Uniting to Meet the Challenges We Face as Nonprofits

Nonprofit Management Center
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Overview – Setting the Scene

• An older understanding of nonprofits and American life
• Where we’ve been
• What we’re hearing
  • Highlight: tough finances, more need and red tape
  • Highlight: erosion of public trust, crisis of legitimacy
• Not as well known in Texas
  • Government withholding payments to nonprofits
  • New Taxes and fees
• Crisis of legitimacy – What we can do
An older understanding

• Private associations
• Exceptional – new civilization
• Responsibility and common men and women
• Softening individualism: broadening hearts and minds
• Elevating and stretching the possible
• Preserving freedom
An older understanding

• “Nothing, in my view, more deserves attention than associations in America.”

• “If men [and women] are to remain civilized … the art of association must develop and improve among them at the same speed as equality … spreads.”
Back to the present – TANO around Texas – Listening

- El Paso, Laredo, Alpine, Amarillo, Midland, Odessa, Lubbock
- San Angelo, Wichita Falls, Abilene
- Dallas, Fort Worth, Sherman, Denton
- Houston, Galveston, Beaumont
- Austin, Round Rock, Killeen, San Antonio, San Marcos
- Corpus Christi, Kingsville, Harlingen, McAllen
- Tyler, Jacksonville

- Statewide Task Force (Strengthening the Nonprofit Sector): Austin, Dallas, Houston, El Paso, Harlingen
What we’re hearing

- Continued fiscal distress/ decreased revenue from traditional sources
  - Corporations
  - Foundations
  - Government
  - Individuals
What we’re hearing

• Growing needs
  • More people hungry
  • More people unemployed and underemployed
  • More people uninsured and underinsured
  • More home foreclosures and more people homeless

• Governments abandoning programs, off loading on to Nonprofits
What we’re hearing

• Heightened competition
• Increased demands to demonstrate performance
• Pressures to attract qualified workers
What we’re hearing

• Increased public scrutiny
  • Sarbanes Oxley
    • Whistleblower protection policy and procedures
    • Document retention and destruction policy
    • Executive compensation

• New 990s
• Federal pre-emption of state nonprofit laws
• Potential tightening of auditing and other standards
What we’re hearing

• An erosion of public support and trust

• Senate Finance Committee Chairman Max Baucus and ranking member Chuck Grassley – proposals to “fix” alleged scandals:
  • Recurring renewal of 501(c) 3 tax exempt status
  • “accreditation” of larger nonprofits
  • Increased fees for all IRS filings
  • Performance based reviews as part of 990 report
  • Establish Federal standards for boards and ethics issues
  • Limit board size; IRS could disqualify certain persons
  • Mandatory CPA audits; and attached to 990
Not as well known in Texas

- Government withholding payments contractually owed to nonprofits

- Fiscal Policy initiatives: New Taxes and Fees
Not as well known

- Withholding payments contractually owed to nonprofits
  - Paying less than it costs to deliver
  - In essence, nps loaning to government
  - Avoidable inefficiencies foisted on nps
  - Increasing burden: complexifying reporting requirements
Not as well known

- Fiscal policy initiatives in other states (and Texas)
  - New taxes and fees: Pilots
  
- **SB 714 (=HB 1022):** Drainage fees (PILOTs) imposed by the City of Houston on utility-using tax-exempt properties owned by charitable and religious organizations would be banned by state law. *Above bill seeks to ban and was passed by Senate. On 4-6-2011, the Houston City Council passed an ordinance exempting churches and schools from the previously-enacted drainage fees, in response to the local public outcry and the state legislation referenced above.*
Crisis of Legitimacy

- Lack of understanding
  - Relationship of nonprofits and government in providing services
  - Ongoing shifting of services to nonprofit sector
  - Basics – what is a nonprofit?
  - Forgetful of American distinctiveness

- Isolation, anomie, fear, reluctance to stand up
Crisis of Legitimacy

- Further aggravating
  - Taxation of tax-exempt organizations
  - State budget crisis – not going away anytime soon
  - Really puts the question squarely: why are nonprofits treated differently?
One response: State Association Movement and the National Council

• 42 state associations – nation’s largest network of nonprofits
• 25,000 nonprofits (goal 100,000)

• Connecticut – Cabinet official for nonprofit relationships
• Illinois – Guidelines for government/nonprofit relationships
• Texas – 2nd Task Force (improving relations with nonprofits)
Response: TANO

- Over 800 members (up from 350 last year)
- Statewide presence established and growing
- One of fastest growing associations
- Growing because meeting the needs of nonprofits
  - Advocacy
  - Convenient programming and consulting
  - Benefits that strengthen organizations/Cross-sector Collaborations
What we can do: know who we are

- Texas nonprofit sector: 403,196 workers (2nd quarter, 2008)
- 3.8% of total workforce (1 out of every 26)
- 8 x as many workers as state’s utilities industry
- 5 x oil and gas extraction industry
- 2 x real estate and leasing industry
- 20% more than the entire Texas state government
What we can do: know who we are

- Texas nonprofit sector: small
- 95% all NPs have gross revenue less than $1 million
- 92% less than $500,000
- 88.4% less than $250,000
- 82.2% less than $100,000

- 55% of all TX nonprofit jobs are in health services
- 15% in educational services
- 12% in social assistance
What we can do: advocate

- TANO – help us get the word out that NPs can engage in advocacy
  - Take the powerful, free, and easy 501(h) Election to safeguard your advocacy activities
  - “insubstantial” standard

- Extensive info on website
- PP Alerts
- PP Conference calls
- Non-ideological – concern for sector wide issues
What we can do: HHSC Task Force

- Access to credit and capital
- Grant and contract process
- Coordination
- Communications plan
- HB 1965: TF on Improving Relations with Nonprofits
What we can do: Come together and Unite

• Build a new public awareness of the sector
• Be aware of its economic impact
• Tap older understandings of the sector’s historic roots and distinctiveness

• Distinctively American
• Tempering individualism and preserving freedom
Sum up – Crisis of legitimacy: 2 futures

- New broad-scale public awareness of the role of nonprofits in American life
- Gradual, steady erosion of legitimacy and distinctive treatment under the law
- Critical moment
- “If I am not for myself, who is for me? If I am only for myself, what am I? If not now, when? -- Hillel