



## **Nonprofits' Response to COVID-19 as Service Providers and Employers**

### **Nonprofits Are Significant Employers in the Commonwealth, Often Small Businesses**

- With over 551,000 jobs, nonprofits comprise 18% of the total workforce in Massachusetts, the fifth highest percentage in the country. The wages paid by Massachusetts nonprofits support workers and their families across the Commonwealth. The vast majority of nonprofits are small employers, many with thin operating margins.

#### Policy implications:

- Any employment-focused relief or stimulus legislation should apply equally to nonprofit and for-profit employers by making tax credits and deductions applicable not just to income taxes, but to the taxes nonprofits pay, such as unrelated business income taxes and payroll taxes.
- With regards to unemployment insurance, a number of nonprofits self-insure. They opt to reimburse the state fund when necessary instances arise, and budgets can manage cases on that scale. But no self-insured organization could foresee an instance where most or all employees would need to be covered at once. MNN proposes that the Commonwealth allow for cost-sharing between the state and self-insured employers where those employers are paying for individuals unemployed as a direct result of COVID-19.

### **Nonprofits Are Front-Line Service Providers**

- Hospitals, community health centers, and senior living centers will continue to meet immediate needs in their communities, and will be met with enormous unanticipated increases in demands for service because of the coronavirus.
- Many other nonprofits are responding to the outbreak, including food banks, shelters, domestic violence services, early care and education centers, after-school facilities, faith-based organizations, and more that are being called on to feed, house, and care for people whose lives have been disrupted by closures, job loss, and sickness.

#### Policy implications:

- Current organizational fiscal year budgets were not designed to handle a pandemic of this degree, and nonprofit reserve accounts are not sufficient to make up the difference. Direct-service organizations that shifted operations to respond to the crisis should be included in any public recovery funds.
- Just as travel, restaurant, and tourism businesses have declined rapidly, so have the educational and community-building services of many nonprofits. Jobs and revenues will be lost as a result of curtailed educational programming, closed cultural facilities, and cancelled fundraising events. Economic stimulus proposals targeted at adversely

affected industries should recognize the impact of the coronavirus on closed nonprofit services.

## **Nonprofits Rely Heavily on Charitable Donations and Government Grants to Execute Missions**

Charitable giving has long provided critical support that sustains the nonprofit sector, with individual giving comprising the largest share (68%) of charitable donations upon which nonprofit organizations rely. National trends indicate that individual giving to nonprofits is on the decline: a **\$3.21 billion drop** (\$10.4 billion adjusted for inflation) in individual donations in 2018. This means fewer dollars flowing to the organizations that provide direct services to those in need across Massachusetts at a time when nonprofits need it the most.

The Commonwealth is also a critical partner to many nonprofit service providers. Significant disruptions in state grants and contracts could severely impact organizations providing health services, child care, food assistance, senior care, and many other essential services. In addition, nonprofits may have difficulty fulfilling their deliverables on state grants and contracts due to the necessary public health response to this emergency and the impact it will have on all parts of the economy.

### Policy implications:

- Massachusetts has restored its state charitable deduction at a critical time: when charitable donations are down, and service demands are up. The state deduction, which will spur giving and benefit hundreds of thousands of low- and middle- income Massachusetts donors each year, is vitally important.
- State agencies should consider guidance that if a nonprofit cannot fulfill its deliverable on a state contract due to circumstances related to the COVID-19 pandemic, then contract payments during the pandemic period will be based on intended deliverables.
- In addition, state grantmaking agencies should consider following the lead of the federal Office of Management and Budget (OMB) in temporarily loosening government-wide grant and contract reporting, application, and renewal requirements under 2 CFR 200, as set forth in [this memorandum](#).