

# Economic crisis may leave nonprofits on shakier ground, says speaker

WASHINGTON - Nonprofit organizations, often seen as the last bastion separating people from poverty, may find themselves on shakier financial footing because of the current economic upheaval, a panelist suggested during a Nov. 4 forum in Washington sponsored by the Urban Institute.

Federal grants, a significant source of nonprofits' funds, are likely to be reduced as hundreds of billions of dollars have already been committed to various bailout and rescue packages, said Tom Pollak, program director for the Urban Institute's National Center for Charitable Statistics.

As it is, Mr. Pollak said, "many organizations are barely surviving at the edge."

A Catholic Charities USA survey of its affiliates, issued Nov. 6, bears this out. Overall, a staggering 95 percent of Catholic Charities agencies cite an immediate need for financial contributions to effectively meet the increased demand for food, utility and rent or mortgage assistance over the winter months," Catholic Charities said in an announcement about the survey findings.

Individual giving, which accounts for about 12 percent of all nonprofit income, also could be at risk, suggested Roberton Williams, a principal research associate at the Urban Institute and the Urban-Brookings Tax Policy Center.

Some would-be givers may tighten their belts and not give as generously to nonprofits as in the past, Mr. Williams said. Further, the tax proposal advanced during the campaign by President-elect Barack Obama could have "consequences" for nonprofits, he added.

If Sen. Obama convinces Congress to pass his tax plan, which would cut taxes for families making less than \$200,000 a year, charities would likely feel the brunt, albeit indirectly, according to Mr. Williams. For a family in the 10 percent tax

bracket, “it costs them 90 cents for every dollar they give to charity,” Mr. Williams said.

Families making \$200,000 or more a year – estimated by the Census Bureau to make up 3.4 percent of the U.S. population – are in the 35 percent tax bracket. For them, Mr. Williams said, “it costs them 65 cents to donate a dollar.” The tax deduction benefits for wealthier Americans who give to charity, coupled with their higher disposable incomes, makes nonprofits more dependent on their contributions, he added.

Shirley Sagawa, who was the founding managing director of the Corporation for National and Community Service and now helps run a consulting firm specializing in nonprofit strategy and policy, said that, if the federal government recognizes that government needs the help of nonprofits to address an expected upturn in social service needs, a rescue package addressing nonprofits could be in order.

Elizabeth Boris, founding director of the Urban Institute’s Center on Nonprofits and Philanthropy since 1996, noted that as a result of the recent election cycle “civic engagement is at an all-time high,” and wondered aloud whether that engagement could be transferred to the nonprofit sector.

But Ms. Sagawa cautioned that, paradoxically, many nonprofits are not well-equipped to absorb an influx of volunteers. The great desire by many volunteers to make a difference in the flooded sections of New Orleans following Hurricane Katrina did not go well.

“We’ve lost them, and I don’t know if they’ll come back” should another domestic disaster of a similar magnitude arise, she said.

Ms. Sagawa said Sen. Obama could capitalize on his decisive victory by getting Congress to pass the Serve America Act. Both he and his Republican challenger, Sen. John McCain, R-Ariz., backed the act during the campaign.

“It’s already written,” Ms. Sagawa added, noting that the Senate and House versions were remarkably similar. The bill would create a new “corps” like the Peace Corps and AmeriCorps, but one that would be focused on areas of national need, with

hopes of attracting 175,000 Americans to give a year of service.

It also improves opportunities for low-income young people to be of service in their communities, and establishes a tax incentive for employers who allow employees to take paid leave for full-time service, as well as enhance incentives for retirees to give a year of service.