



Public Assistance Reform Task Force

Monday, August 19, 2019

*The Impact of Work and Community Engagement
Requirements on Kentucky's Nonprofits*

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K E N T U C K Y
NONPROFIT
N E T W O R K



What is a Nonprofit Organization?

- **Public benefit** – exists to contribute to the public good
- **Exempt from federal (and KY state) taxes** by virtue of being organized for public good, as described in the revenue code



What is a Nonprofit Organization?

- Does not distribute profits
- 501 c 3 is a “charitable” organization, donations deductible to extent permitted by law
- Self-governing – run by a volunteer board of directors



US Nonprofits: More Than Charity

- 1.56 million tax-exempt organizations registered with the IRS (2015)¹
 - 62% public charities
- The nonprofit sector contributed an estimated \$985.4 billion to the US economy in 2015, composing 5.4% of the GDP¹
- Nonprofits employ over 10% of the US workforce (2015)²

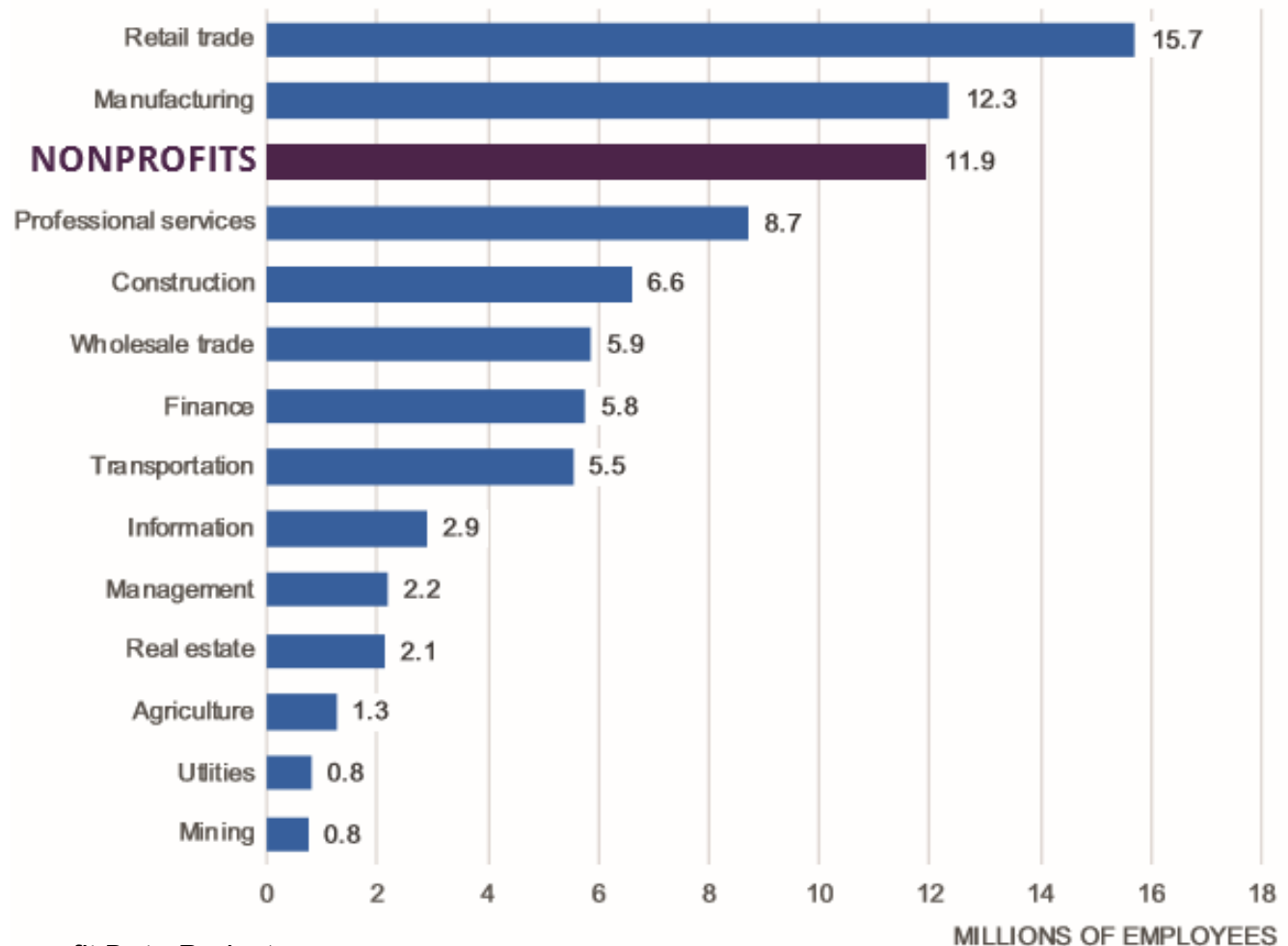
¹National Center for Charitable Statistics, The Urban Institute

²Bureau of Labor Statistics, U.S. Department of Labor



US Nonprofits: More Than Charity

FIGURE 1 • Employment in the nonprofit sector vs. major U.S. industries, 2015



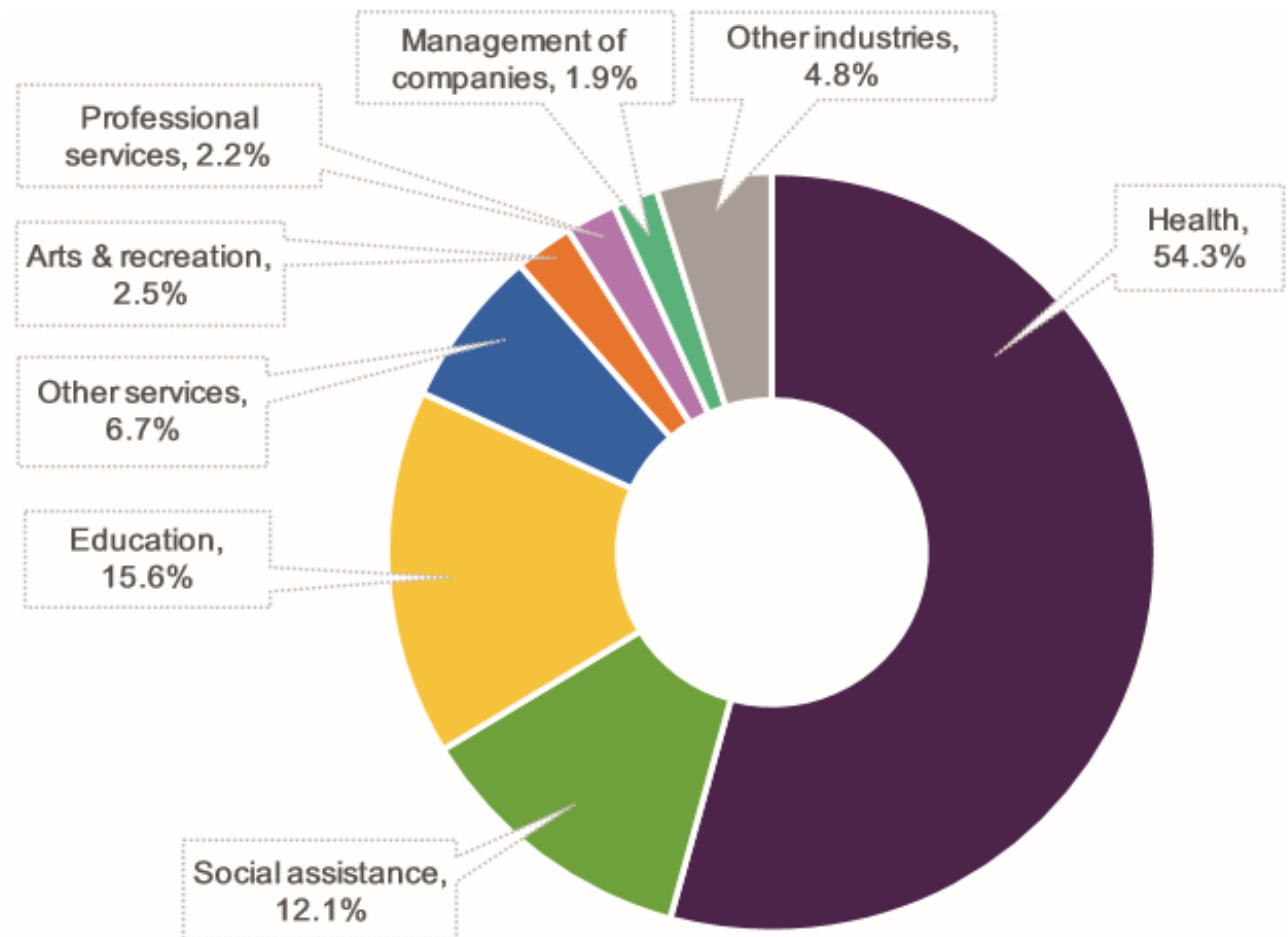


US Nonprofits: More Than Charity



US Nonprofits: More Than Charity

FIGURE 5 • Distribution of nonprofit employment by major field, U.S., 2015





KY Nonprofits: More Than Charity

Kentucky's Nonprofit Sector is Growing

*Source: Internal Revenue Service,
The Urban Institute, National Center
for Charitable Statistics, 2016 data*



19,009
nonprofits



9% increase
from 2012



\$27.3 Billion
annual revenue



13.8% increase
from 2012



\$43 Billion
assets



24% increase
from 2012



KY Nonprofits: More Than Charity

- Approximately 82% of all reporting public charities have annual revenue of under one million dollars¹
- Approximately 73% of all reporting Kentucky nonprofits have annual operating budgets of less than \$500,000¹

¹National Center for Charitable Statistics, The Urban Institute



Nonprofit Myths

- Myth: **Nonprofits can't earn a profit**
- Myth: **A well-run nonprofit should have low "overhead" costs**
- Myth: **Nonprofits cannot lobby**

Nonprofit Myths

- Myth: Nonprofits get most of their funding from foundations and donations



Data Sources: The Nonprofit Sector in Brief, National Center for Charitable Statistics, 2015 (2013 data); Giving USA 2014 (2013 data); Foundation Center report (2013). Excludes non-reportable revenue and giving to religious institutions.

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Nonprofit Myths

- **Myth: Charitable giving incentives only benefit wealthy individuals and elite institutions**
- **Myth: Most nonprofits are large and have many resources**



Nonprofits Aid in Attracting Business to KY:



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Nonprofits Bring Revenue to the State:



Nonprofits Engage Citizens, Help Define Communities & Improve our Quality of Life:





The Bottom Line

- ✓ **Nonprofit employees pay taxes**
- ✓ **Nonprofit sector creates jobs**
- ✓ **Nonprofit sector and its employees spend money**



Challenges Facing Nonprofits

- Demand and need for nonprofit programs, services is up



Challenges Facing Nonprofits

- Overall, charitable giving increased slightly in 2018, however donations from lower and middle income givers continue to decline
 - Changes to the standard deduction made with the Tax Cuts and Jobs Act of 2018 are negatively impacting giving – the full effect will not be known until 2020 or 2021
 - Fallout also includes new taxes on nonprofits



Challenges Facing Nonprofits

- Nonprofits continue to be paid less than the full cost of services and experience late payments and duplicative reporting when contracting with state government to provide mandated/required services
 - Contracting and pension issues impacting some nonprofits bleed over to impact the health of the entire sector



Challenges Facing Nonprofits

- Workforce issues, including expected US Department of Labor changes to overtime laws



The Future of the Sector





“volunteer” per Google

volunteer

[ˌvɒlənˈtɪr] 

NOUN

1. a person who freely offers to take part in an enterprise or undertake a task.

synonyms: subject · participant · case · client · patient · guinea pig

VERB


1. freely offer to do something.

"he volunteered for the job" · [\[more\]](#)



“volunteer” per Miriam Webster

volunteer noun

vol·un·teer | \ ,vā-lən-ˈtir  \

Definition of *volunteer* (Entry 1 of 3)

- 1** : a person who voluntarily undertakes or expresses a willingness to undertake a service: such as
- a** : one who enters into military service voluntarily
 - b** **(1)** : one who renders a service or takes part in a transaction while having no legal concern or interest
 - (2)** : one who receives a conveyance or transfer of property without giving valuable consideration

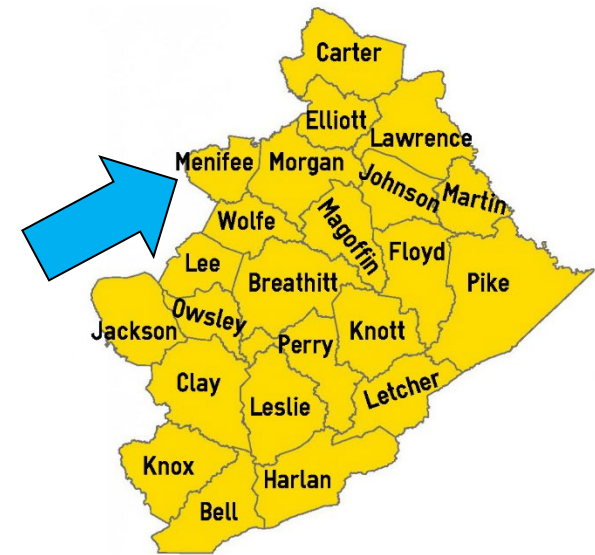


Reality 1: The numbers don't add up in many counties

- The number of nonprofits registered with the IRS in certain Kentucky counties would not support the number of individuals required to comply with work/community engagement requirements.

Reality 1: The numbers don't add up in many counties

- **Menifee County:**
 - 20 registered nonprofits
 - 201 were looking for work in 2016, and an estimated 236 Medicaid expansion enrollees will have to meet the 20 hour requirement or lose coverage¹

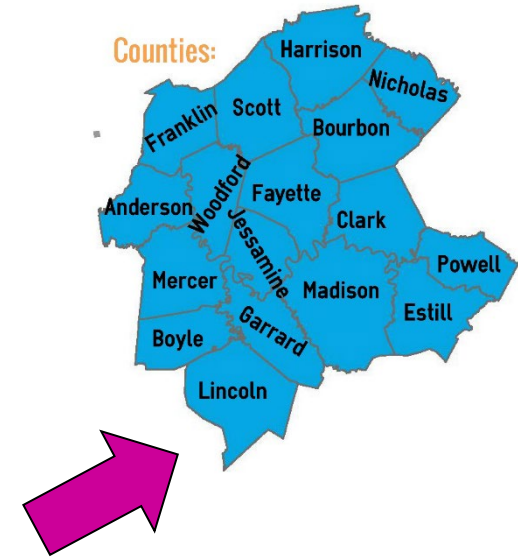


¹Kentucky Center for Economic Policy



Reality 1: The numbers don't add up in many counties

- **Lincoln County:**
 - 53 registered nonprofits
 - 543 were looking for work in 2016, and an estimated 878 Medicaid expansion enrollees will have to meet the 20 hour requirement or lose coverage¹



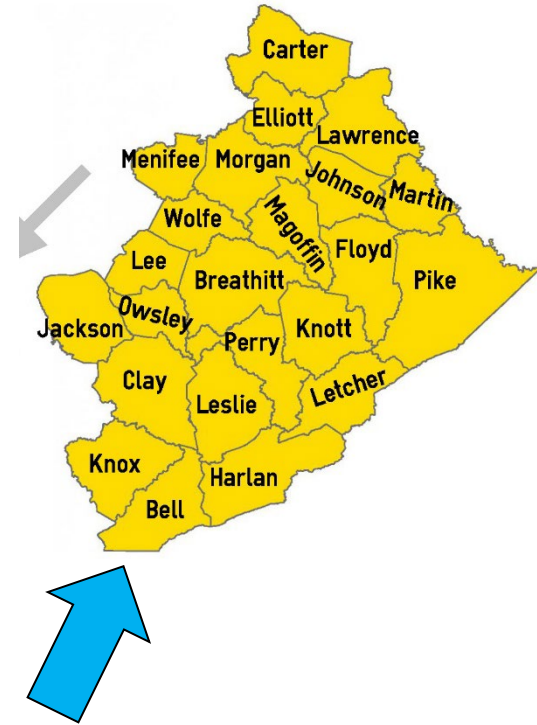
¹Kentucky Center for Economic Policy



Reality 1: The numbers don't add up in many counties

- **Bell County:**

- 98 registered nonprofits
- 777 were looking for work in 2016, and an estimated 1,352 Medicaid expansion enrollees will have to meet the 20 hour requirement or lose coverage¹

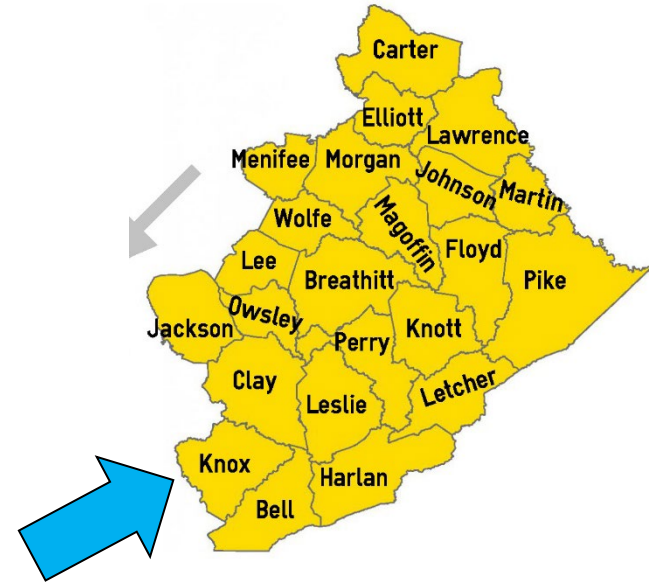


¹Kentucky Center for Economic Policy



Reality 1: The numbers don't add up in many counties

- **Knox County:**
 - 64 registered nonprofits
 - 772 were looking for work in 2016, and an estimated 1,516 Medicaid expansion enrollees will have to meet the 20 hour work requirement or lose coverage¹



¹Kentucky Center for Economic Policy



Reality 1: The numbers don't add up in many counties

- “It seems a good idea in theory and I do foresee some positives, but unfortunately this will put a bigger strain that it's worth on nonprofits, particularly smaller nonprofits and/or those that require (volunteers with) special skills.”
- *“We are one of the few nonprofits in our rural, poor community and I can just imagine the amount of calls we will get from folks seeking volunteer hours. We utilize volunteers, but we don't have the capacity to manage the influx we would receive.”*



Reality 2: Volunteers are not free

- *“As nonprofit staff know all too well, volunteers aren’t free. It takes dedicated staff time to orient and supervise volunteers. For the sake of the children and others they serve, nonprofits perform background checks on employees and volunteers alike. The costs are justified and necessary. But they are costs nonetheless. Under these mandatory volunteerism proposals, nonprofits would be forced to track and certify, under penalty of perjury, the number of hours served. While it may sound nice for government to be sending free help to nonprofits, this mandatory volunteerism is really an unfunded mandate and heavy financial and administrative burden.”*



Reality 2: Volunteers are not free

- *“We typically do not accept people who are "required" to volunteer, because they don't make good volunteers. Also, 20 hours is A LOT OF TIME. We don't allow people to volunteer that many hours because at that point they could be considered a part time employee, and you have potential legal issues to consider. Almost all of our positions are 2-4 hours a week, with most volunteers having no more than 10 hours/week. I'm sure there are a lot of organizations that wouldn't have that many positions to go around anyway, depending on the volume of people requesting to volunteer. This requirement would cause an undue hardship on many nonprofits.”*



Reality 2: Volunteers are not free

- *“We work with children (and other nonprofits also work with vulnerable populations) and because of this, we use a limited number of volunteers. Those we use undergo comprehensive (and expensive) background checks. Training, supervising and managing the few volunteers we utilize is a time consuming and ongoing process.”*
- *“Running a good volunteer program (good for the nonprofit and the volunteer, which ultimately benefits those served) requires lots of training, supervision and support of volunteers. In our experience, “coerced” volunteers don’t result in a good volunteer program.”*



Reality 3: There Will Be Unintended Consequences

- *“In addition to the cost of background checks, the resources required to run the volunteer program and now the time to help these folks prove they’ve “done their time” with the required reporting – it’s not the best use of our limited resources. Will we now be involved in disputes and appeals from individuals and government contending that someone didn’t meet their minimum time required?”*



Reality 3: There Will Be Unintended Consequences

- *What happens to those who are continually told "NO"? Will it be their fault if they cannot find anywhere to volunteer (through no fault of their own), and in turn lose their benefits? These are our clients, my neighbors – we care about these people and this would put our very mission on the line.”*



Reality 3: There Will Be Unintended Consequences

- *“How do the working poor, who often work multiple low-paying jobs, have time to volunteer? Recipients will need maximum flexibility so they can leave for job interviews and other obligations. While we run a flexible volunteer program – we have a nonprofit organization to run and our preferred volunteer is someone who is consistent...”*



Reality 4: Community engagement requirements erode the very spirit of volunteerism

- “While we love folks with passion for our mission to volunteer, it takes training and staff to manage them. That is just the volunteers that want to be active within our organization! I cannot imagine trying to manage folks that show up just to punch the volunteer clock!!”



Reality 4: Community engagement requirements erode the very spirit of volunteerism

- *“We love volunteers with a desire to give back. But we don’t have the capacity at our small organization to work with volunteers who are simply here to check off hours rather than truly serving from the heart.”*



Reality 4: Community engagement requirements erode the very spirit of volunteerism

- *“Any effective nonprofit will tell you, it takes professionals to effectively manage volunteers. For the experience to be valuable for both the agency and the individual, volunteer, efforts have to be managed. Is it worth the limited and precious resources of a nonprofit to manage a volunteer that is there because “they have to be” not because they want to be? Nonprofit employees are spread so thin as it is - a volunteer requirement for anyone not truly committed to the mission of the agency isn't an effective use of anyone's time.”*



Reality 4: Community engagement requirements erode the very spirit of volunteerism

- *“Funding is down and demand for our services is up – some of our former donors and volunteers are now recipients of our programs. While this proposal would be seen by some as a “fix” for this problem, it’s not a fix at all. We are not eager for more unpaid assistance from folks volunteering only because they are trying to earn enough credits for a root canal.”*



Reality 4: Community engagement requirements erode the very spirit of volunteerism

- *“Our organization has been serving our community in rural Kentucky for over 20 years. Some of our best volunteers have been recipients of public assistance – that’s not the issue. The issues is, we are too busy to be trying to motivate and oversee forced volunteers.”*



Reality 4: Community engagement requirements erode the very spirit of volunteerism

- *“Think about this from the perspective of the people we serve. Think about a recent experience you had with it was obvious the person you were interacting with didn’t want to be there – cable company, DMV... Now imagine that experience when you are at your most vulnerable. You aren’t hoping for your TV to be fixed in time for the latest episode of your favorite show. You need of food or shelter. You are relying on this person to help you. At a time when a friendly smile would mean the world to you, you could be facing someone scowling as they stare at the clock.”*



Reality 4: Community engagement requirements erode the very spirit of volunteerism

- Oxymorons:
 - Mandatory volunteerism
 - Community engagement requirements
 - Voluntold
- KY hopes to increase volunteerism, but not required or coerced volunteerism. In fact, is this requirement a deterrent to other volunteers?



The Bottom Line

- Volunteerism is one of the unifying experiences of our society. The desire to make a difference by helping our neighbors without expecting anything in return is not just an American impulse, but an essential element of humanity.



The Bottom Line

- The nonprofit sector is proud of and grateful to the millions of Americans who step forward and serve their local communities through volunteerism.



The Bottom Line

- Volunteering is, and should be, about doing good.



Questions?

- **Kentucky Nonprofit Network**
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