



## State Policies Can Help Nonprofits with COVID-19 Recovery

*Updated: March 24, 2020*

As Governor Roy Cooper and state legislators develop policy solutions to best equip North Carolina to handle the COVID-19 pandemic, it is essential that they take action to support the operations of the thousands of nonprofit organizations in the state that are struggling to meet growing needs with fewer resources during this crisis. Nonprofits provide essential services in communities in all 100 counties of North Carolina, often in partnership with the public sector. Nonprofits are also a substantial employer, comprising more than 10% of North Carolina's private workforce. It is in everyone's best interest to maintain a thriving nonprofit sector in our state.

The North Carolina Center *for* Nonprofits has been seeking input from nonprofits about the ways that the COVID-19 pandemic is affecting their organizations and the communities they serve. Here are six policy solutions that would be immensely helpful to the nonprofit sector. The Center will make additional suggestions for policy solutions as we continue to learn more about the hardships nonprofits are facing during the pandemic.

**State grants and contracts.** The state is a critical partner to many nonprofit service providers. Significant disruptions in state grants and contracts could permanently shut down organizations providing health services, child care, food assistance, senior care, and many other essential services in our state. 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 is will have on all parts of the economy.

*Policy solutions:* The General Assembly should pass legislation requiring that, if a nonprofit cannot fulfill its deliverable on a state contract due to circumstances related to the COVID-19 pandemic, then the contract will be based on intended deliverables without penalty for inability to meet deliverables. In addition, we encourage the NC Office of State Management and Budget to consider following the lead of the federal Office of Management and Budget (OMB) in temporarily loosening grant and contract reporting, application, and renewal requirements.

**Unemployment insurance.** Businesses and nonprofits throughout North Carolina are making (and will continue to make) difficult decisions in light of the economic challenges that are resulting from the public health response to the pandemic. For more details about nonprofit-specific issues related to unemployment insurance (UI), see this [blog post](#).

*Policy solution:* To the extent that the General Assembly makes temporary changes to unemployment insurance (UI) benefits, it is important to consider that nonprofits have the option of self-insuring rather than reimbursing the state for UI claims rather than paying SUTA based on experience rating. The Center would certainly support legislative efforts to hold harmless businesses and nonprofits for UI claims resulting from this pandemic by not charging temporary benefits to their experience rating. However, it would be essential for any such legislation to have a parallel provision ensuring that nonprofits that elect to reimburse are also held harmless. The current version of stimulus legislation in Congress would provide federal funding for *half* of the UI claims of the reimbursing nonprofits. Unless the state can pick up the other half of the cost of these UI claims, nonprofits that have elected to self-insure for UI – including healthcare providers, food banks, housing providers, and senior care facilities – may have to close their doors or significantly reduce services at a time when access to healthcare, food, housing, and other basic needs are more essential than ever.

*Policy solution:* Two types of charitable nonprofits are exempt from UI laws: (1) churches and other religious nonprofits; and (2) small nonprofits with fewer than four employees. That means that employees working for these types of nonprofits are ineligible for UI benefits if they lose their jobs because of COVID-19. These workers should have access to Disaster Unemployment Assistance if President Trump declares as major disaster in North Carolina, as Governor Cooper has requested. However, if there is no major disaster declaration, it would be extremely helpful for the General Assembly to provide some type of temporary UI benefits for these workers at churches, faith-based organizations, and small nonprofits.

**Extending small business assistance to nonprofits.** Like many small businesses, nonprofits are suffering significant financial losses as a result of the necessary public health response to the COVID-19 pandemic. Policymakers are rightly seeking to help mitigate the financial harm to small businesses. However, any assistance to employers through a corporate or income tax mechanism will likely leave out nonprofit employers.

*Policy solution:* Any employer benefit should be available to nonprofit employers, either by making the tax mechanism relate to taxes that nonprofits pay (such as payroll taxes or unrelated business income taxes) or by using a grant mechanism for nonprofits.

**Support for charitable giving.** Nonprofits have seen a decline in private giving the past two years, and widespread closures and cancellations of public events have eliminated important sources of earned income revenue (tickets for performances, registration for educational conferences, etc.) for the foreseeable future.

*Policy solution:* If the General Assembly is considering any tax changes to respond to the pandemic, it would be extremely helpful to consider adding a targeted, temporary giving incentive (whether a credit or a deduction) that would be available to all North Carolinians to encourage them to support the work of charitable organizations in their community that are responding to, or suffering from, the COVID-19 pandemic. It is our understanding that the current version of the stimulus bill being considered by Congress includes a limited non-itemizer tax deduction for charitable contributions (capped at \$300 per year and not applicable retroactively on 2019 taxes). Many in Congress (from both parties) are trying to amend the bill to strengthen this temporary universal charitable deduction provision. If these efforts are unsuccessful, it will be important for the General Assembly to help encourage private giving by including a more meaningful state tax deduction or credit for charitable contributions.

**Extension of charitable solicitation filing deadlines.** Most charitable nonprofits are required by state law to have charitable solicitation licenses, which are issued annually by the NC Secretary of State. Many of these nonprofits will need to file for renewal of their licenses on May 15 and will need an extension due to workplace disruptions stemming from COVID-19 and social distancing practices.

*Policy solution:* Currently, state law (NCGS § 131F-5(d)) only grants the Secretary of State the authority to grant filing extensions of up to 60 days. It would be extremely helpful for the General Assembly either: (1) to provide for automatic six-month extension of these filing deadlines; or (2) to expand the Secretary of State's authority to allow it to grant extension of up to six months.

**Continuing input from nonprofits.** Last week, the Center initiated a survey of nonprofit leaders to learn more specifically about the needs of individual nonprofits. So far, we have received about 700 responses from nonprofits in more than 70 counties, and we are working with private funders and state agencies to increase the outreach so that we hope to hear from thousands of additional nonprofits in the next week. Already it is clear that nonprofits, particularly nonprofit service providers, are being called upon to adapt quickly to new operating requirements, educate community members, and support vulnerable populations without any new resources. Initial findings from the survey suggest several types of immediate impact that have been felt by nonprofits:

- 88% of respondents have had to cancel programs or events and have lost revenue from this;
- 74% have had a disruption of services to clients;
- 70% are suffering budgetary challenges due to the economic impacts of COVID-19;
- 57% are having challenges with staff working remotely; and
- 43% are challenged by staff and volunteer absences.

In most cases, nonprofits now have fewer resources to meet greater needs, since most organizations are suffering financial loss, significant reduction in the availability of in-person volunteers, and the reduction in staff capacity as nonprofit employees are sick, at home with children who are unexpectedly out of school, or having to work remotely to avoid in-office interactions.

*Policy solution:* It is essential that state government leaders consult with nonprofits as the state of North Carolina continues to proactively respond to this crisis. If the General Assembly or the executive branch of state government are putting together task forces or commissions to help advise the state on COVID-19 response, leaders at the North Carolina Center for Nonprofits are ready and able to participate.

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