican Governors have joined their legislatures in creating government-nonprofit contracting task forces, and the results have consistently paid off for taxpayers. Many statutes have required bi-partisan representation and nonprofit participation with the most effective task forces addressing the dual goals of rooting out waste while maintaining and even enhancing accountability. For example:

- The Connecticut Legislature created a task force, recognizing that “quality and effectiveness of services are predicated upon a viable and sustainable nonprofit sector,” and that “the pursuit of efficiency and streamlining processes is a mutual goal of both purchasers and service providers.”<sup>2</sup>
- The Texas Legislature established a task force to develop “recommendations for strengthening the capacity of faith- and community-based organizations (FCBOs) for managing human resources and funds and providing services to Texans in need.”<sup>3</sup>
- The Illinois General Assembly, recognizing “the State’s budget crisis,” called on a bi-partisan panel “to recognize and address the redundant monitoring and reporting requirements, which divert time and resources away from client service delivery.”<sup>4</sup>

Real and actionable results stem from collaborative efforts to reduce waste and enhance accountability. These include: improving audit quality, with a reduction in duplication; the creation of electronic information repositories (document vaults) that cut down on repeated paper filings; the standardization of contracts; and the simple act of soliciting nonprofit contractor input at the beginning of the process, when it can save money and time rather than at the end, when it is often too late.

Government-nonprofit contracting task forces consistently produce pragmatic recommendations that save taxpayers dollars and reduce burdens on nonprofit contractors and the people served.

(continued)

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## Simple Thing #2: Create a Nonprofit Caucus in the Legislature

### Finding solutions doesn't always have to be a partisan challenge.

Across the United States, not one of the 1,800+ standing legislative committees is dedicated to looking at the health and well-being of the nonprofit community, despite the fact that charitable nonprofits employ more than 10 percent of the workforce (13.7 million workers), contributing \$587.6 billion in wages and salaries – or 9.2 percent of all wages and salaries paid in the United States in 2010.<sup>5</sup>

**\$587.6 billion**

Wages and salaries paid by nonprofits  
in the United States in 2010

However, legislators in Massachusetts, Michigan, Pennsylvania, and Washington State have found that they need a nonpartisan space to collaborate on solutions that matter in the real lives of their constituents. That collaborative place is the bipartisan, bicameral Nonprofit Caucus. The Caucus provides a forum through which lawmakers can work together on legislative and regulatory issues impacting charitable nonprofits in their states.

The purpose of each Nonprofit Caucus is to enhance the ability of charitable nonprofit organizations to achieve their missions on behalf of those they serve. To accomplish this goal, these Caucuses monitor and take a leadership role on legislative issues that impact the nonprofit community – and as a result, the community at large. The Caucus also serves as a resource for information on the nonprofit sector for their legislative colleagues. Through a Nonprofit Caucus, legislators are able to make more informed decisions based on ideas and solutions tested in the real world by organizations dedicated to serving their communities.

## Simple Thing #3: Extend State Small Business Programs to Small Community-Based Nonprofits

### Most nonprofits are small businesses, too.

Like their best small business colleagues, nonprofit organizations are dedicated to their communities; they are innovative and effective, and provide jobs to local residents. The vast majority of charitable nonprofits are small; of those filing with the IRS, 89.5% of charitable nonprofits have revenues of less than \$1 million.<sup>6</sup>

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Like small for-profit businesses, smaller nonprofit employers experience limited access to credit, are forced to pay higher health insurance premiums, and need specialized consultation and technology assistance. Small charitable nonprofits deserve the same respect and support from policymakers that small businesses receive. Legislators should ensure that all job-creators in their communities – nonprofit and for-profit employers alike – are included in programs to promote economic development, capacity building, and community solutions.

## Conclusion

Charitable nonprofits and governments serve the same individuals and communities every day to address local needs and improve the quality of life for all local residents. They exist to solve problems in their communities and are natural allies in highlighting what is working and in fixing programs and policies that are not. As state legislators consider what they want to accomplish in the next legislative session, we urge them to call on nonprofit community leaders to help the Legislature confront, and solve, the most pressing issues of the day. These three simple ideas are proven, nonpartisan solutions that serve the best interests of constituents, of communities, and of the public good.

<sup>1</sup> “Human Service Nonprofits and Government Collaboration: Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants” (Urban Institute Center on Nonprofits and Philanthropy) (2010) <http://bit.ly/govtUI>.

<sup>2</sup> Final Report of the Connecticut Commission on Nonprofit Health and Human Services, March 31, 2011, <http://1.usa.gov/SbL4wE>.

<sup>3</sup> Texas Task Force on Strengthening Nonprofit Capacity, November 1, 2010, <http://bit.ly/TXnptf>.

<sup>4</sup> Illinois “Streamlined Auditing and Monitoring of Community Based Services: First Steps Toward a More Efficient System for Providers, State Government, and the Community,” January 1, 2011, <http://bit.ly/ILstrml>.

<sup>5</sup> Roeger, Katie L., Amy S. Blackwood, and Sarah L. Pettijohn. *The Nonprofit Almanac 2012* (forthcoming). Washington, DC: The Urban Institute.

<sup>6</sup> Internal Revenue Service, Exempt Organizations Business Master File (2012, Aug) via The Urban Institute, National Center for Charitable Statistics.