presented a discussion entitled

The 2010 Elections: What Do They Mean for Foundations and Nonprofits?

November 9, 2010, 12:00 – 2:00pm

Program and Panel

12:00 p.m. Welcome by Hudson Institute’s William Schambra
12:10 Panel discussion
   Gary Bass, Founder and Executive Director OMB Watch
   Patricia Read, Senior Vice President at the Independent Sector
   Sandra Swirski, Executive Director of the Alliance for Charitable R
   Dean Zerbe, National Managing Director of the alliantgroup
1:10 Question-and-answer session
2:00 Adjournment

FURTHER INFORMATION

This transcript was edited by Kristen McIntyre. To request further information on this event or the Bradley Center, please visit our web site at http://pcr.hudson.org or send an e-mail to Kristen McIntyre at Kmcintyre@hudson.org.
WILLIAM SCHAMBRA: Good afternoon. My name is Bill Schambra, director of Hudson Institute’s Center for Philanthropy and Civic Renewal, and Kristen McIntyre and I welcome you to today’s panel, discussing the likely impact of the 2010 elections on foundations and the nonprofit sector. A special welcome to our viewers watching us live via Ustream, which will now be a regular feature of the Bradley Center panels. But as I pointed out before, that will not absolve you from the responsibility of showing up live from time to time. And we feed you. So that’s something that you don’t get on live stream.

Shortly after the 2010 election returns came in, the Council on Foundations sent around its first assessment of the meaning of the results for foundations. As that memo noted, we will have 110 new members coming to town who need our attention. As a sector, our immediate task is to educate a very, very large class of new members about philanthropy and its role in society. Writing in The Nonprofit Quarterly, the always thoughtful Rick Cohen suggested far more bluntly, that nonprofits, as well as foundations, had quite an educational task before them. He argued that the election was, “brutal, and not just for the Democrats who took it on the chin, but for the whole of the nonprofit sector. The incoming freshman class of Congress represents a sea change for nonprofits – the election of dozens of policymakers with scant experience with much of the nonprofit sector they will be charged with governing.”

So what do we have as foundations and nonprofits to hope and fear from this new Congress? That’s the question we’ll tackle today with a panel of commentators who make it their business to pay careful attention to developments on the Hill. First we’ll hear from Dean Zerbe, national managing director of the alliantgroup here in Washington, DC, and former senior counsel and tax counsel to the U.S. Senate Committee on Finance. He will be followed by Patricia Read, senior vice president for public policy and government affairs at Independent Sector. Then we’ll hear from Sandra Swirski, partner at Urban Swirski & Associates, familiar to us all from her work with the Philanthropy Roundtable and the Alliance for Charitable Reform. And finally, we’ll hear from Gary Bass, founder and executive director of OMB Watch, who is about to cross over to the dark side as he assumes the role of president at the Bauman Family Foundation here in Washington.

We’re going to have to let Dean Zerbe go immediately after he makes his presentation today, so he can’t stay for the entire panel. In a phrase that will bring joy to some hearts and strike terror in others, Mr. Zerbe will be on his way to the Hill to render his much sought after advice and counsel there. Dean.

DEAN ZERBE: Thank you very much for putting this together. I appreciate it. I’m going to take a bit of your time and go through fairly quickly a presentation that is meant for a longer version, but I’ll try to talk pretty fast to make up for that. By background on myself, I was the Senior Counsel and Tax Counsel for the Senate Finance Committee. The only reason I mention this is that I think folks kind of focus on me from my role with charities but actually charities was a small part of my journey. I was basically one of four tax counsels on the committee, and I worked on all the major tax legislation that moved in the last seven years. I left the committee a couple of years ago. I’m now with the alliantgroup, which is a leading provider of tax services to small and medium-sized businesses across the country. I also have the pleasure now of working on a couple of charitable boards. I’m member of a few national charities, and I must admit, it’s been very eye opening for me, a great learning experience to see from the

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2 http://www.alliantgroup.com/_ag/index.cfm
3 http://www.independentsector.org/
4 http://www.urbanswirski.com/
5 http://www.ombwatch.org/
charities’ perspective what their view is and what their take is. Quite frankly, I’ve learned that a lot of what we do here in Washington is quite beneficial in regards to charities. I think that the vast majority of charities want to do good work, seek to do good work, and quite frankly, things like the new form 990, discussions on governance, and yes, even Senator Grassley’s oversight has actually been extremely helpful for folks who want to do the right thing at their charities. The oversight, the new 990 gives the good actors a tent pole to hold onto against folks who are proposing suspect actions or are skirting best practices.

I’m going to take you through three points here – what won’t happen, what will continue to happen and what could happen, focusing on what could happen as it relates to universities, hospitals and competition regarding small businesses, UBIT (Unrelated Business Income Tax).

In terms of what will happen, that’s pretty simple. You’re not going to see a change in the foundation excise tax that would punish foundations that provide a higher payout to charities – this idea of 1.25 percent increased excise tax regardless of whether a foundation pays out a lot or a little that has been kicked around. I don’t really see it happening. I think what you could get if the foundations wanted it is a tax that would actually reward those foundations, particularly family foundations and smaller foundations that do give strong payout. You could have a tiered system that would encourage those and reward those foundations that have a high payout. That, I think, is a possibility.

The idea of creating government panels and commissions to meet, discuss the problems that charities are seeing regarding government funding that’s been trumpeted – I don’t see that happening. What I would suggest, and it’s very nice to be joined by Pat Reid, is for charities that are interested in this and view this as a strong concern, I would suggest you look back at what the Finance Committee did setting up the nonprofit panel, with the Independent Sector showing the lead on that, and coming to Congress with proposals and recommendations. I don’t think you need yet another government commission or another group of Cabinet officials meeting together to talk about these problems and giving recommendations. Just come forward with the recommendations that are substantive and have merit. I think Congress will view them in an open light.

Requirements on charity foundation board composition, I think this has been put forward out in California merely to give folks on my side of the world something to jump up and down about. I don’t see this happening at all. It certainly will not happen with this new Congress. It wasn’t going to happen in the prior Congress but it makes for good fundraising letters.

Low profit limited liability companies – this is not going to happen. In general, this is something that the tax code folks are not at all keen on. Yes, again, it’s something that makes some folks happy to keep talking about, but again, to cut to the chase, it won’t happen.

501(c)4 reform, I know it’s gotten a lot of discussion in the elections. It’s not going to happen. I don’t see anything taking place in this area. By the way, just as an aside, the movement of 529s to 501(c)4s and using them as a vehicle for political work has been known for a couple of years. Folks have not seemed to be concerned about it. Then with *Citizens United*\(^6\), suddenly everyone got seized with it. Setting aside the merits of it, I don’t see anything happening on this.

The idea of creating an SBA (Small Business Association) for the IRS, first of all I’d say, representing small and medium businesses, I don’t know why the charitable sector would want to embrace this idea. It’s not been a whirlwind of joy for small businesses to have the SBA. But not going to happen. The tax

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writing committees are not going to allow for a division between the tax committees in terms of the tax code. So you’re not going to see that.

Also, I know that there’s been some interest in bringing back the car donation, or as I like to think of it, allowing people to donate their Yugo. They claim it’s an antique and claim a $10,000 deduction, even though the charity only gets about five bucks. That won’t happen either. It’s all due to scoring. But again, these are things that lobbyists like to talk about and that keep people busy and active.

What will continue to happen, we will continue to allow orphans to have their money stolen to pay for golf courses. We’ll continue to have charities paying for club officials to go to the Harvard Club. Museums will continue to provide tax free luxury housing to executives. These are just things, by the way, from recent news stories, just a random sample. I can get you 40 more by tomorrow if you’d like. This is one of my favorite – that small colleges will continue to pay their presidents over $2 million in salary, as well as all the family members. Good times. So all those abuses will continue on…

Corporations will be bashed for using offshore entities to reduce their taxes, while charities will continue to do the same thing and be applauded. Actually, it was interesting. A House member had proposed eliminating the burden for the charities in this regard so that they wouldn’t even be hurt by using offshore blockers to avoid tax. Imagine if we had said, ‘Well, there is a problem with corporations going offshore and avoiding taxes, so what we’ll do is just make it easy and avoid that tax.’

On a serious note, an important issue was highlighted in a recent article in The Washington Post about the use of tax-exempt bonds. David Hilzenrath did an excellent job on this. But lastly you will continue to see, unfortunately, that these will all remain legal. God forbid, we should do anything to prevent orphanages from not having their money shanghaied. These troubling actions – and many more like them – will continue on.

What I also worry about, though, is that you’ll continue to have lawyers who think that the greatest defense for their client is to say, ‘Well, this is legal.’ This is all perfectly fine until they show up with their clients on the front page of The Washington Post trying to justify chandeliers being cleaned or whatever. So just keep that in mind whenever you’re with a charity, and the lawyers are saying it’s legal, you should start heading for the exits, because it’s going to be a bad moon rising in terms of what’s going on.

The thing to remember about all this is that the taxpayer subsidizes everything I just mentioned. All these terrible things. This taxpayer subsidy is what is constantly forgotten. We always tend to think of these things – these charity abuses – as a victimless crime. It’s someone else’s money – that it doesn’t matter. No, no, you all as taxpayers get to pay for that. You all subsidize this. Everything that I just mentioned, you all are paying for it with your state, federal, local property taxes and your federal income taxes. We’re all paying for this, and if that makes you happy and warm in bed at night, hallelujah.

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The thing to remember, of course, is in case the apologists in the charitable community have forgotten and you want to question me later, remember your three excuses. CAP, CAP, CAP. C is for Cops – this is really an enforcement issue, and forget the fact that there is usually no law or that the law is unenforceable. A is for Apples – you’re really just talking about a few bad apples. No, it’s an orchard of bad apples. But that’s OK. Remember, it’s always just a few bad apples is the excuse. And P is for Puppies. We love puppies. Charities are good people, therefore we shouldn’t criticize them. It’s kind of the concept of the Nature Conservancy. One of my favorite moments of the Nature Conservancy investigation is that the Nature Conservancy actually had a saw mill and cut down trees. I guess the thinking was that if you hug a tree before you cut it down, that somehow makes you a better person. The tree is happier knowing that you were wearing Birkenstocks when you cut it down. So anyway, that’s all good stuff. Just to remind you of the excuses of those who oppose what I am raising.

Let me turn now to the third point of my speech – what could happen, and this is what I kind of want to spend a little bit of time on, and I appreciate your patience, and my fellow panelists’ patience on this, is charities acting charitable. This is basically what all the rest of this discussion is about and what I would suggest could happen is this bold concept that charities could act charitable, meaning that your mother and your grandmother would actually nod their head and say, ‘Yes, that sounds exactly like why we sent them our $25 bucks. That’s what we intended.’

This is not a new concept. We actually did quite a bit of this in the rules regarding credit counseling. If you go back and look at the 501(q), there is an enormous amount of discussion about credit counseling in terms of requiring them to act like a charity. Basically credit counseling by some bad actors was used as a vehicle to gouge the poor. And we started to say, ‘Well, maybe they should actually act like a charity and provide free or discounted services to the poor.’ I know, crazy talk. But that’s what we did, and that’s what we put in, and the world keeps turning.

501(r) and the healthcare bill, which I’ll spend a little bit of time talking about, is the same concept. It’s the beginnings of the same idea that we provide massive tax breaks to hospitals. Maybe they could actually provide some benefit to the poor. Let’s talk about healthcare. Repeal and replace. That’s the siren song that we’re hearing. I speak all over the country constantly, and I’ll give you a big hankie later if that makes you feel happier, but people are profoundly unhappy with this health bill. Regardless of where I’m speaking, be it Massachusetts, Wisconsin, California, Alabama – they are not happy. So repeal and replace. It may not happen this Congress. It may partially happen this Congress, and a new administration.

Let’s talk about an example of that – repeal and replace. Hospitals. Just give to you a few of those quotes there on these slides (see next page). I want to note, by the way, that some these quotes are Ways and Means Committee hearings. I know my old boss Senator Grassley gets a lot of credit or love or unlove in terms of his work. This issue of nonprofit hospitals actually first came from Bill Thomas – a very capable chairman of the Ways and Means Committee. We followed on his work in terms of the nonprofit hospitals.

This is the bottom line on what those quotes are all about. “There is no discernable difference between a for-profit and nonprofit hospital.” – IRS Commissioner Mark Everson. Yes, do some nonprofit hospitals do great work? Absolutely. There are some fantastic, particularly inner city Catholic hospitals, which do glorious work helping the poor. They’re great. But to be honest, a lot of for-profits do good work, and a lot of nonprofit hospitals, you can see with a quote there from the commissioner of the IRS, there is no discernable difference. Think that through. Think about that in terms of what we’re talking about. We’re giving them $20 billion a year in tax breaks – federal, state and local – $20 billion in tax breaks and there’s no discernable difference between a for-profit and a nonprofit? Are you kidding me? That’s good
policy? I’m giving you $20 billion, and I don’t have a difference between what you’re providing and what the for-profits are providing? You’ve got to be nuts. You want to know why our economy is where it is? Come on. You cannot be just giving away our $20 billion. Again, this is the taxpayers’ money.

Hospitals

• For many nonprofit hospitals, we found the link between tax-exempt status and the provision of charitable activities for the poor or underserved is weak.
  

• Some tax-exempt health care providers may not differ markedly from for-profit providers in their operations, their attention to the benefit of the community, or their levels of charity care.
  
  March 30, 2005, Mark Everson, Commissioner of the IRS – letter to the Senate Finance Committee

• [C]urrent tax policy lacks specific criteria with respect to tax exemptions for charitable entities and detail on how that tax exemption is conferred. If these criteria are articulated in accordance with desired goals, standards could be established that would allow nonprofit hospitals to be held accountable for providing services and benefits to the public commensurate with their favored tax status.
  

Some people have a view that if a business/industry benefits from a tax expenditure, well, we could just as much be throwing money out of an airplane – i.e. we shouldn’t look or consider whether this tax expenditure is providing any real benefit – what we are getting bang for the buck. Very different from spending where many folks are all over it – where did the money go, what happened to it, what was it spent on, what benefit. We need to bring that same sharp pencil to tax expenditures.

Enter the finance committee asking this question about the bang for the buck – bringing the sharp pencil to nonprofit hospitals. The nonprofit hospital provision was a bipartisan provision that was put in there. Senator Grassley got a lot of the attention for it, and certainly did a lot of the spade work, but this is something that both committee members – Chairman Baucus and Grassley – saw a need to fix. It doesn’t change the world upside down. But it’s a tremendously good start, very good work and most importantly will make an incredible difference to hundreds of thousands of our poorest citizens.

Let’s go through the new nonprofit hospital provisions. First, you can no longer overcharge low income folks for medical services. Previously, when you came in as a poor person who is uninsured to a nonprofit
hospital, oh, you didn’t get the Blue Cross rate. You got the rack rate. You got the top rate. You got the highest rate that they’ve got. That’s the way you get to pay. That’s your reward for being a poor, uninsured person coming into the hospital. Now thanks to this bill you have to charge the average rate actually charged to an insured person.

Second -- Billing and collection. You can read about this in a series of articles in The Baltimore Sun. It will bring tears to your eyes in terms of the hammer and tong that the poor go through in regards to the collection efforts by the hospitals. The charity hospitals doing this are not going to get any money from the poor, but through aggressive collection actions they’re going to make certain that you never come back to that hospital. They’re going to make certain that you tell all your friends not to go to that hospital because they made your life miserable.

Third -- must have a charity care policy plan. I credit the committee for this. They did the yeoman’s work on it. This is probably where it’s thin. It just requires that you have a policy for charity care. It doesn’t tell you what that has to be. Your charity care policy could be, ‘We like to give them cab fare to the county hospital.’ That’s our charity care policy, and away we go. So that should be beefed up, but it’s at least in there and in place.

Fourth, the hospitals have to publicize their charity care policy. Quite frankly, a lot of these charity care policies have been under a bushel. Community Catalyst and The Access Project have done excellent studies in this area.

And finally a community health needs assessment incorporating the hospital with county health providers, state health providers in terms of what they’re doing, how they’re pulling the oars. This isn’t all about the emergency room. This is about providing inoculations, providing outreach, providing preventative care, all that to the system in terms of what they’re doing.

Let me note, by the way, when this came out, and Grassley, God forbid, actually put out a press release on the healthcare bill, praising these nonprofit hospital reforms as one of the bipartisan things in the bill, supporters of the bill blasted Grassley about this press release. I think they blasted it because they were actually deeply embarrassed that the most effective program to help the poor today in the bill was a program that Senator Grassley initiated and could lead people to be thinking, ‘Well now, wait a minute. We did all this and it didn’t actually cost us a dime. It just took the money that we were already providing and actually said, ‘why don’t we get something for it.’ I think that was deeply embarrassing for a lot of folks out there in terms of healthcare – that great good could be accomplished without massive tax increases and new spending.

The thing to understand, for a poor person going into a hospital now, is that these hospital provisions help them now. Today this is the thing that helps them. All the other happy clappy stuff that’s out there in the health bill, most of that doesn’t begin until 2013, 2014. A poor person needing help right now – this is what’s going to help them. These Baucus/Grassley hospital provisions are what is going to assist them in terms of what is going on. So you’ve got that but much more could be done. Bill (Schambra) mentioned all the new members coming in that are looking at trying to control costs and control spending – you can see all this good from this provision – that didn’t cost a dime.

And the best part -- you can provide much more. You could require charity care. You could require additional work. You could require the hospitals to provide care commensurate with their tax benefits. You could do all that as a means of helping. Is it going to be a cure all? Is it going to accomplish...
everything? No, I’m not here to tell you that. But it will certainly move the ball and advance it enormously in terms of where things are going.

I would also say, for those who are interested, we’ve got a lot of new officials at the state level and local level. This is a huge issue for them. I guarantee you, when you go to the local elected officials, the biggest folks who are off the county rolls in terms of property tax are your charity hospitals. They’re not paying any property tax. For those who are interested in these issues from a state and local level, this is just as important, and quite frankly, the states have been a great deal better on this issue than the federal government.

Also, I would encourage you not to forget the tax-exempt insurance companies. I don’t discuss that today. But again, for those who are looking at policy matters and what we are doing, tax exempt folks there as well, that too should be examined closer in terms of bang for buck.

One final comment on hospitals – in case this all feels a bridge too far – fear not. We did this pre-1969. What happened is we used to require hospitals to provide charity care. This was not a revolution. In 1969 we passed Medicare and Medicaid, and the very brilliant folks then said, ‘Oh, well, cripes, we’ll never need to worry about poor people again because we’ve got Medicare and Medicaid.’ So away we went and we pulled the rug and ended the requirements of tax-exempt hospitals to provide charity care. So this is basically going back to the future in terms of where you are.

So you’ve got T versus T, your Tax-exempt executives versus the Tea Party folks, coming in in terms of their priorities, in terms of, are you going to look at controlling spending? Are you going to look at trying to keep things within bounds in terms of taxes? If you don’t look at what you’re already spending on tax expenditures and saying, ‘What are we getting for that? What are we accomplishing? What are we realizing for that?’ I think you’re in a very bad way, and none of that is more true than in the cost of college tuition.

Tuition is skyrocketing in terms of university support. You all know it. I’m not going to spend a lot of time on this. You’re all very familiar with these numbers that tuition is going way up. Lynn Munson, who is here today, I think she gave a simple way to understand this -- milk would now be $15 a gallon if you follow the universities in terms of its inflation. We all know it’s going up. I know for the universities, they love to talk about net tuition and all this. Net tuition is going up as well, too, in terms of what’s going on. As the College Board just mentioned, of course, is that net tuition is going up, and what a shock, we’re having expenditures going up with it. We’re also having federal expenditures go up, which again to remind you, you all pay for. It’s not free money. You all pay for it.
Colleges and Universities

• Tuition is skyrocketing

• During any 17-year period from 1958 to 2001, the average annual tuition inflation rate was between 6% and 9%, ranging from 1.2 times general inflation to 2.1 times general inflation. On average, tuition tends to increase about 8% per year. An 8% college inflation rate means that the cost of college doubles every nine years.
  — FINAID.ORG

• So let me put today’s tuition cost in concrete terms. Senators, what would your constituents say if gasoline cost $9.15 a gallon? Or if the Price of milk was over $15? That is how much these items would cost if their price had gone up at the same rate that tuition has since 1980.

• Net tuition goes up as well.

Colleges and Universities

Federal spending for education up.

Deductions for interest for student loans - $3.1b

Deduction for higher education expenses (one year) $0.9b

Exclusion of employer-provided education assistance benefits - $5.5 b (incl. trifecta)

Bonds: $16.5 b (which – actually discourages tuition asst./lower tuition).

Deductions for charitable $32.4B (4.26B – sub-estimate – college – omb)

Hope $26.7b

Lifetime leanings $13.4

Prepaid tuition and savings account $3.3 b

Joint Committee on Taxation Estimates of Federal Tax Expenditures for FY 2009-2013, January 11, 2010

ENDOWMENT -- $18 BILLION  A YEAR Tax exempt – CRS Memorandum August 20, 2007 to Senate Finance Committee – Jane Gravelle, Ph.D.
The slides I just put up, and let me put a big asterisk and caveat on this. I actually do have a day job and it doesn’t involve putting these slides together. These are general estimates from joint tax of the tax expenditure benefits that colleges receive. Some of these numbers may be a bit off. However I think you get the general ballpark of what I’m talking about. These are the dollar range of the tax breaks that you get as an institution – tax-exempt bonds, charitable donations tax-free, endowment earnings tax-free, property tax exemption, etc. We focus way too often on the tax breaks that you get, the individuals trying to provide for their families and pay for tuition or save for tuition. We completely ignore the massive tax breaks – worth billions of dollars every year -- that go to these institutions as well, too, as tax exempt entities and asking them what are they doing for those tax expenditures?

My favorite, I’ll just highlight, it’s a small provision and many may not know it, but a university gets a tax break that no one else gets out there. If a university provides a university employee’s son Jimmy tuition-free at the school, little Jimmy gets to go to the school tax free – no tax on this perk of tuition-free. No one gets that. If I’m Wal-Mart, and I employ somebody and say, ‘Hey, your son is going to go to University of Virginia and we’d like to pay for that.’ That is a taxable income item for the Wal-mart employee but not if you’re a university employee. They’re the only ones that get it. So what you’ve got is a situation where university employees get tuition free for their children, and they don’t even have to pay tax on it. ‘Hmmm, I wonder if these guys will really wake up that much motivated about trying to control tuition when they don’t even have to pay tax on those provisions.’

So this slide gives you a sense of the tax benefits that are provided – $18 billion dollars a year on endowments alone. And you see here quotes from over the years going back to 1976 from government officials constant decrying this cycle of throwing more money at colleges and the response of colleges to raise tuition and not control costs. And for the new Congress, if they want to get their handle on this, you can just keep repeating this, and we could be Greece soon enough in terms of saying, ‘Well, yes, we’ll raise tuition $20 billion, but we’ll match that with more spending from the taxpayer and just do the same again and again.’

If you don’t control tuition you will not control government spending and taxes will increase – chicken meets egg

City University of New York began charging admission in 1976, ending a century-old tradition of free tuition. As New York’s deputy commissioner of education later explained, that decision was eased considerably by the knowledge that students would qualify for government aid.


If anything, increases in financial aid in recent years have enabled colleges and universities blithely to raise their tuitions, confident that Federal loan subsidies would help cushion the increase. In 1978, subsidies became available to a greatly expanded number of students. In 1980, college tuitions began rising year after year at a rate that exceeded inflation. Federal student aid policies do not cause college price inflation, but there is little doubt that they help make it possible.


• And while the setting of tuition depends on many factors, including state support for public institutions, some institutions may be inclined to increase tuition in response to the increased capacity of students and parents provided by beneficial tax policies.

President Emeritus, University of Michigan, Testimony to the Senate Finance Committee, December 5, 2006.
I would note to you the difficulty on this is, well, we’ve been able to keep the heads above water for the lower income families and poorer families. For the middle class it’s not the case at all. They are getting grinded. They make too much money, and too much money is the great amount of $150,000, basically the salary of a cop and a teacher. They make too much money for all the programs for the poor and low income, but they certainly don’t feel comfortable writing that $50,000 dollar check. It’s extremely difficult for them to do it. Working families are getting crushed by this steady increase in tuition. I hear this constantly out there, and we need to be mindful of it. To say, ‘Let’s just expand these spending programs’; you’re just going to be asking for more tuition increases out there and we simply can’t afford it.

Can Colleges cut spending? This is a terrific article I cite here by the Delta Cost project. Absolutely colleges can cut spending. There’s no question about it. There’s other very good work out there about ways that folks can be cutting spending. I deal with businesses every day. Businesses have to deal with these issues. Cutting costs is in their bread and butter. It’s what the for-profit sector is having to do.

Clearly there is room for colleges to be looking at cutting costs. But the question is, is exhortation from Congress enough? Can we just say, ‘You’ve got to cut costs. We really want you to do it, by God. This time we really mean it.’ So can colleges cut spending on their own? Sure. Just as Delta House could cut drinking on its own – all the time we are providing them free beer. You keep providing free beer they won’t stop drinking. You’re asking folks who are running these institutions, that are getting money hand over fist poured over them, to somehow show enormous self-restraint in terms of controlling costs. I love the headline from the Wall Street Journal, “Tuition Costs and Pell Grants Rise in Tandem.” What a shock there that that happened – that tuition costs and pell grant increases go arm-in-arm. And that is our problem in a nutshell.

**Can Colleges Cut Sending?**

*Trends in College Spending 1998-2008.* A report of the Delta Cost Project. Lumina Foundation for Education:

But the data in this report show yet again that the dominant model has been to manage revenue shortfalls through cost shifting and one-time budget cuts. The consequence is higher student tuitions, along with a slow erosion of resources to support the core academic program. The deeper work to permanently reduce spending – though changes in staffing structures, looking at how tenured faculty are used for teaching, by paring back benefit structures that aren’t sustainable, and through economies of scale for academic and institutional support is only now beginning in far too many institutions.

If current trends persist, in 2025 the U.S. will have lower levels of educational attainment than much of the rest of the developed world.
This was my favorite thing after Lynn Munson, who’s here, testified before the committee. The universities from DuPont One sent us this letter in terms of how they were going to control costs. This was in 2007. ‘We’re going to control costs. This is how we’re going to do it.’ A very serious letter. My favorite moment, for whoever here is from Cato this is a shout out to you, because they actually said federal, state and local regulation is a reason that costs are going up. I had no idea. I’m sending membership application cards to Cato, to DuPont One, so they can all join together. But to me it just shows a farcical viewpoint of any candle in the storm that they can hold onto in terms of justifying cost increases. Businesses have to face this constantly and deal with costs. But of course, you see the bottom line there – they can’t just ask for more government money. Yes, after this plea from universities that they’re going to commit to keeping costs down, we’ve of course seen costs continue to go up as they’ve always done before.

University endowments, just to give you this, are $340 billion. Now this is an old number. I was talking to folks who I think know better. This is basically where they were in 2006. They’ve had a dip down, and I think the thought is this is roughly right. They’re basically back to where they were. They just had a 12.6 percent increase in it. Their payout is 4.3 percent. I think that number is very suspect on how it is measured. The way colleges measure payout is different than how private foundations do payout, which is measured very precisely.

I find that universities tend to have a somewhat looser, I don’t mean that as a hard comment, but a different view, not the same as what you would apply to a foundation. Sometimes it’s a rolling three year average and other ways to measure that are problematic. There are no payout requirements on endowments unlike foundations. One of the favorite lines you get, and when we looked at endowments this turned out to be absolutely inaccurate, that ‘Oh, well, all the money’s locked up.’ ‘All the money is in select accounts.’ ‘All the money is put aside or spoken for.’ That’s nonsense. Usually what it is that the university itself has decided to put it in under lock and key. But invariably when you actually look at it, the vast majority of it is just, ‘I’d like to give money to help study French poetry.’ Great. Guess what, could you give scholarships for French poetry? You betcha. It’s a canard that’s out there for not spending endowment money.

What you basically get is a life cycle on the theories of endowments. You can’t pay out now, because you need to save to build the endowment. There needs to be a rainy day fund. Then we have a bad time, a downturn of economics, well, then, of course the endowment is also down. Now you can’t spend because the endowment is down. That wouldn’t be a good idea, so we need to wait until it gets back up in value. Now three, when the endowment recovers, then you need to go back to step one again. So it’s always a good story, and it always happens that you never have to pay out anything significant. So it works out well – for college presidents, money managers – bad for families.

Just to give you a sense of the power of these endowments, I very much recognize that the big boys have got the big endowments. But let me tell you, there’s a huge Chivas Regal effect for these universities to start sending massive signals of where they are in terms of spending. Harvard could with its endowment payout easily make all undergraduate tuition free. If Harvard was free, the signal would be enormous towards the rest of the country. Right now, all the other universities can get away with their tuition and say, ‘Well, we’re one step below Harvard and we’re $48,000. Harvard’s at $50,000.’ So if you start saying at zero is where tuition could be it would be an enormous signal to the poor in this country that it’s possible to attend. But as important as the signaling out there to all the colleges and universities is the cost and the dollars – that value of a college education is not tied to cost.

I want to explore this a bit more. This quote is from Judge Cabranes, a well respected appellate judge who is on the Yale board. This is a terrific article to read, and I’ll just take one quote out of there. “Disabuse yourself of the view that somehow university board members are going to be waking up
thinking and understanding and engaged on these issues. That’s not going to happen. It’s just the simple reality of it. The idea that we’re going to exhort them and say, ‘by God, let’s cut costs this time’ will not happen.” A wonderful article from the Judge on this issue and others regarding the reality of board governance at universities. And again, you can see it in the comments from Dr. Jane Gravel of CRS. What you see when you look at the literature is that there is a direct correlation between the size of endowments and the salaries of university presidents.

If Harvard, Yale, Princeton, MIT or Stanford had paid out 1/10 of 1% of their endowment of undergraduate tuition, undergraduate tuition increases would have been unnecessary to maintain their budget.

- Gravelle.

• Many other schools in the top 20, especially private schools could have significantly increased their undergraduate aid with a small additional payout from the endowment, while still permitting endowment.

– Gravelle.

• Another area in which trustees would be expected to be especially active and competent is in assuring that the endowments bestowed on universities by grateful alumni and friends are spent in a manner consistent with the donors’ purposes. Here too, I think it fair to say, trustees are largely passive and given little information.


• In general, therefore, it appears that the main effect of the high returns on endowments for those institutions with large endowments, is to increase the size of the endowment.

– Gravelle.

I want to highlight a recent story in the news. This is a very sad story. It’s been something that’s been discussed in the education community quite a bit. There is a student, the family wanted to get the girl an education, who went nearly $100,000 in debt. The college enrolled the student without any questions of whether she could afford the tuition. The college introduces the student to lenders. They underwrote the loans. The college contends no role to determine whether a student can afford the loans. They wash their hands of that. Then we get the typical outraged Senate hearings, love Senate hearings. That’s always great fun. So we have hearings and outcry, and then we get the administration putting forth regulations that focus on for-profit colleges and largely ignore the tax-exempt colleges and universities.

No requirements, no recognition of, well, now, wait a minute. These for profit colleges actually do a crazy thing. They pay tax. Maybe we could ask even more of these other folks -- the tax-exempt colleges -- who get these massive tax breaks. I know, it’s a crazy thought. No, no, no, don’t do that. There’s only one problem with this story I mentioned earlier, by the way. Oh, that’s right. She’s a New York.

University graduate. It is a New York University graduate that got all the attention and helped start this whole discussion. Well now, we didn’t do anything regarding NYU. That would be wrong. We don’t want to go after NYU. We now propose regulations that affect for-profit institutions that pay taxes. These for-profit institutions will be at a disadvantage to educational institutions that are tax exempt. We’re actually putting the for-profit colleges on an unequal playing field. So no requirements for tax-exempt universities taking into account the billions of dollars that they receive directly and indirectly. Money for nothing.

I would suggest that what we need to do is create a new relationship between the government and nonprofit colleges and universities. We need to end this cycle of more tax expenditures and more taxpayer spending, coupled with no accountability on the side of universities. We cannot continue with more money for nothing. We cannot do that. We are going to bankrupt the country. I think the priority has obviously got to be controlling tuition increases. As part of that you should be requiring payouts from larger endowments. I welcome your ideas on how best to accomplish this new partnership. But the current situation is as if the Department of Defense decided to tell Boeing, ‘I’ll tell you what. Could you build us a plane and just send us whatever the bill is, and we’ll pay it.’ It is effectively what we are doing as a government with universities and colleges – basically requiring nothing from them, in terms of everything that we are providing in terms of spending and tax expenditures, and we are ending up in the position that we are in now with skyrocketing tuition, spending and tax expenditures, and we will continue at that pace.

I would say, by the way, on the endowment issue, one of the most thoughtful elected officials is Congressman Peter Welch (D-VT). And for the folks that are coming into Congress, both Republicans and Democrats, I think these issues of how to deal with rising tuition animate both sides of the aisle and there could be great common ground in terms of trying to deal with these issues. But you’ve got to look at the reality of these institutions, and just to exhort them to do better to reduce costs isn’t going to happen.

I’ve taken enough of your time. I don’t want to spend too much time on UBIT, but I would just note for those who are interested in this issue, that the IRS’s midterm report on colleges and universities and discussion about UBIT is very important and well worth reading. What you’ve got, effectively, is for-profit organizations, small and medium businesses that I work with on a daily basis, that are at an incredible disadvantaged with nonprofit entities that run their own businesses on the side. Quite frankly, it is cost shifting. For a cost shifting analysis, where just like a big multinational can have offshore companies, I can shift my cost to the Netherlands, Antilles, to China, wherever, to reduce my tax. Similarly -- no shock, I can take a charity. I can move my cost from the charity over to the for-profit subsidiary and wipe out any tax. I think it’s something where Congress needs to look at the tax base and see what’s going on.

At the end of the day this is all about charities acting charitable. It’s about saying, could we ask charities to actually show and justify the tax benefits we’re providing? I think the benefits of this are, you can control government spending. You can continue to keep taxes low. You can improve education. One of the points I forgot to mention is that in the Delta Report they noted that this continuing spiraling inflation in education is basically undercutting the ability for many Americans to afford an education. So rising tuition does have a great negative impact in that regard.

So we can improve education. We can help the poor. Obviously you want to help the poor in terms of health. We want to help the poor in terms of education. They’re the natural object of charity. In some ways, so much of what I am talking about is getting the charities to refocus their attention on the poor as the beneficiary of their work. You can help the middle class, obviously, enormously with tuition and by supporting small businesses in terms of looking at the UBIT issues. Great possibilities are out there. I
appreciate enormously your time and your patience and my panelists. Thank you all very much. [APPLAUSE]

WILLIAM SCHAMBRA: Do you have time for questions?

DEAN ZERBE: Yes, I do, but I feel rude for everyone else.

WILLIAM SCHAMBRA: Questions very quickly before he takes off for the Hill. Yes, please.

Q: How do local Washington, DC hospitals compare to others in terms of your critique?

DEAN ZERBE: You know, I think that’s a terrific question. And what I would suggest, and I think it’s a great thing for reporters and other folks to look at, is the Access Project and Community Catalyst, because they go to hospitals and see what they are doing. Now I went to GW (George Washington University Hospital) because I had a friend going there, and just kind of looked around. It seemed OK but it wasn’t readily apparent what their charity care policy is. I would talk to those institutions. They may have looked at those places and may know firsthand what the deal is. They could also tell you, ‘Well, here’s how I would test it’, ‘Here are the questions I would ask’ or ‘Here is what I think about how you should proceed.’ So I think it’s a great way to do it. I think it is vitally important for understanding to have local communities looking at their own local universities and their own local hospitals. There’s a path there that you could do it, talk to them. They can give you kind of a roadmap on it.

The Baltimore Sun series that I mentioned certainly did not cast a good light on several Baltimore nonprofit hospitals, but it didn’t touch on DC. I don’t know of anything readily. I’m not aware of any reporting. But I do think that you could test it yourself, or working with an organization look at where they are on this. What are they doing? It may be just opening up a dialog and discussion with them of saying, ‘what more can you be doing?’ And casting a light on it.

The new form 990 Schedule H does a lot in that regard too. So I think there are certainly opportunities around. I would say the general rule has been that most hospitals do very little to nothing. That is typically what you would find and expect in terms of what’s going on.

WILLIAM SCHAMBRA: One more question.

Q: Thank you. You mentioned that you don’t see anything happening with regulating 501(c)4s. I was wondering if you could give us your personal opinion of what you think, if anything, should be done with c4s or how you see them moving forward from here.

DEAN ZERBE: It is a good question. To be honest, I’d probably need to give it some more thought. Like I said, it’s because of my great respect for Bill (Schambra) that I came here and kind of dusted off my notes. And I thought a bit about it. I would say several points. One, I don’t know why the administration, if it is focused on this would not look at regulatory changes to this itself. If you look at the statutory language of 501(c)4s, it seems very tight in terms of what is allowable -- and this is very typical in the charitable field in general. I would say it’s rare that the statute is the problem. It’s in the regulation, the guidance and the interpretation down the road that things get loosened up. The c4 statutory language is very tight

I think the administration could do something if they wanted to tighten the guidance on c4’s. I don’t think they will, though. Because I think the simple truth is, that side of the aisle will find this to their benefit as well. They’re already using it. It’s just a question of having more transparency and openness in terms of donors and having that out there. And I’d certainly view openness and transparency as
something that we looked at and viewed as a good thing, a good thing for charities. I don’t think you need to have every single donor, but I think for instance having all big donors, and I think, Pat (Read), that the nonprofit panel recommended this, too, if I remember, everything over $25,000 if you’re corporate should be made public. Am I saying that right?

PATRICIA READ: That didn’t actually come from the panel.

DEAN ZERBE: Oh, I’m sorry. It was a good idea, though. But yes, I’m not giving you I think a good hard answer, and I apologize. I think kind of like Dorothy, though in the Wizard of Oz. The administration has all the power itself to go home. It has all the power itself to change what’s going on in c4s, but I do not think it’s going to use it, though. I think it’s been a nice tom-tom to beat on for the elections, but I think it will just be, ‘Okay, well now we’ll use that as a vehicle ourselves.’ I do get uncomfortable. I don’t think that we intended c4s to be used in this manner. But I don’t see the committees taking a look at it.

This is kind of why I prefaced it by saying the 529 migration to c4s was happening previously. No one cared about it back then. I mean, this has been kind of a known known, setting aside what I think in kind of a clean tax geek view of the world. There are certainly plenty of other problems in the code as well, that maybe rise before this. So yes, I think having a revisit of what you’re accomplishing with c4s, just like as you can tell, part of what I’m trying to say is, should we be revisiting what we are doing on c3s and what’s happened over time and what has changed over time? But anyway, it’s a very good question, and I haven’t given it the thought that it deserves. I thought just more basically as a Hill staffer, or a former Hill staffer, is anything going to happen, yes or no? No, is my sense.

PATRICIA READ: I want to breathe deeply. I want to thank my wonderful friend, Dean Zerbe, for again challenging and sharing with you a little bit of the mood in Washington right now. Several key things that he talked about – the focus on money, the focus on investigations, the focus on taxes, the focus on choices – are being focused on with high intensity. Clearly we’ve come out of a period of massive change. As Bill (Schambra) noted at the beginning, we’ve got a huge number of new members of Congress coming. We have a huge education job ahead of us in the next week, and in fact the jockeying has already started over who’s going to be in leadership positions, what the committees are going to be looking like. There will be lots of staff changes. So there is a lot for us to pay attention to.

Certainly the overall mood that we picked up from the elections is that the economy and jobs are number one. It’s a big question to me and to all of us, I think, whether nonprofits will be viewed as critical to the economy as an engine for job creation and what role are we going to play in that whole debate. We’ve also heard a lot about the need to cut spending, cut the deficit, and very few specifics as of yet. Incoming majority leader, Eric Cantor, has already said that he expects the first bill that the House will be looking at will cut $100 billion dollars out of discretionary spending. But there have few specifics yet about where that is going to come from.

Now there has been talk about how compromise is going to be essential. We have to have compromise to get anything done. I think that there is still a huge question on the table, and some of what Dean shared is symptomatic of that. But whether the President and the Democrats, as well as congressional Republicans, will determine that they’re better served by seeking compromise or continuing to vilify the other side leading up to 2012, when control of the Senate and the White House will be at stake.

The mood of the country seems to be very interesting. And I cite my boss, Diana Aviv, in a speech that she gave at the Independent Sector conference, cited a study that I think really characterizes some of what we learned in the elections. And this was a study done by the Kaiser Family Foundation, Harvard University and The Washington Post, where they found that Americans who called for more limited
government also want government to provide Social Security and Medicare. Probably more surprising is that those same Americans also have a strong desire to have government help improve schools and reduce poverty. So we’ve got this real challenge between people that want limited government, but also want government to do a lot more, and that really shows you the divides and the similarities on either side of the ideological spectrum.

Now there are some big things that should be happening in the next two months. Congress will be returning next Monday for their lame duck session. If they don’t take action, then every one of us is going to see our paychecks be a little bit lower in January. All of our taxes are going up. We know that the IRS has already told a lot of employers that they need to start making changes to their payroll systems right away to accommodate the tax changes. Congress needs to decide what they’re going to do about the tax cuts. I heard an interesting discussion, is it tax cuts, or is it a continuation of the current tax system? Again, we can get into an ideological wars of words, but there are some big things. The current credits for childcare and adoption will expire at the end of this year. The marriage penalty, which used to be a big thing. We would talk about how you’re going to time your wedding ceremony because it was cheaper to pay taxes off if you were still single than if you got married. We’re looking at the estate tax coming back at levels that we haven’t seen for eight or nine years, and levels that are likely to get an awful lot of people up in arms, saying this is not fair. Just a single home in Washington, DC, could put you well over the limit now.

This whole debate is likely to consume a great amount of the time over the next few weeks. The most likely scenario right now, the pundits are saying, is that we’re going to see a one or two year extension of the current tax system for everyone, and that politicians have a tendency to want to push the hardballs off to the next Congress. They could also push the spending ball off to the next Congress. Right now, government is only funded until December 3rd, when the current continuing resolution expires, and they’ve got to figure out, are they going to continue at the current 2010 rates? Are they going to try to enact some cuts? Or once more, are they going to just pass another continuing resolution and let the folks next year decide?

For nonprofits, a lot of folks care about some of the tax provisions that expired at the end of 2009. A provision that allows people who are over 70 ½ and have to start taking money out of their IRA accounts to give that money tax free, not counted as taxable income, directly to charities. There are incentives that a number of businesses have been using all year with the high expectation that this provision would be reinstated. For instance, to give an enhanced deduction for food contributions or contributions of food inventory. All of those right now have not been reenacted, and a lot of folks are saying that there will be a push to get this done, and possibly even extend all the provisions for 2010 and 2011.

So what is likely to happen next year? Clearly, taxes will continue to be a big focus. We want to look carefully at what the President’s bipartisan fiscal commission puts out in early December. They’ve decided to put off all of their public meetings and have been meeting in private for most of this month, so we don’t really have much of an indicator about what they’re likely to say in terms of entitlement or mandatory programs, like Social Security and Medicare, as well as the tax system. I think Dean gave you some indication that nonprofits are also likely to find that the question of who and what should be eligible to receive tax deductible contributions is going to be under scrutiny. It’s already happening at the state level and it has been happening over the last several years at the federal level. Now, the Senate Finance Committee majority leader, Russ Sullivan, told us in September that he fully expects that they are going to be looking at the qualifications for tax-exempt status, particularly in light of some of the changes that came in with healthcare reforms.

How much can nonprofits engage in profit-making commercial activities? You heard a lot from Dean about that. What will the new health insurance exchanges that states are required to create look like? I
mean, that is certainly testing the lines between what is appropriate for government, what is appropriate for nonprofits, and what is appropriate for for-profit businesses. I think you also had some indication that Congress is likely to be looking at how tax incentives work. They’ve already started doing that with the provisions that expired last year. Who benefits and what should benefit? Now, certainly, Dean mentioned healthcare. Both sides of the aisle have said that fixes are necessary, again not many specifics offered, but this is something that we are going to have to be paying close attention to over the course of the next few years.

There is a lot more, and I want to comment just on the final question about election spending and *Citizens United*. This was certainly the most expensive midterm election in history, especially when you start counting all of the ads that were paid for by nonprofits, and for those of us who work in the sector, it was sometimes infuriating to hear on television, on the radio and in print about nonprofits and know full well that to the public the 26, 27, 28 different categories of 501(c) organizations makes no difference at all. We’re all nonprofits. And there are a lot of folks who believe that nonprofits of any kind shouldn’t be used by anonymous donors to influence elections. I do believe, contrary to what Dean indicated, that there will be some kind of legislative or regulatory action. There will certainly be hearings, and we know that *Citizens United* gave greater flexibility to corporations to engage in electioneering activities without drawing negative attention from shareholders and customers and without having their name associated with their gifts. Some of the new committee leaders in the house are still angry about ACORN, which just declared bankruptcy. I hear constantly, ‘Well, it’s just ACORN under another name. They’re still continuing to operate.’ So I think we’re moving in a very contentious environment, where we have to pay close attention.

So what do nonprofits have to do? I think the central message for us has been about how critical it is to be working both sides of the aisle all the time. This was an election where there was a huge swing in one direction. In two more years, who knows? Voters could be angry that things didn’t get fixed as quickly as they wanted, and we could see another swing back. We have got to be working and have friends on both sides of the aisle. You’ve got to get to know your members of Congress, your new senators. Let them know what you do and what you think. The power that nonprofits have in terms of really telling the story of what we do, the people that we serve, and representing the voices of a lot of people who don’t normally have a voice, and certainly individuals that don’t have a strong voice.

I think there were just a couple of other things that we were thinking about. Certainly we are going to be paying close attention to the rules and restrictions that come into place, both for 501(c)3s, (c)4s, (c)5, 6, 7, and how Congress is going to be paying attention to that. It’s been 40 years since we last visited the rules for foundations, as far as funding and support of organizations that provide advocacy, conduct advocacy, and their engagement in lobbying themselves. Almost that long since we looked at the rules for nonprofits. It’s time that we take the reins into our own hands and start proposing what we’d like to see. Our voices are important, and it’s going become even more important in the next two years. So thank you. [APPLAUSE]

WILLIAM SCHAMBRA: Thanks, Pat. Sandra.

SANDRA SWIRSKI: Thank you very much. Thanks for your patience. I’m going to talk about ten key takeaways from the midterm elections. When in doubt, copy what Letterman does. So let’s start with the first key takeaway, and this is going to echo something that we’ve heard from Pat (Read), as well as from Dean (Zerbe), which is that this is the largest freshman class that we have had in decades. Over 100 brand new members and it is going to be critically important to the nonprofit community to hit the ground running and educate their new members of Congress. As Pat said, on the economic message most importantly, about how what you’re doing is impacting jobs in your community, saving costs, giving folks worker retraining, etc. So that is the first key takeaway.
The second key takeaway that I see is that we’ve got obviously big shifts in the House with a new chairmen coming in. From a nonprofit perspective, we really don’t see a huge shift from Chairman Levin to Chairman Camp. Both are very interested and very enthusiastic about the nonprofit sector, perhaps because they’re both from Michigan, a proud, rich tradition of philanthropy and nonprofits in Michigan. Chairman Levin was very active during his chairmanship helping to relax some of the UBIT rules and Chairman Camp has been a very big supporter of the IRA charitable rollover provision. He’s playing an active role trying to see that that is taken care of before the end of the year. So again, on purely nonprofit issues, I don’t see a big change between Chairman Levin and the incoming Chairman Camp.

The third key takeaway is that there are perhaps some rougher waters coming with the new incoming chair of the House Ways and Means Oversight Committee. Some of you may recall that last year there was a hearing in the oversight subcommittee, led by Congressman Boustany from Louisiana, and in some cases he really raked nonprofits over the coals who he felt did not provide enough support and reaction in the Gulf just after the BP oil spill. I just caution that given his interests, we may see more of that down the road. But that’s the third takeaway.

Moving over to the Senate side, the fourth takeaway is obviously that we have a new ranking member coming in on the Senate Finance Committee. As you know, Senator Grassley had been the top Republican on the Senate Finance Committee but because of term limits he is going to be stepping out of that role. He will not leave the committee, but he is going to be stepping out of that role and moving over to the Judiciary Committee. It is very likely that Senator Hatch from Utah will take over that role. He brings a very different perspective to the committee. While his relationship with Senator Baucus isn’t nearly as close as Senator Grassley’s was, they do have a long tradition of working very closely on international tax issues. So I think that there is a nice relationship there. However, I think that one of the takeaways from the election is that Republicans who are going to seek reelection in 2012 are going to have to take a hard look in their rearview mirror at possible primary challenges. Senator Hatch, being from Utah, watched his dear friend Senator Bennett unseated because of a primary challenge. So I think that while his inclination, perhaps, is to work closely with Senator Baucus, he’s going to be very mindful of his upcoming race and what a potential challenge from a Tea Party candidate could have on his primary. So we may see him pulling a little bit more to the right, and probably a good deal less bipartisan on the committee on the whole.

Fifth takeaway. We’ve talked a little bit about nonprofits and advocacy and I think we’re going to hear a lot more about this subject, whether it’s the Chamber of Commerce, or churches, or other nonprofits engaged in advocacy meant to influence an election. I think that it is clearly distinct from the advocacy that many of you do, which is advocating your positions to Congress about public policy issues that you care about. We need to be mindful that members, when you use the term advocacy, may be thinking of a different type of advocacy. So we need to make sure that the lines aren’t blurred between advocacy intended to influence an election, which we just came off the heels of, and advocacy intended to influence public policy, which is totally appropriate for the nonprofit community.

The sixth takeaway for those of you who have been watching closely and are very interested in representative Betty McCollum’s legislation on the House side, is that even though she is no longer in the majority party, I wouldn’t necessarily assume that that piece of legislation is dead. Representative McCollum and her staff are very passionate about that particular bill, and I would suspect that they have already eyed a number of Republican co-leads to take over that bill and to continue pushing it in the 112th Congress. So I wouldn’t necessarily think that just because she is no longer in the majority party, that that bill can be ignored. I think that they’re looking very actively to continue the momentum that they had in the 111th Congress in the 112th.
Congressman McCollum’s bill would do a couple of things. The first thing is that the intent behind the bill is to give nonprofits more of a voice in Congress. It would do three things. The first is that it would set up an advisory council, about 16 members from the community, of community leaders, and that the advisory council would meet regularly and advise members of Congress on issues that the nonprofit community is seeking to advance, glitches with the federal grantee process, with the federal grant-making process, and everything from regulatory to legislative actions. The second thing the bill would do is create an interagency mechanism for key leaders in different agencies to meet regularly to devise solutions to the issues posited by this advisory council. Then third is that it would seek to have some entity analyze all of the nonprofit data that the federal government currently collects about its grantees and to seek to make some comprehensive analysis of all this data so that members of Congress and policymakers can make decisions on policy matters with much more informed data than they currently do. So this is the bill being pushed by Senator McCollum. Her staff has been particularly active in it, and I think there are a number of groups, both at the federal and the state level, who have been working with her office.

WILLIAM SCHAMBRA: Scholars are particularly interested in this because of the current lack of reliable data and statistics. Those who are doing academic work in the area are interested in the bill because it would for the first time bring together in one place and in one fairly comprehensive way, data about the sector that otherwise we have been put together in a very piecemeal kind of way.

SANDRA SWIRSKI: I have just three more key takeaways, because I have to get to ten. The seventh is that we saw a lot of moderates losing from both parties in this midterm election. I think that the run up to the 2012 election is going to create a much more polarized Congress. I think moderate Republican members are going to again be looking over their shoulders at some Tea Party challenges in the primaries for 2012, and that will necessarily pull them, their policies and their ideologies a little bit more to the right.

Democrats up for reelection in 2012, from traditionally red states or leaning red states, started campaigning as soon as the polls closed on Tuesday. So who are some of these folks? Well, you’ve got Senator Kent Conrad from North Dakota in a red state. Senator Claire McCaskill from Missouri, which is traditionally more of a red state. Ben Nelson from Nebraska, John Tester from Montana and Jim Webb from Virginia. All of these folks are going to be taking a hard look at what just happened in the election, then either moving to the left a little bit more or moving to the right.

So let’s get to key issues, the last takeaway for 2012. I agree in large measure with Pat (Read) about some of the key issues. I think I’ve identified three of them. The first is this blurring of the lines between the nonprofit sector and the for-profit sector. I think some of this has been raised in the context of the healthcare bill, since these healthcare exchanges will be largely run by nonprofits but will fill a traditionally for-profit role. I think the finance committee, from my discussions with them, is going to take a closer look at those lines between for-profit and nonprofit entities. The second issue is, which also has come about largely as a result of the healthcare bill, is whether there needs to be a similar community standard or public good standard for all nonprofits as there currently is for nonprofits hospitals.

Then the third issue is this increasing pressure on Congress by interest groups to push for a new hierarchy of charities. Who are the deserving charities, and who are the undeserving charities? Who are the SOBs, the symphony, the opera and the ballet, and then who are the truly deserved. And I think those are discussions that are appropriate for Congress, because Congress is charged with defining who is a charity and who is not. And all of these issues, I think, really warrant our clear attention and really call for increased interaction with our members of Congress to make sure that our voices and perspectives are heard. So thank you very much. [APPLAUSE]
GARY BASS: Ah, yes. The election. Some very reasonable people got elected. They’re going to come and work hard on legislation. When they hit bumps in the road, they are going to work civilly to come up with reasonable compromises. The country will prosper. The US will go through a new renaissance, both domestically and internationally. Nah. Welcome to the nightmare. The nightmare, as you’ve heard from all of the speakers so far, I can summarize virtually all of the actions into probably one word. Gridlock. There is no way that an ultraconservative House of Representatives is going to be able to amass 60 votes in the Senate for anything. And if they do, they will come back with something really outrageous and do you think President Obama is going to sign that? And if he vetoes it, do you think there are enough votes for an override? That puts into jeopardy virtually all legislation over the next period of time. That’s the situation. I mean, in the last year, we haven’t even been able to do spending bills, and that’s with a fully Democratically-controlled Congress. Imagine what it’s like when you have intense contention.

Then add what we just heard about already having the lens of 2012 put onto all of it. So the real question is, to what extent are the people who are coming here going to think they came in with a mandate for change that is based on less spending, less regulation and less government? Pat (Read) says that the real issue in the election was jobs and the economy. Well, no one really knows exactly. The exit polls were certainly confusing and most of the polling data that came back was bewildering. A good example. Dean (Zerbe) spent a long time talking about healthcare. It was pretty well evenly split on the exit polls. People voted for a Republican because they didn’t like Obamacare. They voted against the Republicans because they wanted Obamacare. So I don’t know.

It’s clear that there is a lot of apprehension and frustration out there, but it’s hard to define what it is. For example, the tax cuts. About 37 percent in the exit polls said that they wanted to continue the Bush tax cuts for everyone. But there is a majority that either wanted just the tax cuts for the middle class or wanted to kill all of the Bush tax cuts. So it’s very confusing to read this, very, very confusing.

So what does this all mean for the nonprofit sector? Bill (Schambra) mentioned Rick Cohen’s article in The Nonprofit Quarterly. What he didn’t mention about it is that his feeling is that the people who are coming in really don’t understand the nonprofit sector. So the education effort that all the other panelists were talking about will be important. I wrote a piece that is going to be appearing in The NonProfit Times that lays out much of what I’m going to say, and in essence it really comes down to what I’ll call the Three Ds. The first is defunding. The second is deregulation. And the third is devolution. So let me start on the defunding.

If you buy into the “Pledge to America”, and I brought along an analysis of it that OMB Watch did\(^\text{15}\), what you will see is that at a time where nonprofits are relying on, for example, Recovery Act dollars, the first step will be to rescind whatever dollars are out there. What was announced this morning from the incoming Republican leadership as a first step will be to take $25 billion out of the emergency fund for people who do not have jobs. The second step will be to roll back the dollars to the fiscal year ’08 levels. The focus of that will be on discretionary spending, because that is what Congress has the authority to deal with. The third thing will be to add what they’re called “hard caps.” Those aren’t defined yet, but they’re clearly aimed at discretionary spending. And the fourth item in the Pledge is to have one spending cut a week brought to the House floor. Now in addition to that, since the Pledge we have also heard about adding a constitutional balanced budget amendment.

Now in light of what I just said about gridlock, it’s unlikely that a lot of these things are going to happen. However, if you’re a nonprofit out there, and you’re trying to run, say, a human services delivery program of some type, and you’re not sure what kind of budget the government is going to come out with, you can’t really do any planning. You can’t predict what to do. All you are faced with right now is what we

\(^{15}\) [http://www.ombwatch.org/pledgetoamericaanalysis](http://www.ombwatch.org/pledgetoamericaanalysis)
saw from the Urban Institute study, which is that there is an increased demand, and roughly 42 percent of those that were surveyed said that they are in a deficit situation. They’re laying people off. So it’s a pretty bleak picture on the spending front.

Now some of you may say that you don’t rely on government money, but you often get money through a state or a locality, which is also funded through the federal government. On top of that, even if you don’t get any government money, we are talking about increased demand and where are you going to get the resources? Everyone’s going to philanthropy to try to get the dollars. It just isn’t there. Doing more with less can only go so far. Eventually you have to do everything with nothing. Okay, so that is the defunding.

The second area is deregulation, which is paid much less attention to by nonprofits. Nonprofits have a love/hate relationship with regulation. We hate it when it affects us, but many of our organizations are heavily dependent on regulation in order to protect the people and the missions we care about. Think about environmental issues. Think about workplace safety concerns. Think about consumer protections. We’ve gone through a long spell where the federal government has rolled back regulation, and then the Obama Administration comes in and starts to bring back a regulatory apparatus. Well, in the “Pledge to America”, it discusses going back to an anti-regulatory environment. It says that Congress would ideally like to review every rule that has $100 million dollar annual impact per year. If they can get that into law, that really puts the strings on the administration. That means affirmatively approving everything that Dean said uses the levers of the executive branch.

There’s another sort of regulatory apparatus that they would like to do in Congress, and that is establish sunsets. Now, it’s unclear what bill they would choose, but there have been a couple of bills introduced in past years. What the sunsets would do, in essence, is any range of regulations, all programs, all departments would be reviewed periodically, and in some models, depending on the recommendation from the sunset commission, if Congress does not affirmatively vote to support the continuation of that regulation or department, it is eliminated. Another version is like the military base process, which is to take the recommendations and put it on a fast track, non-amendable process through Congress. The bottom line is that we are looking at governing mechanisms that will really shake things up.

The third area is devolution. For the folks who are coming in, this is not just about old school federalism and passing some things back to the states. This is a way of governing. It is a new philosophy that goes all the way back to our Founding Fathers. It is the debate that existed at the formation of our country. What the new players want to do is emphasize the Tenth Amendment. The Tenth Amendment, as a refresher, is the one that says if Congress does not grant the authority to do some work, then that power is reserved to the states or the people. What they want to do is, with every bill that comes forward, to have Congress specifically identify the constitutional precept that specifically authorized the action for this, whatever this is. So it is not just about one bill to try to shift responsibility to the states. It is about a new governing philosophy. Now all of this comes at a time when states are enormously stretched thin, both in terms of money, regulatory ability and taking on new responsibilities. One of the early tests of the Three Ds will be a debt ceiling bill. What the heck do you care about a debt ceiling bill? Well, the issue is that if Congress does not approve an extension of the federal debt, government will shut down. This is precisely what the Tea Party activists were interested in, in real leverage. But as many of you in this room remember, the last time that this debate came up was between Speaker Newt Gingrich and President Bill Clinton, where government shut down for 21 days over the issue of the size of government, and who lost was Speaker Gingrich. So the establishment Republican side is going to be very wary of this.

The Treasury Department says that the debt ceiling is going to have to be extended either in the first quarter or the second quarter of next year. So either the Tea Party activists really put the heavy lever on to say, ‘We want it shut down’, or an alternative might be to compromise and come up with exactly the
kinds of legislation I just talked about as linked to the extension of the debt ceiling. That is, you may see something like a sunset commission, or massive budget cuts, or something that they cannot get through because of the gridlock I described, but on a must pass piece of legislation, they may find ways to hook those on. So I think for those of us in the nonprofit sector, I think we should look with wide eyes at something that seems pretty abstract to us, which is something like the debt ceiling issue.

One final comment I would make about the election, besides being bleak, is that I think, and I’m only talking now about the federal, what I want to do as my last point is talk a little bit about what happened in the gubernatorial and the state legislative races. This is a period during which we’re going through redistricting. There was a significant shift, in the same way that there was a significant shift in the House of Representatives. That shift is likely to mean that there is a long term impact, at least a decade’s worth, on much of what we are seeing or are about to see in the way Washington works. For example, five of the nine largest states are now fully in control, all houses and the governor’s office with the GOP. Now that may not be bad, but if it is by the Tea Party perspective and the anti-government sense, then it has my ire. It has my deep concern about the fate of what’s going to happen, not only at the state level, but at the federal level. So I’m going to conclude with, I’d rather go back to my daydream of reasonable people coming, and we will go through a new renaissance. But unless all of us in this room, regardless of our ideology, come together to begin talking about the need for a responsive government in reasonable ways, we are going to face very, very bleak times for the nonprofit sector. [APPLAUSE]

WILLIAM SCHAMBRA: Okay, we’ve talked around, and Gary, you, of course, have a particular stake in this issue. We’ve talked a bit about advocacy. Sandra talked about it. Pat talked about it, and Dean talked about it. And the prospect for action or not. Do you, in your fears, Gary, about this new Congress, are you at all fearful of some step to roll back the advocacy role of nonprofits? And Pat and Sandra, is that the direction you see? Or possibly is there a new sort of liberality with regard to the activism of nonprofits? I mean, we do, in fact, on the other side have churches that are trying to bring test cases around the ban on political activity by churches. So perhaps this is a time when those limits, what many people regard as artificial limits, will be challenged. But how is that all going to shake out?

GARY BASS: Well, let me make three points. One is, if in fact it is true what Rick Cohen’s assessment in The Nonprofit Quarterly says, which is that many of the new members really don’t understand the nonprofit sector, I’m very nervous about talking about opening up anything with regard to advocacy. It suggests to me that what Pat (Read) implied is probably a better approach, which is to begin a process of educating a lot of these new members about what the role of the 501(c)3 community is, versus a C4, versus on down the line of the C categories. It is extremely confusing. I remember walking towards the Senate floor with a Senator who was a knowledgeable player on these issues, and at the last second he asked me to remind him again about what is the difference between a C3 and a C4. This is a perennial problem we all have. Reporters don’t remember the differences at all. So opening up the lobby rules at this point, I’m not too certain.

On the executive branch side, which was what Dean (Zerbe) suggested, I think I would be hopeful that we should all, everyone in this room, regardless of political ideology, we should be thinking about how to take the ambiguity out of the nonpartisan political activity rules. They should be as clear as the lobbying rules. We should be able to know that we could do A, B or C and not run afoul of regulations. So that would be a suggestion I think, if I were to put in any energy, it would be in that front.

PATRICIA READ: I think there are several things getting ready to start, and a request was just submitted by Citizens United to the Federal Election Commission. There is a comment period open right now. They are clearly going to be issuing some regulations. There is likely to be some activity over at the Internal Revenue Service. They’ve always been very, a nice word to use, cautious about investigations of nonprofits, churches or any other kind of nonprofit’s engagement. But I think they are clearly going to be
called. So whether or not there’s the environment to do any legislative fixes, I think there is going to be work at the regulatory level.

The other side of this is that, and I hear absolutely clearly what Gary is saying about the likelihood of legislation getting passed, but some legislation will have to push through. They’ve got to keep the government operating. I think my greatest caution and fear is that in the middle of the night changes will happen when our sector is looking the other way. They could come in attachments to appropriations bills that restrict advocacy rights. They could come in all kinds of ways. So I think that the need for vigilance and education is tremendous.

SANDRA SWIRSKI: Yes, I certainly won’t belabor that, but I do think education is critical. I agree that going in and talking about advocacy and expanding advocacy right now is not your best foot forward, because when you say advocacy members are automatically going to think about the Chamber of Commerce, and now you’re off in a completely different direction. So I think for now, in the next couple of months, while the election is still very fresh in members’ minds, education about what you do is going to be critical.

GARY BASS: Could I tack on one last item related to this point, sort of a non sequitur on Pat’s (Read), last comment. I think one area where the incoming players to Washington will have a lot in common with everyone in this room, is that I think they are going to be eager to have Congress operate in new, more transparent manner. There is going to be much greater interactivity. My guess is that we won’t see those last second items thrown onto bills. There will be a 72 hour waiting period to show amendments and to take up floor bills. There are new ideas that the Republican incoming transition team is working on about how to make the House operate with more interactivity with groups off the Hill. So I do think that there will be new ways of operating that will help everyone.

PATRICIA READ: I love that. That’s my fantasy.

WILLIAM SCHAMBRA: Let’s go to questions. If you could please state your name and affiliation, that would be terrific. Thank you.

Q: I’m Terry Scanlon, Capitol Research Center. I just wanted to assure Ms. Read that ACORN is very much alive. They now have 14 separate chapters in 14 cities that have separated from the national entity. ACORN’s Project Vote was very active last week in the election. It lives well. The head of that, she’s still under indictment, by the way, from the last election, and she’s still going strong. So ACORN is alive.

GARY BASS: And if Terry has his way, Representative Issa will make sure we all know that.

Q: Pablo Eisenberg from the Georgetown Public Policy Institute. The panelists talked about the need to educate incoming new congressmen. How in that process are those with the least amount of power in our society, those from poor and low income working class districts, going to have a real say when the overwhelming pressure is going to be from those large institutes which have had the most influence, such as universities, hospitals, and the arts? How do the lowly people get a voice in that education?

WILLIAM SCHAMBRA: And do you want to add onto that Bob?

Q: Bob Woodson, president of the Center for Neighborhood Enterprise here in Washington, and someone who is not unhappy about the election results. As the leader of a national nonprofit, I never hear the word innovation mentioned. A lot of the organizations that we represent, the kind that Pablo was talking about, they have been disadvantaged by the current arrangement, the state regulations, where the traditional
professional organizations are working with the state or regulate out of existence some of the local organizations. For instance, the state of Texas and other states, working with the medical groups prohibit faith-based drug and alcohol treatment centers from operating. They tried to shut them down. So I think in this new environment, perhaps there is an opportunity to devolve responsibility beyond the traditional professional organizations down into the neighborhoods where people live. That’s where charity used to be dispensed in the ‘30s and ‘40s, prior to the ‘60s. That’s where most of the charity used to be dispensed, by organizations closest to people. And it has evolved away from them with devastating results. So perhaps under this new political arrangement we will see a devolution back to institutions in those communities.

WILLIAM SCHAMBRA: I think Dean Zerbe’s presentation was getting at this a bit with his outrageous notion that the charitable sector should be charitable. Going back to Rick Cohen’s article, which goes through the new congressmen who are coming in and looks at their background with the nonprofit sector, what their experience is. And what you find is that it is not that they’re unacquainted with the charitable sector, but that they are acquainted with charity as it is traditionally understood. They’re acquainted with small town charities, such the Chamber of Commerce, Boy Scouts and Girl Scouts. What they don’t understand, and this where Dean then picks up, are these enormous, by all indications, profit-making nonprofits, like universities and hospitals. And they’re going to encounter that when they come to Washington and there is lobbying pressure from those institutions. They’re going to experience that for the first time. So the question is are we going to try to educate them into an understanding of charity that is somehow contrary to the nature of the sector that they understand as small groups and small town America? What they don’t get is the nonprofit status of a huge university that can buy and sell everyone in this room several times over.

PATRICIA READ: I’m not sure that is true, Bill. You know, I think that just as there are as many members of Congress and their staff, there are just as many different interpretations of who and what the nonprofit community is. I think back years ago to when I was running a ballot initiative campaign in Colorado. There were lots of folks who had their own ideas about who should and shouldn’t be exempt from property taxes. We realized that 83 percent of the voters said that they or somebody in their family has donated time or money to a nonprofit. And we needed them to make that connection between the organization they knew and this bigger sector.

I don’t disagree with Mr. Woodson, and I’m a huge believer in recognizing that faith-based organizations were in fact those who delivered social services long before government ever got involved. And it’s that partnership, and how do we strengthen that partnership going forward, that is a very critical question.

Just one final thing, and that is towards Pablo’s question of how do we provide a voice to folks who are voiceless right now? I don’t think that we have a set education program that covers the nonprofit sector. It’s got to come from individual organizations and their volunteers. There are some incredible movements going on right now. The Marguerite Casey Foundation is one that comes to mind in terms of empowering families and that to me is one of the strengths of nonprofit organizations, is that we have the power to allow the people that we work with to inform them about ways that they can express their own voices. So there is no single answer to any of these points.

SANDRA SWIRSKI: If I could just jump in and respond to your question. I don’t necessarily think it’s as bleak as you believe. I know that through my work at the Philanthropy Roundtable, we have regularly brought groups like, to your point, Gospel Rescue Missions and other rural charities to Washington and brought them around to members of Congress. We have an active outreach to the smaller charities around the country that do receive some money from the private sector and try to bring those voices to Washington, so that members of Congress understand that when you say charity, it’s not just government funded or federal grantees, but there is a very large segment of the charitable community that receives a
substantial amount of their contributions from the private sector. And because of that, it allows them to be a bit more creative and innovative, since they’re not necessarily restricted by some of the requirements put on by the federal government. So I don’t think it’s as bleak. We can always do more. We can always do better.

GARY BASS: Just to be controversial, Bob, I believe in local flexibility. However I also believe in something called the United States, meaning that I really don’t want to see someone receive vastly unfair and different kinds of services in one state versus another state. I do want some national standards. Now, there are overbearing standards and I would agree with you that there are times where the government may tilt too far one way. But the notion of abdicating federal responsibilities to set standards is one that is a rush, at times, to the bottom. And that I will fight as long as I can, with as much passion as I can, to make sure that we come up with fair, universal approaches.

Having said that, my nervousness about the incoming crowd, it isn’t about the debate we’re starting to have about local flexibility and faith-based groups. My concern is that the people coming in are really anti-government in mindset and that is what I want to challenge. I think there’s a rightful role of the government to help serve people of all stripes, whether they are low income, whether it’s on environmental issues, whether it’s on issues of humanity. I think that helps us as a nation to be stronger.

WILLIAM SCHAMBRA: We had a question right here, please.

Q: Hi, my name is Karl Sandberg. I’ve worked as a volunteer for many different nonprofits, and I’ve also worked with consultants. In hearing this wonderful panel discussion, I’ve heard about gridlock and I’m just wondering, are there some nonprofits that would actually profit out of the gridlock? If so, who are they? Then, if there really aren’t many, then is there, for lack of a better word, an advocacy position for everybody in this room from a policy standpoint to talk to congressmen and senators about working together? And if they fail to do that, then they are not working for the contiguous United States of America.

SANDRA SWIRSKI: You know another way to say gridlock is status quo. Gridlock is no changes. That’s not always bad. There are plenty of policies that are terribly crafted or well-intended but not necessarily well thought out. And so gridlock and the status quo is not necessarily a bad thing. In some cases, it can prevent a world of hurt. We’ve seen bills, including the Pension Protection Act, which were partially aimed at the nonprofit community. We would have liked to have seen a little bit more gridlock in the passage of that particular bill.

GARY BASS: I agree with your point about coming together in that. I do agree with Bill’s point that there are some conglomerates, if you will, at the national level. And that is at the state level, too. I don’t necessarily just reserve it to national. There are corporate nonprofits in the sense of big business, if you will. And many of them will thrive equally as well in this environment. Isn’t it ironic that the target of the spending cuts is discretionary spending, when virtually everyone in this room knows the dynamics that are going on. It is largely healthcare entitlements that are driving the cost over the long haul. We all know that. It’s how to deal with it that is the problem. But what is the target? The target is discretionary spending, which you’ve got to control some costs somewhere but that’s not the real issue. So I think those groups who are heavily dependent on, maybe the ones Dean mentioned, are going to do okay. Maybe.

WILLIAM SCHAMBRA: More questions. Yes. I believe you were in line here.

Q: My name is Peter Wolf and I’ve been a fundraiser for the nonprofit sector for the last 20 years. A brief excursion into the for-profit sector once has stuck with me. And that was hearing the question, why
do employees of nonprofits get paid? It seems to me that this issue of the education of congressmen is a symptom of a failure on the part of the nonprofit sector to educate the public at large about who we are, what we do, what kind of contributions we make to the culture, what kind of contribution we make to the economy and to the job sector. The public at large has no understanding of this at all, and I would make the plea that we not restrict our education efforts just to these incoming congressmen. They’re going to be here for two, four, six years. We need to make the case to the public at large. And I think there are a number of nonprofit organizations, such as the Independent Sector and the Council on Foundations, that could do a better job of that.

PATRICIA READ: I understand what you’re saying and I have thought about this a lot over the last 30 years. One of the difficulties is that in the nonprofit sector we are never going to have the dollars of a Disney or a Wal-Mart to devote to a public education campaign over the airwaves. I don’t dispute that we all need to do a better job of educating the public and educating our elected officials. However I also know you have to start somewhere, and I think about the work that we recently did with healthcare, where we went to the administration, to members of Congress about a provision that they were going to do to help small, for-profit businesses provide healthcare to their employees. We kept saying, ‘Well the tax credit is nice, except do you understand that tax-exempt employers who employ one out of ten Americans cannot use that?’ So one by one, we were able to convince them to adopt a credit that would be on equitable terms for nonprofit and for-profit employers. A very conservative estimate predicts that it will save nonprofits $250 million per year. So I think that in the dream of creating this big education program, which Independent Sector has tried various times to do in its 30 year history with varying degrees of success, that we can’t lose sight of starting where you can, and let’s at least make sure that those who are in office right now understand who we are.


QUESTION: Hi, my name is Zalo Vizcardo and I’m on the boards of many tiny nonprofits. I’d just like to comment that the word charity has been thrown out a lot, and a lot of nonprofits today are the realization of social movements whose aim was solidarity and not charity. A lot of the whole model of like services to this other person is outdated and not good. So I think a lot this gridlock, and even a lot of the defunding of these nonprofits will be good for giving energy back to social movements.

WILLIAM SCHAMBRA: So you’re suggesting that the discussion overlooked the status of nonprofits as manifestations of social movements to mere service organizations? Reactions?

PATRICIA READ: You make a great point. That’s part of the history of this movement. The movement of nonprofits is much more than charity. So thank you for that comment.

GARY BASS: We are a diverse community. That’s our strength – the diversity of being service delivery organizations, and advocacy and movement builders. That’s what took Tocqueville by such astonishment of how diverse and how important the notion of association is in many facets. I think what is hard today in what I’m talking about with the incoming leadership is, I think we, the nonprofit sector, are a non sequitur to their policy agenda forthcoming. And that’s what I’m saying. If there’s an education process that needs to be done, it is to acquaint them with how integrated we are into so much of what the policy implications have. That’s what I was really trying to say.

WILLIAM SCHAMBRA: Last question.

Q: McCollum’s nonprofit bill is H.R. 5533, for anyone who wants to look it up.
PATRICIA READ: The title is The Nonprofit Sector and Community Solutions Act. I would add that the congresswoman and her staff are looking right now for feedback from our community about places that we think the bill needs to be changed, strengthened, weakened, whatever, because it is her intent to reintroduce it in the next session. But she wants to make improvements.

SCHAMBRA: Okay. Let’s thank our panel for a terrific conversation. [APPLAUSE]