Nonprofits and Communities Left Behind by COVID Relief Legislation

Impact Fact Sheet

Throughout 2020, nonprofit organizations nationwide stepped up to serve their communities in unique ways amidst extraordinary demand. In addition to serving on the front lines of pandemic response, these organizations are also a critical piece of the American economy, functioning as the country's third largest employment sector and providing more than 10% of private sector jobs.

Disappointingly, policymakers did not hold up their end of the bargain. While the *Consolidated Appropriations Act, 2021* (PL 116-260) did not completely exclude charities, it failed to provide any relief commensurate with the depth of the challenges these vital organizations face. For charitable nonprofits to continue serving those most in need at this harrowing time, the Biden Administration and the 117th Congress must act quickly to correct these shortcomings.

INDEPENDENT SECTOR

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Nonprofit Sector Need

All nonprofit charities, regardless of size, should have access to forgivable loans like the Paycheck Protection Program (PPP).

P.L. 116-260 Inadequacy – Maintains the original 500 employee cap for the core PPP program.

Scope of Negative Impact – While they comprise only 2% of all nonprofits, the exclusion of organizations with 500 or more employees abandons some of the highest impact charities on the planet and 62% of all nonprofit employees. An Independent Sector spot check survey of these large and mid-size organizations in June 2020 found that they had collectively lost 47% of their employees and that 71% had been forced to reduce charitable services.

> **"The American Lung Association remains ineligible for the Paycheck Protection Program and other forgivable loans due to pre-recession staffing levels, yet our lifesaving efforts to educate the American public about COVID-19 and to fund pandemic-related research is critical."**
>
> **– Harold P. Wimmer, National President and CEO, American Lung Association**

Nonprofit Sector Need

Nonprofits have exhausted PPP assistance but continue to face surging demand and increased costs. Access to additional PPP funding for nonprofits is critical.

P.L. 116-260 Inadequacy – creates additional PPP opportunity for organizations with under 300 employees and significant 2020 quarterly revenue declines. Temporary, unsustainable surges in charitable giving may prevent many nonprofits from revenue eligibility despite increased demand.

Scope of Negative Impact – PPP supported 4.1 million nonprofit jobs, so it was a vital lifeline for the sector. However, nonprofits received a significantly smaller share of PPP funding (7%) than their share of the workforce (10%). The nonprofit sector lost 1.6 million jobs during the worst of the crisis and is still missing over 900,000 jobs, including approximately 250,000 each in health care and education, over 145,000 in social assistance organizations, and more than 120,000 in nonprofit arts and culture. As caseloads surge and lockdowns tighten, the nonprofit sector and those who depend on it could be devastated without adequate access to additional assistance.

> **"Previous investments from the Paycheck Protection Program have helped Boys & Girls Clubs stay open and maintain staffing so they can provide childcare for essential workers, virtual learning and mentorship opportunities to keep kids connected, and meals for youth in need across the country. Additional support is needed now to ensure nonprofits have the ability to continue to serve the essential needs of kids, families, and communities."**
>
> **– Jim Clark, president and CEO, Boys & Girls Clubs of America**

"YWCA's greatest need is for the financial resources to keep the doors open so that we can continue to meet the escalating demand for emergency shelter, child care, safety from domestic violence, trauma response, job training, and other essential services that our communities rely on us to provide."

– Alejandra Y. Castillo, CEO, YWCA USA

Nonprofit Sector Need

While the CARES Act created a charitable deduction for nonitemizers, it capped this deduction at $300. A bipartisan, bicameral set of legislators pushed to increase this cap to roughly $4,000 per individual or $8,000 per couple.

P.L. 116-260 Inadequacy – Extends the nonitemizer charitable deduction through 2021, maintains the cap at $300 per individual, increases the cap to $600 per couple.

Scope of Negative Impact – Due to the extremely low cap, some independent modeling suggests that the CARES Act provision will generate just $110 million in additional giving. Research commissioned by Independent Sector shows that a cap of $4,000 per individual could generate over $17 billion per year in additional giving if made permanent, and that other policies could produce even more giving.

"As we continue to provide relief to people in need across the country, we anticipate additional challenges in the coming year to ensure we have the resources to assist those who are suffering. The Universal Charitable Deduction is one way to help those taxpayers who are directly supporting nonprofits."

– Gail McGovern, President and CEO, American Red Cross

"It has taken nearly 20 years to build up our professionalized, groundbreaking, impactful institution that meets a unique need not filled by anyone else. And yet the fundraising challenges that have come with COVID threaten to undo that work. If nonprofits like ours are allowed to fail, it will take decades to once again be able to serve our communities effectively."

– Meira Neggaz, Executive Director, Institute for Social Policy and Understanding, Dearborn, MI

Nonprofit Sector Need

Increase the federal unemployment insurance reimbursement for self-insuring (reimbursing) nonprofits to 100% of cost.

P.L. 116-260 Inadequacy – extends the 50% federal reimbursement created by the CARES Act through March 14, 2021

Scope of Negative Impact – With significant job losses throughout the nonprofit sector, organizations that make payments for unemployment benefits directly attributable to them face the prospect of steep cost increases at a time when they and their communities can least afford it.

"Through DANA's advocacy efforts, the State of Delaware helped self-insured employers by initially delaying the due date for them to pay the state for unemployment benefits and ultimately covered the outstanding costs, but that short-term relief has officially expired. This leaves nonprofits diverting their limited resources away from their missions of helping people and communities – when the pandemic and its economic devastation rage out of control."

– Sheila Bravo, President and CEO, Delaware Alliance for Nonprofit Advancement.