



Nonprofits Need to Stand Together to Push for Smart Public Policies

By Tim Delaney and David L. Thompson

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During the last six years, extreme partisan gridlock in the nation's capital acted like a shield protecting nonprofits and foundations against federal policy threats: Republican majorities in Congress could ignore harmful proposals from President Obama (such as limits on charitable deductions), and he could veto damaging bills from Congress (such as cutting critical domestic spending).

That protection will be gone on January 20, when the White House, Senate, and House will all be controlled by one party. We can expect a flood of federal legislative and regulatory changes that could directly and indirectly affect the work of virtually all nonprofits and foundations.

This transition in political power requires nonprofits to act completely differently than they have in the past. We cannot fixate on just one issue, such as the charitable tax deduction, which spurs donors to give. While such policies are vital, they are hardly the only change that could severely alter the work of the nation's nonprofits. Nor can we afford to focus solely on Congress when public policies are likely to be altered by all three branches of government and at the federal, state, and local levels.

Individual nonprofits can no longer sit quietly on the policy sidelines hoping someone else will speak up for particular organizations. It's time for us all to step forward and work together as advocates for sound public policies that advance all nonprofit missions and help all of the people we serve.

Working Together

Corporate America is as varied as the nonprofit world and can be even more fractured at times. But on certain issues, cut-throat business competitors come together to coordinate and speak with a unified voice. Nonprofits must similarly recognize their shared interests and come together to inform policy makers, defeat emerging threats, and seize new opportunities.

Following are important steps nonprofits and foundations can take to deal with six major federal issues they collectively face, regardless of their separate missions:

Fight back against cuts in spending that would hurt the public.

President-elect Trump and majorities in Congress say they want to increase defense spending, but it would be at the expense of domestic programs. Significant cuts to key domestic spending would hurt the public – and hinder the work of nonprofits in multiple ways. After all, reducing government budgets doesn't lower the number of people in need of social services; it just adds more pressures on nonprofits to keep up with ever-growing demands. Federal policy makers assume foundations will step in to subsidize government shortfalls, but most grant makers are already stretched thin.

The impact of federal cuts would be felt especially hard by state governments, which receive on average 30 percent of their revenue from the federal government. Half the states currently have deficits, so if they have lower revenue, they will need to cut back even further on programs and limit how much they fund counties, cities, and school districts. The ripple effects will hurt many nonprofits and the people they serve.

Expand, don't limit, tax laws that encourage giving.

Policy makers are already shaping plans to overhaul the tax code, including proposals to reduce incentives designed to spark giving, along with many other tax provisions that affect the work of nonprofits. To be sure, charitable-giving incentives have strong support in Congress and in statehouses across the country. But that has not stopped state legislators from proposing caps on charitable and other deductions, some so they can increase spending and others so they can cut tax rates.

It is beyond dispute that tax incentives for charitable giving prompt more people to donate and encourage them to make

bigger contributions. Now nonprofits must demonstrate what difference this money makes by showing elected officials how donations spurred by tax incentives go to work in their hometowns.

Beyond showing why current policies matter so much, nonprofits should also tell their members of Congress to consider other incentives — such as allowing people who don't itemize on their tax returns to get a deduction. Expanding the number of people who get a tax donation would do a lot to encourage every American to give back to their communities through the work of nonprofits of their choosing.

Engage in the debate on the Affordable Care Act.

Nonprofits have much at stake in the outcome of debates to repeal and replace the health-care law passed under President Obama. Many have missions focused on promoting the health and welfare of Americans, and as employers they are concerned about the well-being of their workers. What's more, state budgets rely in part on a steady flow of federal health-care funds; any disruption or reduction will have ripple effects throughout state budgets, causing potential problems for nonprofits far beyond health-care providers.

Regardless of what Congress does to change the law, rising health-care costs are likely to add significantly to the expenses of nonprofits, depleting resources they could otherwise use to provide vital programs and services.

That's why nonprofits should promote policy changes designed to lower the cost of health insurance and ensure high-quality coverage. It'll be especially important to remind lawmakers to enact the same rules for businesses and nonprofits. In the past, lawmakers have failed to treat all employers the same.

Respect the legal independence of nonprofits to allocate their own resources.

Proposals in the House would dictate how some nonprofit colleges and universities spend their endowment income.

It might be tempting for many nonprofits to lay low and consider such legislation to be just a problem for a few dozen rich colleges. But it's not. Such an action is like Congress telling Boeing, Citibank, and IBM — or small businesses — how to spend their money. Corporate America would never allow governments to infringe on their independence like this, nor should we allow it to happen to nonprofits.

We must remind lawmakers that well-managed nonprofits maintain reserves so they can adjust to changes or seize new opportunities. Foundations rely on earnings from investment funds to fulfill their obligations to provide grants for charitable works. Boards of organizations, and not politicians, must remain the decision makers when it comes to charitable and philanthropic assets.

Keep partisan politics far away from charitable organizations and foundations.

The public has a significant stake in preserving the nonpartisanship, and indeed the integrity, of charitable organizations.

That is why it is essential to preserve the current law, which forbids organizations that have tax-exempt status under Section 501(c)(3) of the tax code from taking partisan stances. If Congress advances campaign pledges to allow churches and other nonprofits to get involved in politicking, the public's overall trust in nonprofits would drop.

Nobody wins if organizations are seen as Democratic charities or Republican charities instead of the nonpartisan problem solvers they are. What's more, changing the tax code this way could subject foundations to relentless demands from partisan political operatives seeking endless campaign contributions from foundation assets.

Simplify federal rules and contracts.

Like every new administration since Jimmy Carter's, the Trump transition office has promised to improve the federal regulatory system. Such action could produce significant benefits for the work of nonprofits, as it has at the state level. In New Jersey, for example, ideas nonprofits proposed have resulted in significant [cost savings for both state agencies](#) and nonprofits over the past five years.

Nonprofits will certainly need to be vigilant to ensure that proposed regulatory changes are in the public's best interest, but they also can promote improvements to rules that advance the ability of nonprofits to serve communities. In particular, they should promote efforts to further strengthen the Office of Management and Budget's [Uniform Guidance](#) to ensure nonprofits are properly paid for their indirect costs. Nonprofits should also encourage the Trump administration to press state and local governments to follow the rules OMB laid out for cost reimbursement.

Governments at all levels — and all Americans — rely on nonprofits to provide services and deal with pressing problems. That hasn't changed because of the elections.

But it is vital that all of us who are involved in charitable work remind government officials to adopt public policies that advance the ability of nonprofits to serve people in their communities and around the world. We need to make sure nobody takes for granted that nonprofits will always be available to improve lives, uplift faith and culture, and raise our collective quality of life.

Nonprofits with diverse missions will need to protect their own causes in the years to come — whether to encourage policies that deter climate change or promote the arts or provide housing to people in need. But at the same time, we must also join together to work on policies that allow every nonprofit to do what Americans expect: solve problems in our communities.

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