

DATE: March 22, 2022

TO: **Senate Committee on Finance**  
Dirksen Senate Office Bldg.  
Washington, DC 20510-6200

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SUBJECT: **Statement for the Record, Examining Charitable Giving and Trends in the Nonprofit Sector, Committee Hearing (March 17, 2022)**

Dear Senate Committee on Finance,

The following is a statement for the record in regard to the March 17, 2022 Committee Hearing, Examining Charitable Giving and Trends in the Nonprofit Sector. This brief report, prepared in May 2020 and provided below, shares details from ongoing research on how nonprofit organizations around the country rose to meet the challenge of the COVID-19 pandemic. We observe that nonprofits of all sorts (ranging from soup kitchens to performance troupes to boxing clubs) proved to be mainstays of community survival in two crucial regards. First, they provided public health information, dispelled rampant misinformation, and helped communicate how broad directives applied to community-specific circumstances. Second, they adapted their services, both finding new ways to address longstanding needs (e.g., providing food and shelter) and innovating entirely new pandemic-related services using the resources available on hand (e.g., making and distributing masks).

As we've found in our research, nonprofits served as a critical piece of social infrastructure, one that propped up American communities at a time when the public and commercial sectors were struggling to muster a comprehensive response to an unprecedented situation. Despite all this activity—which nonprofits undertook at great cost to themselves—efforts to support these organizations have been underwhelming. Certainly the Paycheck Protection Program, the nonitemizer deduction, and the Employee Retention Tax Credit have helped buoy the sector through difficult moments. But congressional inaction has allowed these critical measures to lapse. More must be done to sustain nonprofit organizations, especially as they continue to face fallout from the pandemic, including financial shortfalls, inflationary pressures, and a host of workforce challenges.

We offer the following report as an illustration of what we stand to lose should these and other critical measures not be extended. If we fail to sustain our civic institutions at this critical moment, we risk not having them around to sustain us when the next crisis hits.

Sincerely,

Aaron Horvath and Jean Lin

May 20, 2022

**Report: Nonprofits across the U.S. are helping their communities to survive the pandemic. But will nonprofits themselves survive?**

Aaron Horvath, *Stanford University*

Jean Lin, *Cal State East Bay*

“In our 150-year history,” writes a San Francisco homeless services nonprofit in a Facebook post, “we...have never faced a challenge like COVID-19.” It’s an ominous claim for an organization that’s weathered two outbreaks of the bubonic plague (in 1900 and 1907), the 1918 flu, and the HIV/AIDS epidemic. But earlier this month, COVID-19 nearly forced the organization to close. One of the organization’s shelters became the unwitting epicenter of the city’s largest coronavirus outbreak. Ninety-five homeless clients and ten staff tested positive for the disease. Within two weeks, the shelter had successfully moved its clients to isolated living arrangements, hired a hazmat crew to clean the facility, and reopened its doors in service of a renewed purpose: housing for homeless guests recovering from the virus. In concluding its Facebook post, the shelter was defiant: even the pandemic “#CantStopGood.”

At a time when government is struggling to keep pace with the pandemic, civic organizations are providing a patchwork of social welfare—both improvising new means of continuing longstanding, essential community services and innovating entirely new services in response to unmet community needs. Through an ongoing study of 800 nonprofits operating in regions around San Francisco (CA), Dallas (TX), Detroit (MI), Lancaster (PA), Miami (FL), and Sioux Falls (SD), we are finding that, beneath a surface of closed offices and cancelled events, nonprofits are demonstrating surprising resilience in the face of unprecedented adversity. Despite dwindling funds and little support on the horizon, these organizations—be they knitting clubs, soup kitchens, or repertory theatres—are serving as a critical lifeline in the fight against a global pandemic.

Nonprofits are adapting in several ways. They are rearranging schedules, workforces, and physical spaces to continue providing essential services. Responding to a tenfold growth in demand, a nonprofit serving the low-income Latino population of Lancaster converted its sit-down dining facility into a “Grab & Go” model. Likewise, organizations that, before the pandemic provided in-person services to homebound seniors—such as providing medicine, food, and companionship—have reorganized their operations around a delivery model, even sourcing microwaves and refrigerators to donate to recipients in need. One Detroit-area senior center moved its extensive catalogue of fitness classes online, airing some, like “Gentle Moves Yoga,” on a local TV station twice daily. As one organization puts it, “our programs have not been cancelled; they’re just different.”

Many nonprofits have also pivoted to meet previously unimaginable community needs. A science museum in Florida hosted a virtual Q&A with an infectious disease specialist in order to dispel rumors, misinformation, and other common misunderstandings about COVID-19. They also enrolled their powerful computer servers in a grassroots effort to model SARS-CoV-2 proteins—crucial in the race to develop a vaccine. A Miami-area business association established a “rapid relief fund” providing \$500 grants to low-income families otherwise ineligible for state aid.

A youth boxing gym in Michigan—a state overwhelmed by infections—has braved snow and sleet to deliver 1,000 gallons of hand sanitizer throughout the region. The organization’s leadership took it upon itself to inform the community as well. As the executive director of that organization put it: we “spent countless hours on the phone debunking myths, putting together lists of Facebook-based COVID myths, calling family after family, and kid after kid—anyone who might have a tendency to believe Internet gossip.” Parents who are otherwise weary of public health authorities are now masking up.

In California, costume designers at a Santa Clara theatre company are crafting masks for state employees, postal workers, and other vulnerable populations. They’ve helped to address a PPE shortfall by distributing 4,000 masks since early April. And, in the lighthearted spirit of musical theatre, they’ve even released a song: “*Maskmaker, Maskmaker, make me a mask!*”

Put in historical perspective, one might see nonprofits’ collective contributions to pandemic relief as akin to the auto industry’s contributions to American war efforts during World War II. Where carmakers repurposed their factories to produce plane engines, artillery, and armor, nonprofits are deploying staff, volunteers, and facilities to produce masks, create care packages, and provide other essential services. But where the work of GM and Chrysler was underwritten by Uncle Sam, nonprofits are acting on their own volition, often without sufficient support, and performing services that, in this unsteady economic moment, are unsustainable and may prove financially ruinous. The economic fallout of the pandemic threatens to further undercut already precarious funding streams, and nonprofits are facing grave difficulties staying afloat.

As nonprofits bend over backwards to serve their communities during the crisis, who is bending over backwards for them?

To be sure, the CARES Act offers charitable provisions—emergency funding, loan forgiveness, and donation incentives. But efforts to access federal support have been hampered by red tape and delay. Philanthropic foundations, often touted for funding what public funders miss, have relaxed their grant restrictions, allowing grantees greater flexibility. But the rules governing philanthropic endowments will likely impede any substantial increase in the total dollar amount of foundation giving.

If nonprofits cannot secure continued support, their ability to respond to community needs will be undermined and the already formidable fault lines of inequality will grow even wider. Communities will suffer when neither the state nor nonprofits take the lead.

Social service provision and the protection of public health has historically fallen to governments. But COVID-19 struck during a period of public welfare cutbacks when nonprofits were already shouldering an undue burden. The political climate and unknown duration of the current emergency do not afford nonprofits the luxury of suspending work until normalcy resumes. What’s become clear over the past several months is that the whole gamut of nonprofit services are starting to look essential—both for the maintenance of life and the maintenance of communities in which we live.