
PUBLIC POLICY CHANGES AND HOW THEY AFFECT YOUR NONPROFIT

The nonprofit sector has changed a lot during the past year. Due to legislation and policy changes, nonprofits in all service delivery areas are feeling the pressure of shrinking budgets and opportunities. Each policy change has paved the way to an uncertain future for many nonprofit organizations. The policy changes, either enacted or proposed, will shape how nonprofits function going into 2018 and even into the next decade.

Much of the anxiety is centered around how organizations will maintain and grow their service delivery. If their service delivery is threatened by policy changes, the clients they serve could be threatened as well. And the policy changes will shift the landscape of how nonprofits deliver their mission to their clients.

HOW CAN YOUR NONPROFIT NAVIGATE THE POLICY CHANGES ENACTED IN 2017?

This watershed year has brought a lot of anxiety to the sector, but using these helpful tips will guide you into 2018 with confidence.

TAX REFORM BILL

The Tax Reform Bill, which was signed into law in late 2017, represents the biggest act of tax legislation for the United States since the Reagan administration. The bill's articles may create hurdles that affect the nonprofit space, service delivery users, and potential donors for years to come. According to the Congressional Budget Office, the Tax Bill could add over \$1.4T to the deficit over the next 10 years.¹

The bill is likely going to pressure state and local governments to enact tax and spending cuts to programs helping people in their communities. This will not only create more funding uncertainty for nonprofits, but it will also make it even harder to deliver service to their clients because people will be seeking help from them rather than the government.² This could lead to cutting programs, turning potential and existing clients away, or closing their doors altogether.

The Tax Bill will also cause low-income Americans to owe more in taxes starting in 2027, which could lead to more people appealing for financial assistance or services from already resource-strapped organizations and government agencies.³ The bill also removes the beneficial charitable-giving tax incentives given to middle- and upper- class Americans who previously chose to itemize deductions. This will likely lead to less donations going into nonprofits nationwide. And that is just the tip of the iceberg.

Nonprofits need to make sure they are ready for the potentially large impact the bill will make to their operations and service delivery. Along with diversifying funding streams, it's beneficial to ramp up donation programs to further encourage your community to donate to your organization despite the cut to the tax incentive for charitable giving. Ensure that you promote your nonprofit's mission and inform your community about how their donations can create more impact for people in need.

Another tactic your organization can use is to create partnerships with nonprofits in your community for support during this uncertain time. You're going through this period together, so build a support system within your collective communities.



¹ <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/reconciliationrecommendationssfc.pdf>

² <https://www.councilofnonprofits.org/sites/default/files/documents/tax-bill-summary-chart.pdf>

³ <https://www.washingtonpost.com/graphics/2017/business/what-republican-tax-plans-could-mean-for-you>



2018 FEDERAL BUDGET CUTS

The current administration recently unveiled its plan for the United States' 2018 fiscal year budget. Much of the budget has given nonprofit organizations anxiety for the future. The major anxiety surrounds the number of cuts to important agencies and nonprofit funding sources.

According to the Urban Institute, "not only did the administration announce its intent to get rid of the Corporation for National and Community Service (which houses the AmeriCorps civil society and volunteering program), but the budget also would slash funding to, or abolish, agencies, initiatives, and programs that provide significant financial support to nonprofits across the country, including the Legal Services Corporation, Choice Neighborhoods, and Community Development Block Grants."⁴

Many nonprofit leaders are sounding the alarm because without the funding they need, their service delivery can't happen, which completely affects the lives of their clients. It's still unclear how the budget cuts will come to fruition, but many nonprofit organizations have braced for a large impact to their funding. If those funding streams dry up, it can be difficult to find another source.

The nonprofit sector uses the highest proportion of funding from the government, accumulating "21% from grants and nearly 26% from fees for goods and services, or 47%—followed by health, at 37.4% (2.7% from government grants and 34.7% from fees, which includes Medicare and Medicaid payments)."⁵

HOW CAN YOUR NONPROFIT GET READY FOR THE MONTHS AHEAD?

It may be helpful to diversify your funding to include more private and local government funding sources and maintain the relationships you have with your current funders. Because the future of funding is up in the air, it's time to look at what your nonprofit has and see where any gaps in funding are. Then, look for new, private funders and reach out with your mission, your problem, and how you aim to combat that problem with your unique service delivery.

Ensure that your nonprofit is capturing and reporting on its service delivery and show your impact to new funders that aren't aware of the good your organization is doing.

⁴ How vulnerable are nonprofits under Trump's skinny budget? <https://www.urban.org/urban-wire/how-vulnerable-are-nonprofits-under-trumps-skinny-budget>

⁵ <https://www.urban.org/urban-wire/how-vulnerable-are-nonprofits-under-trumps-skinny-budget>

FASB ACCOUNTING STANDARDS CHANGES

The Financial Accounting Standards Board (FASB) announced in 2015 that it would be making changes to the way nonprofits report on their funding and financial statements. With new standards for how nonprofits report on a variety of different financial aspects, including net assets, income statements, and cash flows, it is essentially a new system for nonprofits. The proposal represents the first major overhaul of nonprofit financial reporting requirements in more than two decades.⁶

The financial reporting standards for nonprofit organizations were updated with the goal of improving the communication of financial results to funders and other outside stakeholders. The FASB standard changes make it easier for key stakeholders to make better, more informed decisions based on better financial information from the nonprofits they support.

Reporting requirements in other aspects of a nonprofit organization have risen in recent years and are set to continue to rise going forward. As a result, funders and stakeholders are looking for a holistic view of a nonprofit organizations' operations. The new FASB standard changes follow this trend.

The best thing your nonprofit can do going into 2018 is to understand the changes, gather as much relevant information as possible, and have open communication with your stakeholders. This will help you understand what they need from you and get insight into the decisions they will be making. Then, foster those relationships by collecting and reporting on relevant data they can use.

This process will take a lot of work, but it's a step in the right direction for how service delivery works for nonprofits. Nonprofits, and their clients, will reap the benefits of better and lasting decisions for the organizations.

⁶ <http://www.hartfordbusiness.com/article/20150713/PRINTEDITION/307099942/fasb-proposes-major-accounting-changes-for-nonprofits>



POTENTIAL LIHEAP ELIMINATION

The Low-Income Home Energy Assistance Program (LIHEAP) is in danger of being eliminated due to the current administration's new budget for 2018. LIHEAP is a federal block grant to states that pays the electrical and gas utility bills for low-income families at times of need.

As reported in the detailed fiscal year 2018 proposed budget, "6 million households nationally received heating assistance alone, with an average benefit of \$371 per household annually, covering about half of each family's heating bills."⁷

Federal funding for LIHEAP has been steady over the past several years, but going into 2018, it could be cut, leaving millions vulnerable to defaulting on payments and getting their power shut off entirely, which could be devastating in the winter months. If you are a part of Housing and Urban Development or Human Services nonprofit or agency and your funding sources are eliminated, your clients are the ones who feel it the most.

There are a couple of options to use to combat this uncertainty. The US Department of Energy's Weatherization Assistance Program (WAP) is another assistance program which pays for the energy-efficiency retrofits that decrease long-term energy needs. The households that take advantage of this program "save on average \$283 or more every year according to a national evaluation of the program."⁸

Another great alternative to consider is partnering with local and national weatherization programs and housing quality initiatives to ensure a long-term reduction in the number homes that rely on LIHEAP.⁹

The goal is to help your clients rise above needing assistance and get them on the path to self-sufficiency. If LIHEAP is cut, know that there are options to take that will ensure your clients are taken care of.

⁷ <https://www.urban.org/urban-wire/eliminating-liheap-would-leave-poor-families-cold>

⁸ <https://www.urban.org/urban-wire/eliminating-liheap-would-leave-poor-families-cold>

⁹ <https://energy.gov/eere/wipo/weatherization-assistance-program>



HEALTHCARE POLICY

Along with the changes made to taxes in America, the Tax Bill mentioned above will also affect healthcare in the coming years. The proposed changes would affect many of the populations nonprofits serve, leaving them vulnerable to being uninsured and turning to nonprofits for their healthcare needs.

The main changes addressed in the law are going to cause "less health insurance for individuals; less coverage for elderly and poor Americans; less revenue for doctors, hospitals, and a myriad of health care businesses." Along with this, Medicaid and Medicare would be targeted for elimination to cover deficits caused by the bill, putting millions of Americans at risk for little to no healthcare."¹⁰

Another major change that will affect Americans in the coming years is the repealing of the individual mandate put forth by the Affordable Care Act by the tax bill. This change creates a large hurdle for the many people who don't qualify for Medicaid or Medicare, but also don't have an alternative way to get health insurance. Even though the individual mandate will still be in effect in 2018, "repealing Obamacare's individual mandate would cause 13 million fewer Americans to be insured in 2027."¹¹

These policies present issues for nonprofit organizations, medical and non-medical alike. On one side of the coin, many of their clients would lose valuable coverage they might otherwise not be qualified to have. On the other, this change would shift the burden to non-government providers. For instance, cuts would affect specialized medical treatments, such as mental health services, which would put extra strain on nonprofit organizations that work in that field of service delivery. According to the Council of Nonprofits, the "loss of health insurance by millions...would likely increase the demands for the services nonprofits provide."¹²

To combat the anxiety caused by new healthcare policies, there are a couple of avenues nonprofits can take. Establish partnerships with state and local government agencies that can fill in the gaps of valuable healthcare treatment. These partnerships will ensure your constituents receive the care they need today and tomorrow.

Another way to combat healthcare anxiety is through collaboration across the nonprofits in your network. Your community will likely need to come together to ensure there aren't any gaps in client care, so starting those partnerships early will only prepare you for the future.

¹⁰ <https://hbr.org/2017/12/how-the-new-u-s-tax-plan-will-affect-health-care>

¹¹ <http://fortune.com/2017/12/20/tax-bill-individual-mandate-obamacare/>

¹² <https://www.councilofnonprofits.org/trends-policy-issues/health-care-reform>

GO FORWARD WITH CONFIDENCE

In this time of uncertainty, it's important to stay on top of new policies and find ways to move forward with a plan on how to navigate any transition that may occur. Major change is happening to the sector, so it's important to be able to deliver for your clients when adversity comes to your nonprofit.

The key to combatting anxiety when policy shifts happen that could affect your federal government funding is to diversify your funding sources. If you get most of your funding from the federal government, consider reaching out to state and local agencies or private foundations that can give you the same service.

This way, when policy change does occur, you'll be less reliant on something that may be cut or eliminated. If your mission is in danger of not being able to serve your clients, it's vital to find new and better ways to fund your mission. So when times of uncertainty do come, your clients can continue to thrive.

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