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SUPPORTING CHARITABLE GIVING DURING THE COVID–19 CRISIS

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SUPPORTING CHARITABLE GIVING DURING THE COVID–19 CRISIS

TUESDAY, JUNE 9, 2020

UNITED STATES CONGRESS,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The WebEx virtual hearing commenced, pursuant to notice, at 2:30 p.m., in Room 301, Russell Senate Office Building, Hon. Mike Lee, Chairman, presiding.

Representatives present: Beyer, Herrera Beutler, Schweikert, Trone, and LaHood.

Senators present: Lee, Klobuchar, and Hassan.

Staff present: Andrés Arguello, Robert Bellafiore, Vanessa Brown Calder, Barry Dexter, Harry Gural, Colleen Healy, Christina King, Jim Whitney, and Scott Winship.

OPENING STATEMENT OF HON. MIKE LEE, CHAIRMAN, A U.S. SENATOR FROM UTAH

Chairman Lee. Thank you for joining us today for today's hearing of the Joint Economic Committee. Over the past few months, following the spread of the novel coronavirus, and all the devastation that has been brought about in its wake, millions of Americans have been robbed of health, of financial security, certainty of normalcy in their day-to-day lives, and even of their sense of community and connection to others.

As it always has in response to our Nation's challenges, our voluntary civil society in America, through its courage and compassion, has striven to bring us together to address this very significant, in many ways unprecedented, public health crisis.

Nonprofits, churches, and other voluntary institutions of civil society have for centuries played a uniquely important role in American life, helping to provide for others' basic needs, and ensuring the stability of community institutions, and supplying goods such as education and the arts.

Key to the spirit is charitable giving. Without financial donations, these organizations simply cannot undertake the good works that they do in providing the indirect benefits, including the provision of these indirect benefits, personal connectedness, reciprocity, and trust, that are invaluable, and that have become indispensable to community thriving, and the thriving of the human condition.

Unfortunately, there have been worrisome trends in charitable giving over recent years, and over the last few decades. As the Joint Economic Committee staff research has found, while total American charitable giving has increased in most years over the last half century, the overall percentage of Americans giving has actually decreased from 66 percent in 2000 to 56 percent in 2014, with a particularly pronounced drop among lower income Americans, among those at the lower end of the economic—of the income spectrum. The drop in giving since then has dropped the most.

Additionally, the share of individual giving out of total giving has dropped over time, decreasing from 83 percent in 1978 to 68 percent in 2018. In other words, giving now comes increasingly from fewer, wealthier people and organizations. So why does that matter? Why should we worry about it? Why are we here today to discuss that?

Well first, it denies communities the necessary positive spillover effects that flow from individual contributions and widespread altruism.

And second, the very causes being supported are likely to change as a result of these trends. While higher-income Americans tend to give to education and the arts, less affluent Americans tend to give towards service and assistance to the poor.

In fact, those making $100,000 or less per year are responsible for almost 49 percent of all giving in this area of vital need. In other words, even though this segment of the American population might not be donating in larger increments, there are a lot of them donating. And a lot of them who have donated historically. And those people are donating in especially valuable areas, and the areas where the absence of the giving might be felt especially strongly with especially devastating consequences.

One contributor to this trend is the Federal Tax Code's inequitable treatment of charitable giving. Because it is a below-the-line deduction, only those who itemize—that is, to say generally tax filers toward the upper end of the income scale—can currently claim the charitable deduction.

Lower income families who don't itemize now receive no incremental additional tax benefit specifically because of their charitable contributions. That is to say, they do not get anything beyond the standard deduction.

This is an unintended consequence of the long-standing bipartisan effort to raise the standard deduction, which itself provides tax relief to lower- and middle-income filers. And that is a good thing. But it is an inequality just the same. And it is an injustice for working families and to the local charities who rely on them, especially those charities who do some of the most important work, as we have just mentioned.

While the CARES Act passed earlier this year did add an above-the-line deduction of $300 for non-itemizers, much more could and I believe should be done.

I called this hearing to talk about how, especially in this time of immense, unusual hardship, when charitable giving is so essential, Congress could better address this disparity. In recent weeks, I have been part of a bipartisan working group that has developed legislation reforming this inequality. I am grateful that three other Members of the group, including Senator Lankford, and Senator Shaheen, and Senator Klobuchar, are willing to be here to talk about it today.

Senator Klobuchar is a Member of the Joint Economic Committee, and Senators Shaheen and Lankford who are joining us specifically for this hearing today.

Especially as we reopen our businesses and our institutions, leveraging charitable giving should be a top priority for those of us tasked with reviewing economic conditions in our country. In the coming months, those of us in the House and the Senate are going to expend a lot of energy trying to figure out which of the Federal programs on which we have spent all these trillions of dollars have worked, and which have not worked as well.

It is going to be a complicated and at times probably controversial project for all of us. It is necessary, nonetheless.

With the nonprofit sector, however, the vetting work has already been done for us. Charitable organizations only exist, and only attract donations, to the extent that they are already believed to succeed. In fact, you cannot get donations. And if you get donations once, you cannot get them again and again unless you can present evidence to your donors that you are actually doing something good with it.

So these organizations can serve as sort of the tip of the spear in our national COVID response. Today's hearing will focus on just that. We are going to hear not only from Senators Lankford and Shaheen, and from Senator Klobuchar, who again is a Member of the Committee, but from two additional witnesses with valuable perspectives on philanthropy.

I look forward to hearing the contributions of our panelists and our colleagues on this important topic. But before we proceed, I want to say just a couple of words about the hearing and about how our hearing has been modified from its usual format in light of the spread of the coronavirus.

The hearing room has been configured to maintain the recommended six-foot social distancing between Members and other individuals in the room as necessary to operate the hearing, which we have tried to keep to a minimum.

A number of Members and witnesses have chosen to use secure video teleconference technology, which will allow them to participate remotely. For those joining us remotely, once you start speaking there will be a slight delay before you are displayed on the screen. And so to minimize background noise, we are asking those of us who are using video conference—the video conference option to please click the mute button until it is their turn to speak or to ask questions.

With that, we are now going to hear an opening statement from Vice Chairman Beyer. Vice Chair Beyer, go ahead.

[Pause.]

Vice Chair Beyer, go ahead and unmute yourself. We cannot hear you.

[The prepared statement of Chairman Lee appears in the Submissions for the Record on page 32.]

OPENING STATEMENT OF HON. DONALD BEYER JR., VICE CHAIR, A U.S. REPRESENTATIVE FROM VIRGINIA

Vice Chairman Beyer. Thank you, Senator Lee, very much. Senator Lee, thank you so much for putting this together. Thank you to our witnesses, Dr. Osili and Mr. Crim, for sharing your expertise and perspective. And thank you to Senators Lankford and Shaheen for joining the Committee this afternoon.

Charities are one of our most unique and precious resources. They provide invaluable services and strengthen our communities. Perhaps at no time in our history has this important role been so visible as during this global pandemic and the resulting economic crisis.

I volunteered at a local food bank recently, and as long as I was there we never saw the end of the line. And they told us that because half of their resources typically came from restaurants, the restaurants were all closed, that they were in really dire need.

Throughout this crisis, American charities have been frontline responders. They provide communities with critically needed housing. They provide emergency child care for first responders, support for victims of domestic abuse, counseling, and other critical services.

But as Chairman Lee said, unfortunately at a time when we need nonprofits more than ever, they are facing a really serious economic crisis. Three quarters of charities have seen a decline in donations since the crisis began. Half expect to absorb a hit of at least 20 percent.

They receive donations from a lot of different sources—businesses, foundations, individuals—but individuals are key. Seventy percent of all nonprofit gifts come from individuals.

Since 2000, the share of households donating to nonprofits has fallen from two-thirds to 53 percent in 2016. To make that concrete, that's 20 million fewer households actually giving.

And unfortunately the 2017 Republican tax cuts, the Tax Cuts and Jobs Act, made things worse. It doubled the standard deduction, so many people who used to be able to itemize could not anymore. And it capped the state and local tax deductions, raising the tax burden for so many people who used to give money.

As a result, of course we saw that itemized deductions fell precipitously. Before 26 percent of households itemized; after the Tax Cut and Jobs Act, only 10 percent.

So for the nonprofit world, that hurt really badly. Fewer itemizers means fewer givers. And it should not be a surprise to anybody that individual donations fell in 2018. Despite the fact that the economy was very strong, the unemployment rate continued to come down, the stock market continued to go up, charitable giving fell by 3 percent, inflation adjusted, and as a percentage of GDP it actually fell by 6 percent.

And now with the current crisis, contributions are falling even faster, as they have fewer donations and most charities depend on one or two big events every year, and they have all been canceled.

So this means less money will be available, when many more nonprofit services are actually needed. As a result, 60 percent of charities have cut services, and 13 percent of the small ones have actually ceased operations. And this has an impact on our employment, too, because literally 12 million Americans work for nonprofits, 10 percent of the private sector workforce.

So one in six nonprofits had to furlough workers. One in eight had to lay off workers. So what do we do about it? We will talk to Dr. Osili and Mr. Crim today, but I am really excited about proposals to incentivize additional charitable deductions, to expand that $300 addition that was included in the CARES Act. This could really help offset the lost contributions from the Tax Cuts and Jobs Act.

So we have done a lot in the meantime. Congress expanded the PPP, the Paycheck Protection Program, which includes nonprofits. And we have an employment retention tax credit in the CARES Act. And the HEROES Act increases that from 50 percent to 80 percent.

But there are other ways to go forward. One path is to tap the generosity of our senior citizens. I've introduced a bill that would incent the charitable giving by extending the IRA Charitable Rollover to allow people, starting at age 65, to make tax-free IRA rollovers to charities, while providing a guaranteed income for the senior citizen.

I know Senator Klobuchar has introduced legislation to provide grants to nonprofits to help them retain employees, or hire those who have become unemployed.

There are a lot of smart ways to address these challenges. Some in Congress feel no sense of urgency, but I know that all of us are hearing in our district everyday from nonprofits, big and small, that a sense of urgency is exactly what is needed.

So I am grateful to Chairman Lee. This will be my first hearing with Chairman Lee, focusing attention on what we can do right now to support charities and help them weather the storm.

Again, I would like to thank our witnesses for coming, inside and outside Congress, to help us move forward. With that, Chairman Lee, I yield back.

[The prepared statement of Vice Chair Beyer appears in the Submissions for the Record on page 33.]

Chairman Lee. Thank you so much, Vice Chairman Beyer, and welcome aboard and congratulations on your selection as the Vice Chair.

We are now going to hear a brief opening statement from Senator Klobuchar before we proceed to our Member panel. Senator Klobuchar, go ahead.

OPENING STATEMENT OF HON. AMY KLOBUCHAR, A U.S. SENATOR FROM MINNESOTA

Senator Klobuchar. Well thank you so much, Chairman Lee, and thank you to Vice Chair Beyer. Actually, Vice Chair, you should know that Chairman Lee and I have co-chaired the Antitrust Subcommittee in different roles, ranking and chair, for, I do not know, like eight years together, and he is pretty good to work with. So you should be in good hands.

I think what we see here is that the pandemic is squeezing our nonprofits on both ends. The public need is soaring for their help at a time when charitable giving and other revenue streams have declined drastically as a result of the pandemic, as my colleagues have noted.

And I was really struck by that when I went and visited one of our food banks, and someone who was in the line said that they had previously volunteered. They were at a job and they volunteered, and now they were in line to get food.

So things are changing, and a lot of people are out of work that had never even imagined they would be out of work. And a lot of people are having trouble financially. And we all know that one way to boost this up with help is our nonprofits. The Vice Chair mentioned my WORK NOW bill, which would actually connect some of the same concepts coming out of the Great Depression when Franklin Roosevelt started the CCC and basically took people who were unemployed and said here is something really good work to do. Well, we can do that through things like AmeriCorps, which I support. We can also do that by plugging people into our existing nonprofits. So that is one idea.

The second is what the Chairman has been referring to, and that is the work that we are doing, and I am sure work is going on in the House as well, but in the Senate with Senator Lee and Coons and Lankford and Shaheen. Thank you for joining our Committee. As well as Senator Scott in advocating for a substantial above-the-line charitable deduction to help nonprofits who are sorely in need of revenue.

I am glad that we were able to get a modest above-the-line deduction into the CARES Act, and we need to build on this success to greatly expand the deduction. Examples are Catholic Charities in Minneapolis and St. Paul, are facing increased costs totaling $1 million per month because of front-line staff, additional cleaning, redesigning their services so they can accommodate the horrible virus.

Jewish Federation is seeing very similar numbers. Humanity forced many of the organizations to Minnesota to take deep cuts, including significant layoffs.

These nonprofits are on the front line. I think the smartest thing we can do right now is to keep them strong. And thank you for holding this hearing, Chairman Lee.

Chairman Lee. Thanks so much, Senator Klobuchar.

I would now like to introduce our two distinguished colleague witnesses. First we are going to hear from Senator James Lankford who serves as a Senator from Oklahoma. Senator Lankford is a member of the Senate Committee on Finance, the Senator Committee on Appropriations, and the Senate Committee on Indian Affairs. And he is the Chairman of the Senate Homeland Security and Governmental Affairs Subcommittee on Regulatory Affairs and Federal Management. I am sure that flows easily when you say it.

He has been involved in previous efforts to reform the charitable deduction. In fact, this has been a passion of Senator Lankford's for a very long time, including the introduction of the Universal Charitable Giving Act in 2019.

Welcome, Senator Lankford.

And after Senator Lankford, we are going to hear from Senator Jeanne Shaheen, who serves as a Senator from New Hampshire. Senator Shaheen is a member of the Senate Committee on Foreign Relations, the Senate Committee on Armed Services, the Senate Committee on Small Business and Entrepreneurship, and she is the Ranking Member on the Senate Appropriations Subcommittee on Commerce, Justice, Science, and Related Agencies.

She has introduced her own legislation to promote charitable giving, and is a long-time advocate of this issue. Her legislation is the Supporting Charitable Institutions Act.

Welcome to Senator Shaheen.

So thanks for joining us today. Senator Lankford, you are now recognized for your testimony.

STATEMENT OF HON. JAMES LANKFORD, A U.S. SENATOR FROM OKLAHOMA

Senator Lankford. Chairman Lee, thank you, and Vice Chairman Beyer and other Members of the Committee. I appreciate you having the hearing today, and to be able to talk about this issue.

I am going to stray from my prepared remarks. I have submitted some remarks for the record, though let me just make a couple of comments on this.

I have served with nonprofits more than 20 years before I came to Congress. I understand the nonprofit issues and what they face both on finance, and the structure, and the staffing, and the challenges of volunteers, and all the things that happen when you work as a nonprofit.

One of the issues that we face now, though, that has changed even from five, ten years ago, is the rise of the GoFundMe Page where individuals that want to give small-dollar donations will give dollars to individuals and to causes, things they see on the news, or things they hear about, and they will do a GoFundMe donation. That is a wonderful thing to do if they can find legitimacy at the GoFundMe page and what they are trying to be able to accomplish.

Nonprofits are different, though, than the GoFundMe. Nonprofits do not exist just for a single event, a single person rise and fall, and then they go away. They exist for all people in the community. They are churches. They are synagogues. They are mosques. They are feeding the homeless. They are taking care of individuals' groceries. They are paying utility bills. They are the Boys and Girls Clubs helping with afternoon activities. They are Goodwill, providing jobs and opportunity and resources to people that need help.

They are doing work all the time, every single day. And individuals that work in those nonprofits, they understand full well, but I fear some Americans do not; that we have three safety nets in America:

The family is the first safety net. Nonprofits are a second safety net. And government is our third. And we often look to government to be able to solve the most difficult challenges of our safety net, and of people in crisis.

But government is the last spot for that. The first two are essential. And if the family collapses, nonprofits struggle to keep up, and government struggles to keep up with that. If the family collapses, and nonprofits collapse, it all falls on government. And we are not structured to be able to help maintain the needs in communities like families are, and like nonprofits are.

Government is efficient at writing a check. Government is efficient at developing a program to be able to facilitate activities. Government cannot meet the human needs that are there like a family can, and like a local nonprofit can.

So I think it is beneficial for us in our official policy and what we choose to do in the Tax Code to be able to create a tax code that is encouraging to families, and is encouraging to nonprofits.

Now again, Americans have their own money they can choose to do with what they want, and Americans are exceptionally generous people. But when we incentivize it, and we encourage it as we have with the CARES Act, we step up to say nonprofits are going to struggle through this time so let us do a $300 above-the-line straight-off-the-top deduction for every American that they can choose to use, we are incentivizing that activity.

Now I can be frank with this Committee to know, and the folks that are here know that I pushed for much more than just a $300 deduction above the line during the CARES Act. Many of us, if not all of us, did during that time period.

But I think that there is more that we can do and should do in the days ahead. We have recommended a one-third of the standard deduction that is $4,000 for the individual, $8,000 for the married filer, for them to be able to write off. That is a significant encouragement.

That encourages individuals to be able to do more in their local communities to be able to make sure that we sustain that work, that essential safety net of not-for-profits all across our communities.

So whether they are working in the arts, whether they are working in the homeless community, whether they are working in the faith community, they will still be there when this is said and done and this pandemic is over. Quite frankly, it is good policy no matter when we do it, whether it is pandemic or not for us to be able to continue to tax less to encourage more engagement.

By far, not-for-profits are more efficient in getting resources and assistance to local communities than government is. So the stronger we can have not-for-profits, we are getting more efficient support to local communities. And I think that is the right thing for us to continue to incentivize.

I do want to say thank you to Senator Shaheen, Senator Coons, Senator Tim Scott, Senator Klobuchar, and certainly Chairman Lee. We have all been very engaged in this conversation, and it is good to have this as not a partisan conversation. It is just a "what can we do to be able to help as many people as possible?" conversation.

Congressman Walker in the House has been a tremendous advocate for this for a very long time, as well. He also knows full well what it means to be able to work around not-for-profit institutions and understands the needs and the operation.

So I am grateful to be able to have great partners in this and look forward to actually getting this done in the days ahead.

[The prepared statement of Senator Lankford appears in the Submissions for the Record on page 35.]

Chairman Lee. Thanks so much, Senator Lankford.

Senator Shaheen.

STATEMENT OF HON. JEANNE SHAHEEN, A U.S. SENATOR FROM NEW HAMPSHIRE

Senator Shaheen. Well thank you very much, Mr. Chairman. I am really pleased to be able to join Senator Lankford in talking about this critical effort, and really appreciate your leadership and Vice Chairman Beyer and all of the Members of this Committee in holding this hearing today. And I appreciate your leadership of this bipartisan group to try and address the charitable contribution, and hopefully in another package of help that we are trying to provide to the people of this country.

You know, my home State of New Hampshire has historically very small government, and a very robust nonprofit sector. And as Senator Lankford said so eloquently, the nonprofit sector provides so many services in New Hampshire and a real safety net for many of the people in our state.

We have organizations like area agencies that provide programs for people with developmental disabilities and their families. We have the New Hampshire Coalition Against Domestic and Sexual Violence that provides crisis centers for people who are victims of domestic violence.

And we have the New Hampshire Food Bank. You know, those are just three examples of the organizations that right now are working overtime to address the challenges as a result of this pandemic.

Now what is interesting to me is that the New Hampshire Food Bank, unlike the other two agencies that I mentioned, accepts no public dollars. Many of our nonprofits get some public dollars at the county, at the state, at the city level, but many of them do not. And right now they are working overtime because of this pandemic. The call for their services has increased, and yet the contributions, their ability to continue to provide those services, is very much at risk.

According to a recent poll survey that was conducted by the New Hampshire Center for Nonprofits, 92 percent of responding nonprofits have reported a drop in revenue by an average of 34 percent. And 45 percent of the respondents have had to furlough some of their employees.

And at the same time, according to this same survey, 38 percent of organizations, including 45 percent of human service organizations, reported an increase in demand for their services. So this is a time where whatever we can do to try and encourage private giving, which as you pointed out in your statement has historically been higher than it is right now, the more we can do to support that private giving to encourage help for these organizations, the more we can help them survive the current economic situation that we are in, and the better they can continue to provide services whether it is in the arts, or homelessness, or whatever it is.

And as Senator Lankford pointed out, what we are hoping to do is get an above-the-line deduction of up to one-third of the standard deduction, so $4,000 for individual or $8,000 for a married couple filing jointly. And in addition to that, I have proposed as part of what we are doing allowing the deduction for charitable contributions made before the new tax filing deadline of July 15th to be carried back to Tax Year 2019. So we hope it would help stimulate giving for this year right now when it is so desperately needed.

So thank you again, Mr. Chairman, for holding this hearing, for your leadership in this effort. I am so pleased to be able to join you and Senators Lankford and Scott, Senators Klobuchar and Coons, and hope that we can be successful in getting something into the bill in the Senate that we can then get signed into law. Thank you.

[The prepared statement of Senator Shaheen appears in the Submissions for the Record on page 36.]

Chairman Lee. Thank you so much. Your remarks, both of you, have been terrific and have provided deep insight, backed up by many years of toil in this area. So thanks so much for joining us today. We are very grateful.

We are now going to transition over to our second panel. Our second panel will be joining us remotely. I am going to introduce each of our witnesses.

First we have Mr. Bill Crim, who is the President and CEO of United Way of Salt Lake. He serves on United Way's Worldwide National Professional Council, and the Governor's Education Excellence Commission in Utah.

Previously Mr. Crim served on the Utah State Work Force Investment Board, and he has been a research fellow for the Coalition on Human Needs here in Washington, D.C. Welcome, Mr. Crim.

Next we will have Dr. Una Osili, who is Professor of Economics and Associate Dean for Research and International Programs at the Indiana University Lilly Family School of Philanthropy at IUPUI.

Dr. Osili oversees the research and publication of Giving USA, an annual report on American philanthropy, as well as the Index of Global Philanthropy and Remittances, and Index of Philanthropic Freedom. Thank you for being here, Dr. Osili.

We appreciate you both joining us today. Mr. Crim, you are now recognized for your testimony.

STATEMENT OF MR. BILL CRIM, PRESIDENT AND CEO, UNITED WAY OF SALE LAKE, SALT LAKE CITY, UT

Mr. Crim. Thank you, Chairman Lee, Vice Chairman Beyer, Members of the Committee.

I deeply appreciate the opportunity to come before you to talk about the work of the charitable sector in our country, our response to the COVID–19 crisis, and the role that tax policy plays in driving private giving.

United Way of Salt Lake builds cross-sector partnerships that work to solve our communities' most complex social and economic problems. Within these partnerships, we hold ourselves accountable to results that no single organization or sector can achieve alone.

Our commitment to creating lasting change and helping all kids and families succeed regardless of their circumstances, holds especially true during this time. So we continue to address the health and economic impacts of the pandemic. And as we are all called to address the urgent need for racial justice in our country, we know that the role of nonprofits, of faith organizations, and of charitable giving is critical.

Over the past three months, hundreds of individual Utahns have generously risen to the challenge of supporting our community. In addition, key business partners like Goldman Sachs, Mark Miller, Zions Bank, Savage, and many others have contributed to this work.

This generosity has allowed us to respond to dramatic increases in contacts through 2-1-1, which provides information or referral to those in need, provides critical support to dozens of our community partners meeting essential basic needs, and to develop a comprehensive initiative to address the dramatic earning loss experienced by so many students over the past three months.

We know that the reasons for giving are highly personal, but I can assure you from first-hand experience that people give to charities for altruistic reasons. Sometimes this selfless concern for others is driven by faith, or simply a desire to give back to the community. Often, and in our case, it is because people believe that by working together we can solve our community's most complex problems.

But tax policy does influence people's behavior, from business decisions, to buying a home. This does not mean that every person is influenced by tax policy, but large numbers of people are.

Charitable giving is the most discretionary financial decision someone can make. Good tax policy might be the nudge that someone needs to make their first donation. Or it might prompt a longtime donor to give a little more.

Consider, for example, the person who gives $500 per year to charity. If they pay taxes at a 20 percent rate, that means they are paying $100 in taxes on that money that they are giving away. Setting aside the fundamental unfairness of taxing income that is being donated to help others, those taxes may prompt a smaller donation from some people who are not in a position to giving more.

Conversely, if Congress would have relieved tens of millions of Americans from taxes on income they donate, it is not hard to imagine the positive impact on charitable giving. I am definitely not an economist or a tax policy expert, but I know that studies have consistently found that good tax policy will drive more giving. That includes increased giving by people who make small donations.

United Way's basic needs charities, faith-based charities, and disaster relief charities rely heavily on small donations from large numbers of people. In our case, we raise about $15 million per year in Salt Lake, but our average individual donation is $229 per year. Those small donations add up. Nationally, United Ways raise over $1 billion per year from small donors who give an average of $155 per year.

Of course in my view the ideal Federal tax policy would be to permanently relieve all taxpayers from paying taxes on income they donate to charity. That could happen through an above-the-line exclusion or a non-itemizer charitable deduction combined with the existing deduction.

But we understand that that may not be viable at this moment. But a temporary non-itemizer deduction could be instrumental in helping charities help our communities and those impacted by the crises facing our country.

We understand Chairman Lee, Senator Klobuchar, and others are supporting a temporary deduction modeled after Senator Lankford's and Congressman Walker's legislation. We think that legislation would provide a much-needed infusion of donations directly to the charities that are leading the COVID–19 response and recovery efforts.

The recovery efforts by charities will go well beyond 2020. So the longer this legislation is in effect, the better it will help us support our communities and those who have been affected by COVID–19.

As I close, I want to note that several Members of this Committee have supported and personally donated to their local United Way, and others have played a significant role in raising donations for their local United Way.

On behalf of our entire network, I want to extend our deepest thanks to each of you. Mr. Chairman, I am happy to answer questions.

[The prepared statement of Mr. Crim appears in the Submissions for the Record on page 36.]

Chairman Lee. Thank you. Thank you, very much, Mr. Crim.

Dr. Osili, we will go now to you for your opening statement.

STATEMENT OF DR. UNA OSILI, PROFESSOR OF ECONOMICS AND PHILANTHROPIC STUDIES AND ASSOCIATE DEAN FOR RESEARCH AND INTERNATIONAL PROGRAMS, INDIANA UNIVERSITY LILLY FAMILY SCHOOL OF PHILANTHROPY, IUPUI, INDIANAPOLIS, IN

Dr. Osili. Chairman Lee, Vice Chair Beyer, and distinguished Members of the Joint Economic Committee.

Thank you for the opportunity to testify today. The Indiana University Lilly Family School of Philanthropy has tracked crises and disaster giving since September 11, 2001. I will share initial evidence about philanthropy's response to the COVID–19 pandemic.

Through good times, and during times of crisis, American philanthropy, which includes donors at all income levels and racial and ethnic backgrounds, has collaborated to fill gaps where governments and markets face limitations and provide capital for innovation and meet material and spiritual needs.

Philanthropy, defined as voluntary action for the public good, is a core value, a central way for Americans to contribute to the vitality and strength of their community. In 2018, Americans donated about $427 billion to charitable organizations, of which 68 percent came from living individuals. Four aspects of the philanthropic response deserve close attention.

First, the COVID–19 pandemic has induced twin crises when Americans are grappling with unprecedented health and economic shocks. African American and Latino populations have been disproportionately impacted, exposing deep racial and structural inequities.

In response, we have witnessed tremendous individual giving during the COVID–19 pandemic to charitable organizations, but also mutual aid to neighbors and friends. Beyond individual giving, U.S. foundations and corporations have contributed over $11 billion to the COVID–19 response based on Candid's estimates.

Second, philanthropy's innovative response has included cash and in-kind donations from everyday citizens and donations from wealthy donors. Crowd-funding campaigns, typically driven by small donations, have expanded in their reach and impact. One of the most extensive GoFundMe campaigns, "America's Food Fund," has raised over $26 million to combat food insecurity. And the CDC Foundation has raised $50 million on Charidy.com.

Third, in the wake of the COVID–19 pandemic, we have also seen philanthropy as a unique collaborator and facilitator of collective action in local communities. A research initiative led by Dr. Laurie Paarlberg at the Lilly Family School is tracking philanthropy's facilitator role at the local level. As of May 15th, her mapping project estimates that community funds in cities and towns across America have raised $634 million and distributed at least $376 million to address critical needs created by the pandemic, including food insecurity, mental health, and emergency financial assistance.

Finally, we have seen philanthropy tackle systemic issues of inequality. In Michigan, and here in Indiana, the collaboration of philanthropic organizations in each region rapidly joined forces to supply computer tablets with high-speed internet connectivity to address the digital divide for K–12 students.

Initial response to COVID is unprecedented in its speed, size, and scope. And nonprofits of all sizes have risen to the challenge. However, the need for private philanthropy is rising as many more people and communities need support, and at the very time when the ability of many donors to give is challenged.

Research has long established that charitable giving is linked to national and regional economic trends. A concerning trend is that the share of American households that give to charitable organizations has declined significantly from 66 percent in 2000 to 53 percent in 2016. Declines in participation rates among low- and middle-income Americans, as well as younger Americans, have been evident since the Great Recession.

This trend of declining participation has implications for the strength and vibrancy of civil society. Over time, tax policy has also provided less tax recognition of the giving by all Americans, especially the giving of low- and middle-income Americans. The charitable deduction is one of the oldest tenants of the U.S. Tax Code and affirms the value society places on voluntary giving.

The school has analyzed the impact of various policy options. Our studies project that extending the non-itemizer deduction could increase charitable giving available to nonprofits by up to $26 billion, an increase of about 7.7 percent, and also increase the number of donor households by an increase of 8.2 percent in 2021, enabling a fairer, more inclusive, and a more engaged civil society.

To meet the complex challenges triggered by COVID–19, creating tax incentives that encourage the generosity of all Americans, including lower- and middle-income households, is a vital step in the recovery, given the mounting needs of families and communities.

Thank you for the opportunity to testify today. I would be happy to respond to any questions.

[The prepared statement of Dr. Osili appears in the Submissions for the Record on page 38.]

Chairman Lee. Thank you very much to both of you. We are going to now start into five-minute rounds of questioning. I will go first, and then we will go to Vice Chairman Beyer, and then, alternate between Republicans and Democrats after that.

Mr. Crim, we will start with you today. The Social Capital Project of the Joint Economic Committee has done extensive writing and research about excessive government regulation and its tendency to act as sort of a drag on nonprofit and charitable activity, as well as government programs crowding out various civil society activities by effectively assuming civil society's functions.

In other words, when government steps in the room it tends to consume so much of the oxygen that it tends to crowd out others.

Mr. Crim, have you seen examples of either of those phenomena occurring recently, in the recent coronavirus policy response?

Mr. Crim. I would say in the recent months what I have seen in Utah is a remarkable coming together of the private sector led by businesses of the charitable sector and of government, all I think staying in their lane. All listening to each other and looking for ways to add value and to get results in this moment.

I do think what you are describing can happen, and it certainly does, but in the coronavirus response I have not seen examples of government overstepping here in Salt Lake or in Utah.

Chairman Lee. I am glad to hear that, and that is heartening to hear. It sounds like you are acknowledging this can happen. It is a phenomena that we have to be aware of and we have to watch out for. But I am glad to hear that you are not seeing it yet.

Mr. Crim, what do you think policymakers ought to do to avoid crowding out charitable relief efforts, while also ensuring that the needs of Americans are met? Are there some guideposts that you point to for us as policymakers to help make sure that we do not create this crowding out effect?

Mr. Crim. Absolutely. And I would want to answer that question in part by observing that in our view none of the problems that we have been talking about today, and that we all care about, can be solved by one sector alone. Certainly not by one organization or set of nonprofits or their programs.

Our view is that it requires deep partnerships of community members and their voices leading the way of nonprofits, and government, and private sector working in concert with one another.

And I think the way to drive that and prevent what you are describing I think is to incentivize partnership within government funding. So if the policy that is being driven by the Federal Government, or by a state government, acknowledges that the problem it hopes to solve requires this kind of civil society and engaged partnership, and highly effective collaboration, and accountability for results, it seems to me like we could incentivize that partnership or require it in some cases as appropriate, so that programs do not—they do not happen in a vacuum. They do not create that crowding-out effect that you describe. Because there is a community-led, community-based infrastructure set up to help everybody work together in a way that allows each sector and each organization to play its best role.

Chairman Lee. Thank you, Mr. Crim.

Dr. Osili, I wanted to ask you a question about an interesting set of facts that we have that are somewhat unique to our circumstance right now.

The 2019 tax year filing deadline has been moved back to July 15th. In light of that fact, a lot of what we are going through right now, it seems to me that we have got an interesting opportunity. If we could enact legislation in the next few weeks making a change to allow people to add to their 2019 tax liability, this function of what they donate this year, and count that toward 2019, what effect would that have on charitable contributions right now given the timing of when charitable donations have been made in the past, and given this unique circumstance of the coronavirus-related lockdowns, and the extension of the filing deadline?

[Pause.]

Dr. Osili, I think you might be muted. We cannot hear you.

Dr. Osili. Okay, thank you, Chairman, for your question. And I do agree that this is an important opportunity to recognize the generosity of all Americans. The point that you raise is a good one. Tax salience is a theory and actually has been found to affect the behavior of Americans, and providing that tax incentive now rather than later, could stimulate additional giving.

In addition to the work that I cited in my testimony, we do know from previous disasters that a large number of Americans contribute to disasters. As an example, in the 2017 Hurricane Harvey and 2018 series of natural disasters, 30 percent of Americans gave. And the average contribution was about $300.

Given the scale of this pandemic and the fact that it cuts across all communities, providing the tax recognition now, as well as in the future, I think it will be important given the timing of this crisis and the length and severity.

Chairman Lee. Thank you very much. My time has now expired. So now we are going to go to Vice Chairman Beyer for his round of questions.

Vice Chairman Beyer.

Vice Chairman Beyer. Mr. Chairman, thank you very—Chairman Lee, thank you.

To our witnesses, the CARES Act that we passed, part of our coronavirus response, expanded the charitable giving caps for individuals and corporations. So individuals are now able to deduct up to 100 percent of their adjusted gross income in 2020. It was 60 percent. And corporations saw their cap lifted to 25 percent from 10 percent.

Dr. Osili, should we also be looking at foundations? Right now, the minimum foundation distribution over the year is 5 percent——

Chairman Lee. Mr. Vice Chairman, apparently your video feed is off. I just thought you should know that.

Vice Chairman Beyer. Oh, I did not——

Chairman Lee. That's ok, you are free to participate with it off. I just wanted to make sure that was deliberate and not accidental. Go ahead.

Vice Chairman Beyer. Thank you, Senator. It was not, actually—whatever. Dr. Osili, on foundation, 5 percent right now.

Should we consider doing a 10 percent distribution per year? And what kind of impact would that have on the nonprofit sector?

Dr. Osili. An excellent question. I think that the CARES Act does go far in recognizing the generosity of corporate America as well as individuals. And as I cited in my testimony, we have seen significant response from corporations, especially at that million dollar level.

We have also seen significant investment by foundations across the country, and I think we have also seen from prior research that foundations tend to give in a counter-cyclical manner. In other words, during tough economic times foundations tend to increase their giving. We saw that during the Great Recession.

So certainly incentivizing all forms of generosity during this time I think will certainly move in the right direction in helping Americans cope with the scale and, as we said, severity of this current crisis.

Vice Chairman Beyer. Thank you very much. When we make changes to the Tax Code, we are trying to find ways to incentivize changes at the margin. So we do not want to reward people with a tax benefit for actions they are going to take already, because it would cost the government money that we can use for other things.

So when it comes to charitable deductions, some would argue that we should give tax benefits only above levels at which we would expect people would give. For example, there is some data that suggest the average person who gives would give up to 2 percent of their AGI. This would reduce the cost of the benefit a lot. How do you react to that notion, that we create tax incentives beyond the 2 percent per year that they would be expected to give?

Dr. Osili. I think those are all very important points, and they have been very significant to date about the limitations of the CARES Act. In other words, could it go further?

Some have argued that the limit currently is too low at $300. Others have charged that the primary beneficiaries are mostly higher-income households. It is important as we think about other policy options to address a lot of the issues that I think the Chairman already touched on, looking at the fraction of Americans that donate, the size of the charitable response, as well as some of the distributional consequences.

In other words, tax equity. We want to reward generosity across all Americans, lower-income, middle-income, and wealthy households, understanding that all Americans play a role.

To this end, the school has conducted a very detailed study of all different sets of options. In fact, we considered five different policy options. And these policies actually differ on their impact on the number of donors. In other words, how many people would actually participate; the amount that would be raised; and the cost to Treasury.

The good news here is that all of the options that include extending the deduction to non-itemizers would actually forego less in tax revenue than it would bring in in charitable dollars. In other words, a small impact on the Treasury, while boosting overall charitable giving.

Just to give you—I think some of this was covered in my testimony, but one of the examples that I cited, extending the non-itemizer deduction, would bring in an increase of 7.7 percent in charitable dollars, would increase donors by 8 percent, and the Treasury revenue impact is relatively small, reducing revenue by 0.6 percent.

So we have considered the various options and looked at the impact on donation levels, participation rates which are very important and we want to encourage tax recognition for all Americans, and then finally the impact on Treasury as well.

So I think all of those have to be considered as you investigate what the best set of policy options are. But one principle that I think is important to keep in mind is that Americans of all different backgrounds participate in charitable giving. We want to pursue policies that actually recognize that spirit of generosity across the income spectrum.

Vice Chairman Beyer. I am certainly excited about your first ever institute for studying philanthropy. Obviously you are bringing a lot of that to this, to us today already.

So, Mr. Chairman, I yield back.

Chairman Lee. Thank you very much, Vice Chairman Beyer. Up next is Representative Herrera Beutler.

[No response.]

Representative Herrera Beutler, make sure you are not muted, and make sure your audio and your video feeds are on.

[No response.]

Okay, Representative Herrera Beutler, we will come back to you. Next we will go to Representative Schweikert.

Representative Schweikert. Hi there. Thank you, Mr. Chairman.

It is an interesting subject. Having been someone who actually worked on the Tax Reform and some of the data we were seeing, Doctor, can I ask you to—you shared with us in your opening testimony some of the information from, what was it, 2000 to 2016?

Dr. Osili. Correct. The data that I cited is based on the Philanthropy Panel Study. It is a module on the Panel Study of Income Dynamics of American Families, the longest and most comprehensive study of philanthropy that has ever been conducted on American families. And that data allows us to study over time how American philanthropy is changing.

And because we are able—that's the beauty of longitudinal data—we are able to assess over time the same group of households. We have seen that declining rate in the participation of American households.

Representative Schweikert. And you are actually coming to exactly what I wanted to get my head around. Because this is—prior to tax reform, we had had some presentations a couple of years ago, of discussions that there were going to be changes. There were changes being observed in participation. Somewhat because of demographics. Somewhat because of income squeezes in a couple of the lower-income quartiles.

When you talk about—and what was that? Close to a 10 point drop over that study's time? How much of that—where does that drop fall? Was that in people of more modest income? Where was the drop coming from?

Dr. Osili. A very good question, and thank you for following the research so closely. We have examined in great detail where the drop came from, and about half of the drop can be attributed to income—decreases in income and wealth. So we found it mostly from lower-income and middle-income Americans. But also among younger Americans, and individuals with less education.

Now this trend was accelerated by the Great Recession. The Great Recession did have the impact of reducing further the participation rates of Americans. The overall trend, the way we tend to describe it, is donors down, but dollars are up or holding steady.

And so one of the challenges that we look at, all of the factors that you have cited, demographic change, changes in our social and economic life, and also changes in religious attendance. We are seeing this declining rate, and the challenge of course especially for younger Americans to make sure that we can encourage that habit of charitable giving which has been such a hallmark of American life for centuries.

Representative Schweikert. That is actually a very interesting point. And, Mr. Chairman, for others who have an interest in this area, some of us who have spent some time looking at this, we were already seeing a trend, and it may have been tied to lower quartiles income, their true purchasing power, the squeeze that we were seeing in our society. And there were many of us who had hoped as we saw income move up in those populations, as we were seeing before the pandemic, it is not a long enough time frame to see, was there a change in those more modest incomes' participation in sort of a level of personal philanthropy.

But as we work on policy, I think we have got to be very careful to sort of see the world in the last three months, or the last two years, and it might be much healthier to sort of look at this over the last 20 years of what is the trend in income distribution, and who is giving money to charity.

Also, some of the things we were seeing—and I wish I had made some charts for this conversation, of demographics of how much of our population was moving out of the workforce because of getting older, and what sort of contributions of cash instead of contributions of time and talent.

So this may be one, before we make some really big policy approaches, we may need to much better understand the data.

Dr. Osili. Absolutely. I think you raise a very good point about demographics, and that is one that here at the Lilly Family School we have been watching very closely. For younger Americans, one of the key issues is charitable giving tends to be one of those habits. People who give, many of them give year over year, or they may stop giving and then start up again. And one challenge we have is for many younger Americans, they entered the labor market around the Great Recession, many of them faced economic challenges, and a lot more income insecurity perhaps than generations before them.

And so for that cohort, one of the questions is: How do we encourage charitable giving for that younger cohort? Understanding that they will then start to promote giving, become regular givers, and ultimately perhaps pass that on to their children because giving is also something that we do see closely linked across families.

In other words, parents tend to transmit generosity to their children.

Representative Schweikert. Doctor, one last question, and I appreciate everyone's patience. Senator Lankford sort of touched on this, and I see this in the world around me, that many of the younger, my millennial relationships and acquaintances, they do more direct type of contributions. The GoFundMe type of pages, the much more community-centric.

Does that type of contribution hit your data points? And are we seeing a societal trend that is different in how they contribute on an individual basis instead of to larger charitable organizations?

Dr. Osili. Those are both excellent observations. We are seeing giving expanding, and even during the pandemic we have seen giving of all forms, giving to nonprofits, but also giving to crowd-funding campaigns.

What is interesting to note, however, is that even traditional nonprofits are starting to use crowd-funding to raise funds. And that is why I gave those two prominent examples that have raised the most dollars on GoFundMe and are actually nonprofits such as America's Food Fund, and similarly the CDC Foundation, a well-established organization dating back to 1994, the Foundation itself that has also launched a crowdfunding strategy raising up to $50 million on a new platform.

So we are seeing hybrids of both the new and old kind of blending together during the pandemic.

Representative Schweikert. Doctor, the one thing I was trying to chase down is: Do we see a difference in the age group that will go and contribute through a GoFundMe? And as we are saying we are seeing younger donors reducing their charitable participation, is there a chance that some of the charitable participation is just using different platforms?

Dr. Osili. I think that is a very good question, and one that we are studying very closely. Initial evidence does suggest that younger donors tend to use social media. And a lot of those crowdfunding platforms are driven by social media.

Representative Schweikert. Doctor, thank you so very much. And, Mr. Chairman, I yield back.

Chairman Lee. Thank you. Thank you very much. We will go now to Representative Trone.

Representative Trone. Thank you, Mr. Chairman.

Dr. Osili, supporting charities and the people who depend on them through the pandemic and beyond requires a comprehensive approach. The CARES Act made charities eligible for the PPP, and the Employee Retention Tax Credit.

The HEROES Act would dramatically increase the Employee Retention Tax Credit from 50 to 80 percent, and increase the wage cap. Beyond these immediate programs, do you have any other recommendations additional for legislative support that would be most beneficial to U.S. charities, whether they're working here or even internationally?

Dr. Osili. One of the points I think my fellow panelists mentioned is the importance of collaboration during this time. And I do think as government looks at how to support the nonprofit sector during this time, incentivizing collaboration with partnerships could be another way of supporting nonprofits.

I think the government already does a fair amount of that in international relief, but looking at ways of doing that. And, I would add, also incentivizing innovation. In other words, nonprofits that are solving very complex problems having the support of government funding to put some of those breakthrough solutions in communities around the country.

Representative Trone. Okay, great. Down the road, should the Legislative Branch consider permanent restoration of tax deductions for charitable contributions, recognizing that these come at a big cost in the reduction of tax revenue, or the more effective and cost-efficient ways to support these organizations and the important contributions to their communities?

Dr. Osili. Being an economist by training, I do think it is important to look at the cost of various policy options. When it comes to the charitable deduction, we do have significant evidence that when properly implemented the tax deduction stimulates more in charity dollars, or at least as much, relative to its cost to Treasury.

And as we have researched the impact of expanding the charitable deduction, what we have seen is that encouraging the generosity of Americans during this time, but certainly into the future, is something that will help build our civil society, and especially as we are seeing this declining participation rate will encourage Americans of all backgrounds to continue this tradition of civic generosity.

Representative Trone. That is good. Thank you.

What trends are you seeing in the data that you think we should know about and factor into legislative action to support charities, particularly during the pandemic? And where are we not looking where we should be?

Dr. Osili. I think several of your colleagues have brought up very important points. One advantage of philanthropy during this time is the speed and the ability to respond to local problems.

One area that I do think deserves close attention is the work of community foundations and community funds. The scale and scope with which they have acted already I think is worth noting. Finding ways to partner at the community level, especially in really affected regions, could be very beneficial at this time.

Representative Trone. Okay, thank you, Doctor. I yield back, Mr. Chairman.

Chairman Lee. Great. Thank you very much. We will turn now to Representative LaHood.

[Pause.]

Representative LaHood, you are now recognized. And make sure your mute button is off and your video feed is on.

Representative LaHood. Okay. Can you hear me, Mr. Chairman?

Chairman Lee. Yes, I can hear you fine. There you go. Go ahead.

Representative LaHood. Alright, thank you, Chairman Lee, for holding this important hearing, and to co-chair Beyer.

I want to thank the witnesses for your valuable testimony today on this important topic. And I just will acknowledge the important role that our charities and nonprofits play in our communities all across our country.

They have particularly been highlighted during COVID, and the reliance—and I think in my own community as I have been traveling around my district in the central and western-central Illinois area, the Midwest Food Bank, which has been helping with food and nutrition programs throughout the country and in my district, obviously the Salvation Army has been very engaged in the Peoria Green Center in my community here helping with shelter and clothing and the health needs of our community,

As was referenced earlier, when we think about the social safety net of our country, obviously family is first and foremost, but the nonprofits play a significant role. And obviously government does, too.

But I think one thing we have learned in our response to COVID on the Federal level is we are not going to spend our way out of this from a government standpoint. And so when we look at our charities and our nonprofits, how do we incentivize? How do we stimulate? How do we assist, using the Tax Code, in a proactive way to help those charities and those nonprofits?

And so having this hearing today and the valuable testimony is a part of that moving forward. So thank you for having it, Chairman Lee. It is very, very important.

And I would like to maybe ask the Doctor, what have we—in terms of COVID and the impact that it has had on our country over the last 10 or 11 weeks, what have we seen in terms of a reduction in giving to COVID? And what are the projections in terms of losses related to that moving forward?

Dr. Osili. So it is too early to tell at a comprehensive level what the impact of COVID has been on fundraising revenues so far. We did conduct an early survey in March to a national sample of nonprofits and found that nearly 80 percent of them had encountered some disruption in their plans around whether it was canceled events, canceled fundraising programs. However, what we have also seen in the data is that the impact is not going to be uniformly felt across all nonprofits.

Some sectors will be affected to a greater extent than others. As an example, arts organizations are particularly vulnerable during an economic downturn. And in this crisis, there are various streams of revenue for arts organizations have been disproportionately impacted.

Event revenue may be down. Similarly, if you look across the nonprofit span, there are over 1.3 million nonprofits in the U.S., but we have seen that in an economic downturn some nonprofits are more affected than others.

So I think it is too early to say exactly what the impact will be on the charitable dollars, but it is already apparent that some nonprofits are being hit harder than others.

Representative LaHood. Thank you for that. Just as a followup, so obviously we have talked a little bit about tax incentives and direct financial assistance. Are there other Federal policy recommendations that we should focus on beyond those two, Doctor?

Dr. Osili. Those are all very good points. Looking back at periods of crisis and how nonprofits have fared, I think what we have seen already is that putting together various types of policies is very important, but also tailoring some of these policies to specific sectors can be important.

For example, right now we know that health and human service organizations are particularly affected. So looking at the impact of those sectors can also be beneficial.

Representative LaHood. And lastly, maybe if you could comment on how state or local governments play a role in supporting our nonprofits and charities.

Dr. Osili. Very good. So across the country, that is a great question. We know that states and local governments are also at the front lines of this crisis. In our Tax Code, we have a Federal tax policy, but we also have many communities and states that have local and state level credits for different types of contributions.

There have been a number of studies on this topic. One of my economist colleagues, Dr. Nicholas Duquette at USC has an academic paper that looks at the impact of these various credits. And some of them have been effective in actually stimulating charitable giving, more so than others.

And so I think that would be a place I would ask the Committee to take a look at. So looking at specific policies that have been more effective in various parts of the country, Arizona being one. Michigan is another one. But taking a look at some of those options, and how perhaps some of those can be built upon.

Representative LaHood. Thank you, Doctor. Those are all my questions. Chairman Lee, thank you for the hearing today, and we look forward to working with you on coming up with policy recommendations and potential legislation on this topic.

Chairman Lee. Thanks, Representative LaHood. We will turn next to Senator Hassan.

Senator Hassan. Thank you, Mr. Chair. Just checking that everybody can hear me?

Chairman Lee. Yes, we can hear and see you. Thank you.

Senator Hassan. Excellent. Thank you, Mr. Chair, and Vice Chair Beyer, for holding this hearing today. And I would also like to thank our witnesses, Dr. Osili and Mr. Crim, for appearing before our Committee.

I also want to thank Senators Shaheen and Lankford for their leadership in supporting nonprofits.

To Dr. Osili, you have spoken before about how the nonprofit sector fills in gaps between services offered by government and by the business community. That is exactly what I have seen in New Hampshire throughout this crisis.

Nonprofits in my state have stepped up to meet new needs for housing, health care, employment, and education services, while also modifying existing services to limit the spread of COVID–19.

Could you explain to the Committee how nonprofits are uniquely positioned to use flexible and innovative services to fill in these gaps, especially during the COVID–19 public health and economic crisis?

Dr. Osili. That is an excellent question, and I appreciate the opportunity to shed light on this. I mentioned in the testimony, we have two very prominent examples nationally. When public schools transitioned from bricks and mortar schools to e-learning and virtual learning, it was quickly apparent that many children, K–12 students across the country did not have access to high-speed internet connectivity, or tablets or computers in their homes.

And private philanthropy stepped up very quickly, within a matter of weeks, to make sure that children affected by those shutdowns, which took place very rapidly, had access to a tablet or a computer and internet connectivity so that they could resume their studies.

That was really something that made a difference during the pandemic, and I think it speaks to philanthropy's flexibility and ability to work in partnership with local governments, because the philanthropists had to work with the school districts, as well as the business sector that stepped forward.

This is a uniquely, as we said, a unique aspect of American society. That is one example. We have also seen in the health component where many companies, foundations, and individual donors stepped up very quickly to provide PPE for health workers, to provide and expand rapid testing, and in some cases to actually fund research.

We saw that in California and in Seattle, in the Washington area. Oregon is another good example. And then even here in my home State of Indiana. Private donors worked very rapidly; that would have taken longer for government to pass a bill to get those funds, and the PPE in the hands of the health workers.

So I think this is an example where we see the strength of philanthropy and the importance of the sector in the face of a crisis.

Senator Hassan. Well thank you. And I also wanted to give Mr. Crim an opportunity to answer the same question.

Mr. Crim, how in your experience are nonprofits filling gaps in services during COVID–19?

Mr. Crim. Well, maybe not surprisingly I would echo many of the same things that you just heard. I will not take up too much time, but to say that what I have noticed is that the speed with which a nonprofit, or a group of nonprofits can rally around a problem is super important.

It is often the case that they cannot scale their solution sufficiently. So we saw similar work going on in terms of broadband access around distance learning. But we are still quite certain that 50 percent of kids in our community, many of our communities, did not have a reliable connection to their school.

So I think to solve these problems we have to rely on the speed and the nimbleness of nonprofits, and the scale and capacity of government.

Senator Hassan. And that has been my experience in New Hampshire, too. So thank you for that.

And then, Dr. Osili, I wanted to give you a chance to expand a little bit on a topic that was just raised in our last round. The testimony we have heard today underscores how crucial it is that Congress assist nonprofits that are on the front lines during COVID–19.

Although the Congressional response so far has ensured that nonprofits have access to the same economic relief as businesses, significantly more needs to be done to help these nonprofits stay on firm financial footing. I would add, so that they can continue to do the kind of work that both of you have just described so well.

Several colleagues on this Committee, including Senator Klobuchar, are leading important efforts to provide direct financial assistance to struggling nonprofits. Given the unfortunate delay in nonprofits getting access to the Federal Reserve's Main Street loans, the need for this assistance is all the more urgent.

Dr. Osili, between dramatic growth in need for nonprofit services, and a significant decline in financial resources, could you explain how the COVID–19 crisis is affecting nonprofit operating budgets?

Dr. Osili. Thank you. We, as I mentioned earlier, conducted a study early in the pandemic. So we know that this is a fast-changing landscape. And with a national sample of nonprofits, we found that 80 percent of them had encountered some sort of disruption to their overall planning. Fifty percent had canceled fundraising events that were a big part of their projections. And as they looked ahead, some anticipated a decline in their fundraising revenue, currently, but also in the future.

So I think all of this data taken together suggests that the shocks that our country has encountered have hit the nonprofit sector as well. And as I mentioned, some have been disproportionately impacted. I think there is not a one-size-fits-all solution. When we talk about nonprofits, we have to look by sector, and also regionally as well.

Senator Hassan. Well thank you. And, Mr. Chair, I see that I am over time. Mr. Crim, my staff and I will follow up with you, as well, just to make sure we get your input on that same issue. Thank you.

Chairman Lee. Representative Herrera Beutler, you are up next.

Representative Herrera Beutler. Alright, thank you. Can you all hear me?

Chairman Lee. Yes, we hear and see you fine. Thank you.

Representative Herrera Beutler. Thank you. I had a sick kid this morning, so I have been checking in and out of this, but it is nice to be able to come in towards the end. And I apologize if some of this has been covered, but for my benefit these are things I have been talking about with nonprofits, and not-for-profits here in Southwest Washington State and I wanted to ask a few things.

You know, the last question. So obviously while businesses have stepped up in amazing ways, and they have played roles where traditional business or government could not step in, and they were able to respond quickly, which is what we want and need, which is why a lot of the relief available to Main Street, available to nonprofits.

One of the questions that keeps coming up is: Do we feel, or do you feel that we should be treating donations differently from a policy standpoint based on the type of entity receiving the funds? I know the devil is always in the details, but these are the things we are being asked to figure out, and I would love to hear your thoughts on that.

Dr. Osili. Thank you. And I am answering this question as a Professor of Economics, as well as Philanthropic Studies at Indiana University.

What to keep in mind about American philanthropy is that it is really an expression of democracy. Several analysts and commentators have noted American philanthropy starting with Tocqueville, about the ability of Americans to form associations, and the fact that they form these associations across different sectors, different types of organizations, and that plurality is one of the strengths of America's philanthropic sector.

As we think about shifts in tax policy, I think that creativity, innovation, and resilience that we have already seen has actually been part of America—the fabric of America's philanthropy.

So I'm not sure that we can have both. In other words, encouraging that plurality, providing benefits that accrue to different subsectors, does have benefit. At the same time, you could also see some arguments that in this crisis there are some organizations that are at the front lines of the pandemic—health organizations, disaster relief—but then all kind of nonprofits are involved in this crisis.

If you look at educational institutions, many of them are having to grapple with new ways of providing their services. Many religious congregations are standing up entire operations around food insecurity or domestic violence.

So we do see that many organizations, many different types of organizations, involved in pandemic relief, and the strength of the sector has been in its plurality and expression of democracy, you could say.

Representative Herrera Beutler. Mr. Crim, any comment?

Mr. Crim. I would agree with that observation. At this point, from a personal level, one of the beautiful things about philanthropy in the United States is the ability of someone to express their values and their passions through their giving. And I think that happens naturally, the way things are.

Representative Herrera Beutler. I think, you know, I was on the phone with a local not-for-profit involved in the arts, local theater and, you know, depending on the type of nonprofit you are talking about, they were either, you know, pushed to the forefront of our consciousness in our communities, or they were, you know, kind of pushed to the back based on what is happening.

You mentioned churches who are kind of doing wrap-around services for frontline providers. Well, you know, there are others who are I think have just as vital a role to play in our communities, but obviously are not getting top of mind. And trying to figure out how to protect and keep some of those folks afloat in the middle of this has been a bit of a challenge, at least in our communities.

And that just brings to mind another question that I have had. I almost hesitate to bring it up because obviously we have been talking about the vital role that not-for-profits play. One of my first jobs was working for a nonprofit with regard to young people, and I did development, and it is a thankless task but you do it because of the cause. It is the most amazing thing to be a part of.

But we do have some entities who are abusing their not-for-profit status, who are laying off employees, right, despite significant endowments in addition to tax-exempt status.

How can we support and encourage charitable giving while ensuring that we are setting the stage to kind of call some of those into accountability? It's not as fun of a question.

Dr. Osili. That is certainly a challenging set of questions, and we see that across all sectors. I do not think the nonprofit sector is unique in that respect. I think some of the same standards and policies that have been applied in the CARES Act for other types of entities could also be extended to nonprofits. And, similarly, incentives to retain staff and navigate the crisis could also be introduced.

So I do believe that the issue of perhaps fraud, or accountability and transparency does cut across all sectors, but particularly in the nonprofit sector trust is a really important factor. That is the glue that holds the sector together. And so as we think about incentives, keeping that trust and accountability in mind, I think is important.

Representative Herrera Beutler. Thank you. And I see my time is up, so I yield back. Thank you.

Chairman Lee. Thank you so much. We are now going to start a second round. For any of you who would like to stay with us, you are free to stay on. Feel free to drop off if you do not have any interest in participating in a second round, but we will go ahead and begin that now.

Mr. Crim, let us go back to you for a moment. I think all Americans have been affected by the pandemic in some way or another. But Americans who were disadvantaged economically and otherwise prior to the pandemic are experiencing greater hardship compared to those who are more educated, or have more resources, or had more income prior to this issue surfacing.

What are some of the specific ways, Mr. Crim, that charitable giving, and by extension charitable organizations, have met the needs of low-income or less-educated Americans during the pandemic?

Mr. Crim. Well I think what I have seen is that in much the way I think Dr. Osili talked about, the research shows money in a crisis flows to basic needs. It flows to the urgency that people see. And we see that in our own experience, that philanthropists and individual donors, and corporations, that people rally when there is a need, and nonprofits provide a vehicle to quickly get those resources to those with the greatest needs—2-1-1, which is a national infrastructure connecting people to the services that are available to them statewide in Utah, and in most of the country, does a pretty good job of in real time assessing what are the needs that people are calling about, or searching for online.

I think there is more responsibility we all have, though, to think about recovery in an inclusive way; to think about creating structures, and systems, and filling gaps in the long run that try to mitigate the problem that you just described so well.

So that the next time there is a crisis, whether it is a natural disaster or a health crisis, maybe we are a more equitable society. Maybe people have a better capacity to weather a storm. And so in our community, there is an overt conversation going on about inclusive recovery, and how do we create systems, whether they are education systems, or economic systems, or health systems that think about the disadvantaged and the inequity that existed before the pandemic, and try to create something new going forward.

Chairman Lee. Thank you. And then on a related point, Mr. Crim, we know that the pandemic has in many cases, and in countless ways, increased the demands on churches, schools, nonprofits, and other institutions of civil society. And we know that, at the same time and for the same reasons, the same underlying reasons, it is also reducing donations as people are feeling more uncertain about their future and are less inclined to give.

Do we know how much the pandemic may have affected donations to charitable organizations?

Mr. Crim. I do not have data that is sector wide, or even beyond our own organization. I can say anecdotally that, you know, we have seen both a loss in donations, individual donations, and overall planned revenue. We have seen unexpected increases in some revenue directed towards pandemic relief. And then we have seen, you know, some visionary philanthropist who is really thinking, as I mentioned before, about inclusive recovery. How do we change the system to make it more equitable for kids, for example? Is there a way to tackle the broadband issue that is not piece-by-piece in a family-by-family, but that really thinks about the future of our economy and people's ability to participate in that economy that starts with equitable internet access, broadband access?

Chairman Lee. Do you have any idea of what types of organizations might have been most affected by reductions in charitable contributions? You say you have seen some revenue loss, meaning donations overall I assume are down. Do not tell me anything that is sensitive, but do you have any sense as to who is getting hit the hardest in the charitable world?

Mr. Crim. My anecdotal sense, and I would defer to Dr. Osili for hard data, is that it is organizations that are not directly on the front lines of pandemic relief and/or really small organizations that do not have the infrastructure to sustain their fundraising efforts in a different kind of way.

Chairman Lee. Dr. Osili, what is your reaction to that question? Do you have any sense as to what types of organizations have been most affected by reductions in charitable giving?

Dr. Osili. Yes. So we have some very strong evidence from the Great Recession. During the Great Recession, we saw human service organizations, charities, actually experience an increase in their fundraising, in their charitable giving, whereas other sectors, for example, arts and culture organizations, in some cases environmental groups, actually saw a decline.

So very similar to Mr. Crim's observations, organizations that were serving basic needs at the front lines of this, in this case it was an economic crisis, saw an increase in their charitable giving, whereas organizations that were less involved in responding to basic needs and emergencies saw a decline.

Something, just a small piece of data that I shared earlier, as I mentioned, 80 percent of the national sample that we surveyed had already seen some disruption in their planning for this year. And for many organizations, it was the cancellation of fundraising events. And that was fairly widespread, but tends to be concentrated in some sectors. And I mentioned the arts, but other subsectors that rely heavily on charitable events—walks, runs, all those types of fundraising activities—that have been canceled.

Chairman Lee. Thank you. Vice Chairman Beyer, you are up to bat next.

Vice Chairman Beyer. Mr. Chairman, thank you very much. Dr. Osili, I cannot tell you how many Saturday nights back I have now that all those fundraising events have been canceled on Saturday nights.

I lived overseas for four years, and one of the great surprises in Europe was that they do not have this tradition of the nonprofits for the charitable giving that we do, you know, that we are sort of raised with, the whole idea of raising the barn, or all the community coming together to bring in the crops. That just does not seem to exist over there.

And one of the things that I have enjoyed learning on this Joint Economic Committee, with Chairman Lee's help, is the incredible role of social capital in our American lives. I'm constantly pushing my kids to be ever more involved in the community. And, that we begin to think of measuring our own wealth by virtue of the social capital that we have in the community that we live in.

And at home I find that I am measuring the social capital by the strength of the nonprofits, that the more robust they are, the greater the sense of community and social capital that we all have.

So I guess my question, both to Mr. Crim who has been doing this for decades, and for Dr. Osili, how do we nurture this commitment to nonprofits, and to building our social capital?

Mr. Crim. Well I will start by saying I think you mentioned starting with your kids, engaging kids in volunteer work, creating volunteer opportunities, bringing people together to address challenges collectively, I think is one way to do that.

I think communities that try to build social capital not only when there is a crisis, but that really look for ways to overcome sometimes the inadvertent divisions that occur, and sometimes the overt divisions that occur in communities, is super important.

I am sure those of you who study this are well aware of the different kinds of social capital, the bonding social capital where we connect with people who look like us, and think like us, and maybe are in our same income bracket. That is the type of social capital that is relatively easy to create, but I do not think that is what makes our country the strongest. What makes our country the strongest I think is bridging social capital. It is the social capital we build across differences, and that allows us to come together and do hard things.

Vice Chairman Beyer. Thanks.

Dr. Osili.

Dr. Osili. I am glad you raised the point about international differences. Here at the Lilly Family School we have two large projects that look at differences across countries in philanthropy. And certainly the sociocultural fabric of our country has enabled the growth and the strength of civil society.

But going forward, I think providing incentives that encourage, as we talked about, charitable giving, and also strengthen the sector, that infrastructure becomes very important.

And at the household level, I would agree with Mr. Crim that what we've also seen in the data is that families play a very important role in transmitting generosity. Parents tend to teach their children, in some cases grandparents are also involved in establishing this tradition. And that goes for giving, but also to volunteering.

We do see that volunteering has a twofold effect, volunteering as a family, that increases not just the children's volunteering but also their giving when they become adults. So I think we need to look at all the different ways—time, talent, treasure—and increasingly with the advent of social media, testimony. Getting Americans to share their stories about why they give, and the causes that matter the most to them, and also be inspiring. And in this pandemic, I think we have seen an explosion in the use of social media around charitable giving.

Vice Chairman Beyer. Dr. Osili, one last question. In the current crisis we have talked a lot about automatic stabilizers for food stamps, for unemployment insurance. Have you thought about any way to automatically use stabilizers for nonprofits in times when people get in trouble, when the economy turns down?

Dr. Osili. I think one way to do that is really having strong anchors at the community level. And that can include, as we have already seen, United Ways and community foundations, but also national associations and state-level associations of nonprofits can provide that type of support during times of crisis.

We are seeing that happen in many communities around the country with these community-level funds that we discussed. Some states do have incentives for donations to community foundations specifically, but really thinking about the institutional fabric, or the infrastructure that so many nonprofits lean on in times of crisis I think is important.

Vice Chairman Beyer. Thank you. I yield back. Thank you, Mr. Chairman.

Chairman Lee. Representative Schweikert.

[No response.]

David, are you still there?

[No response.]

Okay, Representative Schweikert, if you're there, speak. Speak up, or shoot me a text, or give me a call. Otherwise, I think we are going to wrap up here in a moment.

I really want to thank our witnesses again for being here. Dr. Osili and Mr. Crim, your testimony and your answers to our questions have really been invaluable. And I am also grateful to Senator Lankford and Senator Shaheen for their insight.

Should any Member of this Committee wish to submit questions for the record, the hearing record will remain open for three business days. For participants on WebEx, you will hear the Senate Recording Studio announce that the public lectern live statement has ended. Until that point, Members and witnesses' microphones will still cause the video to shift to them if you are left unmuted. So maybe you are still on. Just be aware of that.

I also want to thank the staff of the Senate Recording Studio, the Sargent-At-Arms for the Rules Committee, and the Architect of the Capitol and the Capitol Police, and the Joint Economic Committee staff, all of whom have made it possible for us to hold this first-of-its-kind hybrid hearing of the Joint Economic Committee.

The hearing now stands adjourned. Thank you.

[Whereupon, at 4:14 p.m., Tuesday, June 9, 2020, the hearing of the U.S. Joint Economic Committee was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF HON. MIKE LEE, CHAIRMAN, JOINT ECONOMIC COMMITTEE

Good afternoon, and thank you for joining us for this hearing of the Joint Economic Committee.

Over the past few months, following the spread of the novel coronavirus, millions of Americans have been robbed of health, financial security, the certainty and normalcy of daily life, and even of community and connection.

In response, our nation has come together, as we always have—through government, of course, and also through the courage and compassion of our voluntary civil society.

Nonprofits, churches, and other voluntary institutions have for centuries played a uniquely important role in American life—helping to provide for others' basic needs, ensuring the stability of community institutions, and supplying goods such as education and the arts.

Key to this spirit is charitable giving. Without financial donations, these organizations cannot undertake the good works that they do—including providing the indirect benefits of personal connectedness, reciprocity, and trust that are invaluable to community thriving.

Unfortunately, there have been worrisome trends in charitable giving over recent years.

As JEC staff research has found, while total American charitable giving has increased in most years over the last half century, the overall percentage of Americans giving has decreased—from 66 percent in 2000 to 56 percent in 2014—with a particularly pronounced drop among lower-income Americans.

Additionally, the share of individual giving out of total giving has dropped over time, decreasing from 83 percent in 1978 to 68 percent in 2018.

In other words, giving is now primarily from fewer, wealthier people and organizations.

Why does this matter?

First, it denies communities the necessary, positive "spillover" effects that flow from individual contributions and widespread altruism.

And second, the very causes being supported are likely to change as a result of these trends. While higher-income Americans tend to give to education and the arts, less affluent Americans tend to give towards service and assistance to the poor. In fact, those making $100,000 or less are responsible for 49% of all giving to this area of vital need.

One unintended contributor to this trend is the Federal tax code's inequitable treatment of charitable giving. As a "below-the-line" deduction, only those who itemize—generally, tax filers toward the upper end of the income scale—can currently claim the charitable deduction. Lower-income families who don't itemize now receive no tax benefit for their charitable contributions.

This is an unintended consequence of the longstanding, bipartisan effort to raise the standard deduction, which provides tax relief to lower- and middle-income filers. But it's an inequity just the same, and an injustice to working families and the local charities who rely on them.

While the CARES Act, passed earlier this year, did add an above-the-line deduction of $300 for non-itemizers, much more could and—I believe—should be done. I called this hearing to talk about how—especially in this time of great hardship, when charitable giving is so essential—Congress can better address this disparity.

In recent weeks, I have been part of a bipartisan working group to develop legislation reforming this inequity. I am grateful that two other Members of the group, Senators Lankford and Shaheen, could be here to talk about it today. Especially in the wake of the COVID emergency, leveraging charitable giving should be a top priority for those of us tasked with reviving our economy.

In the coming months, those of us in the House and Senate are going to expend a lot of energy trying to figure out which of the Federal programs on which we have spent all these trillions of dollars have worked . . . and which haven't. It's going to be a complicated, and at times controversial, project for all of us.

With the nonprofit sector, however, the vetting work has already been done for us. Charitable organizations only exist and attract donations to the extent that they are already believed to succeed. They can serve as the "tip of the spear" in our national COVID response and help chart the course for government-financed relief at all levels.

Today's hearing will focus on just that, and we will hear not only from Senators Lankford and Shaheen, but from two additional witnesses with valuable perspectives on philanthropy. I look forward to hearing the contributions of our panelists and colleagues on this important topic.

Before we proceed, let me say a few words about how the hearing has been modified from its usual format in light of the spread of the coronavirus. The hearing room has been configured to maintain the recommended 6-foot social distancing between Members and other individuals in the room necessary to operate the hearing, which we have kept to a minimum.

A number of Members and witnesses have chosen to use secure video teleconference technology, which will allow them to participate remotely. For those joining remotely, once you start speaking, there will be a slight delay before you are displayed on screen. To minimize background noise, we are asking those who are using the video conference option to please click the mute button until it is their turn to ask questions.

If there is a technology issue, we will move to the next Member until it is resolved.

I would remind all Members and witnesses that the 5-minute timer will be used. For those joining us remotely, you will notice a screen labeled "Timer" that will show how much time is remaining.

I now recognize Vice Chair Beyer, for opening remarks.

PREPARED STATEMENT OF HON. DONALD BEYER JR., VICE CHAIR, JOINT ECONOMIC COMMITTEE

Thank you Chairman Lee. Thank you to our witnesses Dr. Osili and Mr. Crim for sharing your expertise and perspective with us here today. And thank you Senators Shaheen and Lankford for joining the Committee this afternoon.

I think everyone here agrees: charities are one of our nation's precious resources.

They provide invaluable services and strengthen our communities. Perhaps at no time in our history has this important role been so visible as during this global pandemic and resulting economic crisis.

I volunteered at a food bank in my district recently—for as long as I was there you could not see the end of the line—and they told me that one of their biggest challenges is that they are no longer getting the extra food from restaurants because restaurants are closed so they are having to turn to their state and local governments to fund the food they need to feed all of these people who do not have any income.

Throughout this crisis, America's charities have been frontline responders, providing communities that have been critically impacted with access to housing, emergency child care for first responders, support for victims of domestic abuse, counseling, and other critical services.

RECENT CHALLENGES

Unfortunately, at a time when we need nonprofits more than ever and when more Americans are turning to them for support, they also are facing serious economic challenges.

Nearly three-quarters of charities globally have seen a decline in donations since the crisis began—half expect to absorb a hit of 20 percent.

They depend on a diverse set of resources. Foundations, businesses, and individuals. But individual giving is key—making up nearly 70 percent of charitable contributions.

Since 2000, the share of households donating to nonprofits has fallen from two-thirds to 53 percent in 2016. That translates to 20 million fewer households donating.

THE EFFECT OF THE 2017 REPUBLICAN TAX CUTS

Unfortunately, the 2017 Republican tax cuts, the "Tax Cuts and Jobs Act" made things worse.

You are familiar with the broad contours of the story.

The law nearly doubled the standard deduction to $12,000 for single taxpayers and for married couples filing separately, and to $24,000 for married couples filing jointly.

It also capped the state and local tax deduction—SALT.

As a result, the law dramatically reduced incentives to itemize deductions. And not surprisingly, the number of taxpayers who itemize fell precipitously.

In 2017, before the law was enacted, 26 percent of households itemized.

In 2018, after the law kicked in, the share plummeted to only 10 percent—substantially less than half of the percentage that had filed the previous year. Less than half.

For the nonprofit world—that hurts. Badly.

Fewer itemizers means fewer givers. That result was widely predicted even before the law was passed.

So it shouldn't have been a surprise to anyone that individual donations fell in 2018.

Despite a strong economy, individual giving fell by more than 3 percent, after adjusting for inflation. As a percentage of GDP, charitable contributions by individuals declined by 6 percent.

THE PANDEMIC MAKES THINGS WORSE

Now, with the current crisis, contributions are likely falling faster as charities confront both fewer donations and canceled fundraising events.

This means less money will be available and spent on the necessary services these organizations provide to our communities.

Already, 60 percent of charities have reduced services. A survey of smaller nonprofits found that 13 percent had suspended all or most of their operations.

MACROECONOMIC EFFECTS

There are serious economic impacts as well.

In 2017, nonprofits employed more than 12 million people in the United States—more than 10 percent of the private-sector workforce.

But as a result of the pandemic, nearly one-in-six nonprofits around the world were forced to furlough employees. One-in-eight have had to lay people off.

POLICY RESPONSES

We all agree that these are serious problems. The question is what to do about it.

We'll hear today more about proposals to incentivize additional charitable giving by expanding access to the charitable deduction beyond the $300 universal deduction for this year included in the CARES Act. Expanding the deduction further could help offset lost individual contributions resulting from the TCJA.

I favor taking a broad look at a range of options available to bolster the sector.

Supporting charities and the individuals who count on them for critical services and jobs requires a comprehensive approach that includes ensuring organizations can access the many supports in CARES and other coronavirus relief legislation.

Congress intentionally made PPP loans available to nonprofits and many have been able to utilize them to retain employees and sustain operations.

Nonprofits are also benefiting from the Employee Retention Tax Credit in the CARES Act. The HEROES Act would increase the tax credit from 50 percent to 80 percent of qualifying wages and lift the wage cap.

BEYER CHARITABLE ROLLOVER BILL

Another path is to tap the generosity of our senior citizens. I've introduced a bill that would incent charitable giving by expanding the IRA Charitable Rollover to allow people starting at age 65 to make tax-free IRA rollovers to charities while providing a guaranteed income for the senior citizen.

I know Senator Klobuchar has introduced legislation to provide grants that would help nonprofits retain employees or hire those who have recently become unemployed.

WE NEED A SENSE OF URGENCY

There are lots of smart ways to address these challenges.

What nonprofits need most is an injection of resources to get them through this period. And they need it now.

Some in Congress feel no sense of urgency. But I hear every day from people in my district, from nonprofits, big and small, that a sense of urgency is exactly what's needed.

Thank you Chairman Lee for focusing attention on what we can do right now to support charities and to help them weather this storm.

And again I'd like to thank our witnesses from inside and outside Congress for sharing your perspectives today.

PREPARED STATEMENT OF SENATOR JAMES LANKFORD

Chairman Lee, Vice Chair Beyer, Members of the Committee—I want to thank you for holding this critically important hearing on ways we can boost charitable giving during the middle of the COVID–19 pandemic. This is an incredibly challenging time for individuals and families all across our nation, and supporting members of our nonprofit community will be essential to a speedy and full recovery.

Our churches, charities, and other nonprofits form a major pillar in each of our communities. They help support our neighbors in need, and lend a helping hand to those who are struggling. They provide a vital access point to so many, whether it be a meal at your local soup kitchen, groceries and supplies from a city food bank, or a warm coat at a Main Street Goodwill. Housing/shelter, pro bono health care services, job skills training . . . you name it. Our nonprofits deliver an almost immeasurable range of services, and meet the needs of our nation's most vulnerable every single day. It's this quiet dedication and steadfast commitment to serving our neighbors and families in need that weaves our safety net together. The safety net protects lives and livelihoods, and works to prevent our struggling neighbors from slipping through the cracks of society, while preserving human dignity and worth.

Many of us have worked on the issue of charitable giving for a long time. We've examined various ways to boost giving through the tax code, and we've tried to remove regulatory burdens where we find them that prevent our churches and charities from fulfilling their missions.

For years, many of our nonprofits have struggled to meet the needs of their neighbors, and, unfortunately, the COVID–19 pandemic has only exacerbated the situation further. With millions having lost their jobs and livelihoods over the past weeks and months, we've heard from thousands of nonprofits who have been hit exceptionally hard by the dip in giving and fundraising. In many cases, they've been unable to make their payrolls and make payments on their fixed monthly costs. Initiatives like the Paycheck Protection Program were helpful, but we can do more.

We must find creative ways to incentivize those who have the heart and means to give, to give. Our country's nonprofits need their support now more than ever.

That's why I've been working with five of my colleagues in the Senate—including you Mr. Chairman—on a bipartisan way to boost giving through the tax code. As most folks watching this hearing know, the CARES Act included a new $300 above-the-line deduction that taxpayers can claim for 2020 in addition to taking the standard deduction. Although I advocated for a significantly higher amount—given the financial pressures COVID has placed on our nonprofits—it was a welcome policy addition, and I appreciated its inclusion. However, we must go bigger if we are going to match the size of the need COVID has brought upon us. If we don't, we risk creating a massive void in our social safety net, meaning our most vulnerable will have critical needs unmet during one of the most painful times in our nation's history. The beauty and importance of what our churches and charities bring to communities is underscored by the fact that they are not of the Federal or state government, and thus they are not propped up by taxpayer dollars. Rather, they are funded by the kindness and generosity of our fellow citizens.

The approach we're offering is simple—let's build on the current $300 deduction for cash gifts included in CARES, and increase the limit to one-third of the standard deduction (that's $4,000 for individuals or $8,000 for married filers). Let's also make it applicable to the 2019 tax year as well, so that those who gave last year can go back and amend their 2019 returns to also take advantage. That was an idea from my good friend and fellow panelist, Senator Shaheen, and one that we've worked to include in the updated version.

This is a straightforward way to incentivize giving for taxpayers who take the standard deduction. This would really help our middle- to low-income taxpayers who want to give. This policy rewards that generosity which ultimately benefits our churches and charities who turn those gifts into met needs.

The challenge is clear—we need to support our nonprofits by boosting giving. This is a great way to do that, and one that has strong bipartisan support here in Congress. Moreover, we have overwhelming support in the nonprofit community. We had over 6,000 nonprofits of all sizes and missions that became a part of our support coalition during the debate on CARES, and they continue to help us build momentum.

I want to give a special thanks to some of my colleagues who have been real leaders in continuing to push this forward—Senators Shaheen, Coons, Scott, Klobuchar, and certainly Chairman Lee. I'd also like to thank our House-side partner, Congressman Walker, for his leadership across the Capitol. We've worked on this issue together since 2017, and the nonprofit sector has no better advocate in the House.

I sincerely thank the Committee for holding this important hearing, and for allowing me the opportunity to speak. I look forward to working with each of you to further enact policies that will lift up our nation's nonprofits at a time when they are needed more than ever.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF SENATOR JEANNE SHAHEEN

Chairman Lee, Vice Chairman Beyer, thank you for the opportunity to share a few thoughts with you today on this very important subject.

New Hampshire has a historically dynamic and robust nonprofit community, and charitable organizations provide critical services throughout the Granite State.

From food banks to homeless shelters, arts organizations and faith-based groups, these entities are part of the fabric of our society in New Hampshire and around the country.

Particularly in New Hampshire, nonprofit organizations form part of our social safety net to protect and support our citizens and communities. For example:

- Area Agencies in New Hampshire provide programs for people with developmental disabilities and their families.
- The New Hampshire Coalition against Domestic and Sexual Violence, and the state's 13 crisis centers, provide critical services for survivors of domestic and sexual violence.
- And New Horizons helps homeless individuals and families reach beyond the cycle of homelessness to lead healthy and successful lives.

I have had multiple calls with these and other nonprofit groups in my state to hear about the important work they are doing right now to help lessen the impact of this pandemic.

However, many organizations in New Hampshire and around the country are now struggling to fundraise due to their inability to conduct in-person events, as well as the economic strain so many families are experiencing.

According to a recent pulse survey conducted by the New Hampshire Center for Nonprofits, 92 percent of responding nonprofits have reported a drop in revenue by an average of 34 percent, while 45 percent of respondents have instituted layoffs.

At the same time, according to the same survey, 38 percent of organizations, including 45 percent of human service organizations reported an increase in demand for their services, and 44 percent of all respondents have increased some operations to meet this surge in demand.

Now more than ever, we should be doing everything we can to support these organizations, and providing an incentive through the tax code is a simple way for Congress to stand side-by-side with our nonprofits and charitable organizations and faith-based groups during this challenging time.

I'm very pleased to be working with a bipartisan group of Senators, including Chairman Lee and Senator Lankford, as well as others, to design a tax incentive that would allow a taxpayer to claim an above-the-line deduction equal to up to 1/3 of the standard deduction, or $8,000 for a married couple filing jointly, for charitable contributions made in tax year 2020.

In addition, this legislation would include my proposal to allow a deduction for charitable contributions made before the new tax filing deadline of July 15, 2020, to be "carried back" to tax year 2019, either through a current filing or, for those who have already filed their 2019 returns, through an amended return.

Thank you again, Mr. Chairman, for inviting me to discuss the legislation and I appreciate your partnership as we work to get this bill across the threshold. As we all know, Congress must act now because the need is great and the challenges that nonprofit and charitable organizations are working to address are so acute.

PREPARED STATEMENT OF BILL CRIM, PRESIDENT AND CEO, UNITED WAY OF SALT LAKE

Chairman Lee, Vice Chairman Beyer, Members of the Committee,

I deeply appreciate the opportunity to come before the committee to talk about United Way of Salt Lake's work, our response to the COVID–19 crisis, and the role tax policy plays in driving private giving.

United Way of Salt Lake builds cross-sector partnerships that work to solve our community's most complex social and economic problems. Within these partnerships we hold ourselves accountable to results that no single organization—or sector—can achieve alone. Together with thousands of individual donors and volunteers—and with hundreds of private, public, and social sector partners, we are working to make sure that every child in our community has the opportunity to succeed in school and in life. We do this by improving and expanding early learning opportunities, strengthening literacy and math skills, and supporting high school graduation and completion from postsecondary education. Through 2–1-1 and our partnerships focused on the social determinants of health, we are working to improve health outcomes by changing the ways health systems interact with community-based organizations and improving the ways that economically vulnerable Utahns connect to the more than 10,000 services available in the charitable and public sectors in Utah.

Our commitment to create lasting change and help all kids and families succeed, regardless of their circumstances, holds especially true during this time. As we continue to address the health and economic impacts of the COVID–19 pandemic, and as we are all called to address the urgent need for racial justice in our country, we know that the role of nonprofits, and of charitable giving, is critical.

Over the past three months, hundreds of individual Utahns have generously risen to the challenge of supporting our community. In addition, key business partners like Goldman Sachs, Mark Miller, Zions Bank, and Savage have contributed to our work. This generosity has allowed us to respond to dramatic increases in contacts through 2–1-1, to provide critical support to dozens of community partners meeting essential basic needs, and to develop a comprehensive initiative to address the dramatic learning loss experienced by so many students over the past three months.

I am proud to be talking to you today from Utah, the most charitable state in the United States—which is the most charitable country in the world.

Reasons for giving are highly personal—but I can assure you from firsthand experience that people give to charities for altruistic reasons. Sometimes this selfless concern for others is driven by faith or simply a desire to give back to the community in which they live. Often, and in our case, it is because people believe that by working together we can solve society's most complex problems.

But tax policy does influence people's behavior, from business investment decisions to buying a home. This doesn't mean every person is influenced by tax policy, but large numbers of people are.

Charitable giving is the most discretionary financial decision someone can make. Good tax policy might be the nudge that someone needs to make their first donation. Or it may prompt a long-time donor to give a little more.

Consider, for example, a person who gives $500 per year to charities. If they paid a 20% tax rate, that means they are paying $100 in taxes on that money they are giving away. Setting aside the fundamental unfairness of taxing income that's being donated to help others, those taxes may prompt a smaller donation from some people who aren't in a position to give any more.

Conversely, if Congress were to relieve tens of millions of Americans from taxes on income they donate, it's not hard to imagine the positive impact on charitable giving.

I am not an economist or tax policy expert, but studies have consistently found that good tax policy will drive more giving, that includes increased giving by people who make small donations.

United Ways, basic needs charities, faith-based charities, and disaster relief charities rely heavily on small donations from large numbers of people. We raise about $15 million per year in Salt Lake City. But our average individual donation is $229 per year. Those small donations add up. Nationally, United Ways raise over $1 billion per year from small donors who give on average $155 per year. (Note our donor base is diverse, and we raise several billion more from corporate partners and large donors.)

Of course, in my view the ideal Federal tax policy would be to permanently relieve all taxpayers from paying taxes on income they donate to charity. That could happen through an above the line exclusion or a non-itemizer charitable deduction combined with the existing deduction. Bills by Congressman Danny Davis (D–IL) or Congressmen Chris Smith (R–NJ) and Henry Cuellar (D–TX) would do that.

We understand that that may not be viable at this moment in time. But a temporary non-itemizer deduction could be instrumental in helping charities help our communities and those impacted by crises facing our country.

We understand Chairman Lee, Senator Klobuchar, and others are supporting a temporary deduction modeled after Senator Lankford's and Congressman Mark Walker's legislation. We think that legislation would provide a much needed infusion of donations directly to the charities that are leading the COVID–19 response and recovery efforts. The recovery efforts by charities will go well beyond 2020, so the longer this legislation is in effect, the better it will help us support our communities and those who have been affected by COVID–19.

As I close, I want to note that several Members of this Committee have supported and personally donated to their United Way (in at least one case for decades) and others have played significant roles in raising donations for their local United Ways. On behalf of United Way, I want to extend our deepest thanks to each of you.

Mr. Chairman, I'm happy to answer any questions.

PREPARED STATEMENT OF DR. UNA OSILI, ASSOCIATE DEAN FOR RESEARCH AND INTERNATIONAL PROGRAMS AT THE INDIANA UNIVERSITY LILLY FAMILY SCHOOL OF PHILANTHROPY

Chairman Lee, Vice Chair Beyer, and other distinguished Members of the Joint Economic Committee.

Thank you for the opportunity to testify today. I am the Associate Dean for Research and International Programs at the Indiana University Lilly Family School of Philanthropy—the world's first School dedicated to the study and teaching of philanthropy. The School is in the vanguard of philanthropy education, and research. I am also a Professor of Economics and Philanthropic Studies.

The School's research initiatives have tracked crisis and disaster giving since September 11, 2001.

My written testimony will focus on addressing three crucial questions: 1) What are the current trends in charitable giving during the COVID–19 pandemic 2) How should these trends be interpreted in light of overall charitable giving patterns? 3) What are the policies that can strengthen charitable giving by American households now and in the future?

CHARITABLE GIVING DURING THE COVID–19 PANDEMIC

For many American households, philanthropy is a core value.

Through good times, and during times of crisis and upheaval, American philanthropy—which includes donors at all income levels and all racial and ethnic backgrounds—has worked collaboratively to fill gaps where governments or markets face limitations and provide capital for innovation, and to meet basic needs.

Philanthropy defined "as voluntary action for the public good" is a central way for Americans to contribute to civic and social life and the vitality and strength of their communities. The philanthropic sector role is evident in short-term emergencies as well as in Americans' long-term commitment to religious congregations, food pantries, homeless shelters, neighborhood associations, to the arts, and to educational programs.

In 2018, Americans donated about $427.71 billion to charitable organizations [1], of which about 68 percent came from living individuals.

The COVID–19 pandemic has induced twin crises in communities across the U.S. Americans of all backgrounds are grappling with unprecedented health and economic shocks. Moreover, African-American and Latino populations have been disproportionately impacted by the COVID–19 pandemic, exposing deep racial and structural inequities [2].

Four aspects of the philanthropic response to the COVID–19 pandemic merit close attention.

First, we have witnessed tremendous generosity during the COVID–19 pandemic by American households of all backgrounds, not only the immediate and generous monetary support to charitable organizations, but also "mutual aid" to neighbors, friends, and community members. To date, U.S. foundations and corporations have contributed over $11 billion to the novel coronavirus response, based on Candid's estimates [3].

Research can provide critical insights for donor patterns and better understand what we might be in store so we can strengthen services and support recovery efforts ahead. Philanthropy has played an important role during and following national and international crises. From 9/11 to the disasters, such as Hurricane Harvey in 2017, we have seen Americans of all ages, education, and income levels give generously of their money, their goods, their time, and their talent, as well as build networks during times of crisis.

In response to such crises, around 30 percent of U.S. households made a disaster-related donation in 2017 and 2018, and the average donation was about $300 [4]. The magnitude of a disaster was found in our research to be the top factor encouraging Americans to contribute to disaster aid efforts. Many Americans who donated after disasters did so without reducing their giving to other charitable causes. Nearly 80 percent of households who donated to disaster-related activities in 2017 and 2018 did not change their giving to other causes, and 12 percent even increased their giving to other causes.

During the COVID–19 pandemic, philanthropy has continued to play a critical role in addressing the immediate health impacts while addressing the cascading effects of the crisis.

For 20 years, the School has tracked gifts of $1 million or more in the United States through the Million Dollar List. In response to COVID–19, there have been a significant number of contributions of $1 million or more made by individuals, including many donations by celebrities and other wealthy individuals who have not previously donated at the million-dollar level. To date, the largest publicly announced donation is a pledge by Jack Dorsey, the CEO of Twitter and Square, Inc. [5].

Initial evidence suggests that large gifts are fueling scientific advances and serving as a catalyst for research in new areas in health, and expanding health care capacity. Specifically, philanthropic support has played a role in catalyzing innovation in developing health care capacity, diagnostic testing, and funding vaccine research.

Second, during the crisis, new forms of philanthropy—such as crowdfunding—have gained visibility. The crisis has inspired innovation with the adoption of new fundraising and virtual engagement technologies and demonstrating the role of individual donors in meeting community challenges.

Crowdfunding campaigns, typically driven by small donations, have expanded in their reach and impact. There are nearly 200 crowdfunding campaigns in the United States on GoFundMe.com that have each raised over $100,000. The largest—America's Food Fund—has raised over $26 million and focuses on addressing food insecurity during the pandemic.

Another significant crowdfunding campaign launched by the Center for Disease Control (CDC) Foundation on Charidy.com has raised nearly $50 million.

Numerous national and global fundraising campaigns have taken place since the beginning of the pandemic. One of the largest, One World: Together at Home, which took place on April 18, raised nearly $128 million [6], while over $503 million was donated online during #GivingTuesdayNow on May 5 [7].

Third, in the wake of the COVID–19 pandemic, we have also seen philanthropy as a unique collaborator, convener, and facilitator of collective action in local communities.

A unique initiative led by Dr. Laurie Paarlberg, Endowed Chair in Community Philanthropy at the Lilly Family School of Philanthropy, is tracking philanthropy's response at the local level.

As of May 15, her Mapping Community Philanthropic Response to COVID–19 project estimates that community funds in cities and towns across America have raised more than $634 million and distributed at least $376 million[1] to financially vulnerable individuals and nonprofits. As of May 15, the research team had identified 1020 organizations supporting COVID–19 funds, with 244 funds jointly supported by United Way or community foundation. Many of these funds have worked to address the critical needs created by the pandemic—including food insecurity, mental health, and emergency financial assistance.

Finally, the COVID–19 pandemic has exposed harsh social and economic disparities. Private funders and nonprofits are working to address the needs of the most vulnerable who are most impacted by the pandemic's economic fallout.

In Michigan, a collaboration of philanthropic organizations (including the Kellogg Foundation) rapidly joined forces to supply computer tablets with high-speed internet connectivity to Detroit Public School students [8]. The $23 million fund, called Connected Futures, addresses the digital divide for K–12 students. A national fund, the Coronavirus Care Fund (CCF), provides emergency assistance for qualifying domestic workers who are facing hardship, and over 100,000 people around the country have contributed to the fund [9]. Another national fund, the Families and Workers Fund, focuses on workers and families who have been affected by job loss and school shutdowns [10].

The initial philanthropic response to COVID–19 is unprecedented in its speed, size, and scope—and many local food banks and human service charities and nonprofits of all sizes have risen to the challenge.

Not all communities have a sustained capacity to raise much-needed funds and respond to local needs. However, the economic and social ripple effects of the pandemic are still unfolding. The need for private philanthropy is rising, with many more people and communities needing services and support when the ability of some donors to give is challenged.

[1] Both numbers are an estimate and underreport the magnitude of community philanthropy as only 60% of funds are currently publicly reporting resource flows.

OVERALL TRENDS IN CHARITABLE GIVING

Research has long established that charitable giving is linked with national and regional economic trends. Several factors influence how much Americans donate, including financial and economic conditions.

Before the Great Recession, the fraction of Americans who gave to charitable causes was stable at about two-thirds of the population. In 2016 (the most recent year with available data), around 53 percent of American households donated [11]. In general, donation participation and amounts donated increase with education, wealth, and income [12–14].

The Philanthropy Panel Study [15], a module of the Panel Study of Income Dynamics [16], has tracked the share of American households who donate to charity since 2000. Between 2000 and 2008, giving remained steady (66.2 percent donated in 2000 and 65.4 donated in 2008). The Great Recession (December 2007–June 2009) [17], in particular, exposed how vulnerable household giving is to economic downturns. At the same time, components of 21st-century life such as globalization, demographic shifts, decreasing congregational affiliation and attendance, and increasing use of technology continue to alter and reshape future giving patterns.

In 2016, the average American donor contributed $2,763, or about 3.7 percent of income [11]. Participation rates and giving levels among individuals with high education, wealth, and income have generally held steady or increased [11]. However, among low- and middle-income Americans, and Americans with less than a high school education declines in participation rates in charitable giving are evident [11; 18] For now, this trend of "dollars up, donors down" has allowed overall giving in the United States to continue to increase in most years [1].

Today, low- and middle-income households represent a smaller share of America's individual giving landscape with implications for the strength and vibrancy of civil society.

TAX POLICY AND CHARITABLE GIVING

Beyond the impact of financial and economic conditions, one important aspect of the giving landscape is the potential tax benefit that U.S. households receive from their charitable contributions. Tax policy can promote the growth of philanthropy and the development of a thriving nonprofit sector.

The charitable deduction is one of the oldest tenets of the U.S. tax code, dating to 1917. It effectively reduces the cost contributing to qualified nonprofit organizations by an amount that depends on the donor's marginal tax rate, subject to specific annual limits. It affirms the value our society places on voluntary giving and the vital role of philanthropic organizations in meeting individual and community needs, and encourages the spirit of generosity that is an integral component of American civic life.

Over time, U.S. Federal tax policy has become less progressive. It lowered the tax burden on high-income households without providing the same incentives for low- and middle-income households [19]. This has the potential to reduce giving further by low- and middle-income families.

When examining the impact of tax policies, policymakers have the opportunity to consider how various policy options influence the level of charitable giving dollars, the share of households that donate, and the overall impact on tax revenues.

The Lilly Family School of Philanthropy recently analyzed the impact of various policy options that would extend the non-itemizer deduction. Expanding the non-itemizer deduction is estimated to increase both participation rates in charitable giving and charitable dollars raised. We projected that extending the non-itemizer deduction could increase charitable giving dollars by up to $26.2 billion (an increase of 7.7 percent), and increase the number of households who donate by up to 7.3 million households (an increase of 8.2 percent) in 2021 [20]. The policy would reduce Treasury revenue by up to $21.6 billion (a decrease of 0.6 percent). Therefore, the plan would bring in up to $4.6 billion more in charitable dollars than is lost in Treasury revenue.

As the nation faces daunting and complex challenges, policy debates have increasingly focused on strengthening the incentives for charitable giving.

The importance of public policy that can support charitable giving is critical. To meet the complex challenges of expanding community needs triggered by COVID–19, we need to examine how individuals and organizations across public, business, and nonprofit sectors can work together effectively to address immediate and long-term challenges.

Expanding tax incentives for lower- and middle-income Americans can be one vital step in fostering public involvement in this critical effort.

Thank you for the opportunity to testify today. I would be happy to respond to any questions you may have.

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RESPONSE FROM MR. CRIM TO QUESTION FOR THE RECORD SUBMITTED BY SENATOR KLOBUCHAR

The nonprofit sector employs one out of every three Americans, and over 44 million Americans have lost their jobs since mid-March. An infusion of Federal funding could help nonprofits keep their doors open, scale their services, and provide opportunities for the newly unemployed to return to work. I have introduced legislation to create a major new grants program to help nonprofits meet needs that have increased during the pandemic to retain their employees and hire new ones.

- *How can connecting newly unemployed workers with nonprofits who need new employees reduce poverty and help promote economic recovery?*

According to the Bureau of Labor Statistics, nonprofits in the U.S. employ more than 12 million people (2017). Helping nonprofits retain and hire employees during this pandemic is both a critical strategy for promoting economic recovery—and is especially strategic in terms of addressing the disproportional impact of the pandemic on Americans living in poverty.

Nonprofits are on the front lines of our country's pandemic response—providing support for basic needs like food and housing, mobilizing volunteers, and supporting low-income students as schools wrestle with the challenge of educating children in this environment.

In Utah, we've seen a steep increase in needs, while at the same time many nonprofits are fighting to survive. According to a survey conducted by the Utah Nonprofits Association "nonprofits in Utah report layoffs, lost revenue, canceled events, and curtailed services in response to the COVID–19 pandemic. Reduced revenue from events, combined with decreases in donations and the need for social distancing have led 24% of nonprofits surveyed by UNA to temporarily suspend services—creating gaps in the social fabric as the neediest among society lose access to housing, food, and family support.

Nearly two thirds (61%) of nonprofits told UNA that in response to social distancing, they had slowed, temporarily suspended, or decreased services—even as the demand for their services increased. Fifty-two nonprofits in Utah have canceled 1,493 events—eliminating $11,795,501 in revenue. Another $4,091,941 was spent to restructure events and move them online. In a March UNA survey of nonprofits, 68% of respondents believed that the COVID–19 would negatively impact finances. It is clear from these numbers, that these predictions were accurate. The decline in financial security may also be more rapid than anticipated. In the March survey, 41% of nonprofits reported cash reserves equal to or greater than six months of expenses. Six weeks later, only 32% of those surveyed reported that same level of financial security.

Nonprofits have responded to the increased financial pressure by seeking new sources of funding and looking for partnerships with businesses and other nonprofits. Over half (52%) of nonprofits have identified new revenue streams—but only 32% have actually secured new funding.

Nonprofit sector job losses in response to the pandemic are sobering. In the UNA survey, 14 employers reported laying off 102 full-time employees and 185 part-time staff members. Layoffs will continue; those surveyed anticipated furloughing another 18 full-time staff members and 68 part-time employees. According to the U.S. Bureau of Labor and Statistics, nonprofits employ 6.7% (78,235) of Utah's workforce. Applying these numbers to Utah's over 10,000 nonprofit organizations indicate that the organizations who serve our most needy are, or could be in need themselves."

Nationally, the picture is similar. The National Council of Nonprofits estimates that "1.6 million nonprofit jobs have been lost through June (data source, page 14 [Johns Hopkins Center for Civil Society Studies 2020 Nonprofit Employment Report]). It will take several years to determine how many nonprofits have folded, and nonprofits are in grave danger of having their budgets impacted now more than ever. Beyond the initial wave from COVID–19, we are bracing for another financial challenge as state budgets shift as they individually respond to this economic crisis. Nonprofits receive a third of their revenue from states and should that revenue stream constrict, nonprofits will be left without critical resources to do their work."

Beyond addressing emergency needs, nonprofits in many communities are leading the dialogue around building an inclusive and more equitable recovery. It is in these community conversations where Americans from all parties and all sectors can come together and really solve problems. For one of the best descriptions of how this occurs, please see the following article by David Brooks.

In summary—nonprofits in Utah, and throughout the country are playing a critical role in helping our Nation respond to the pandemic and create a more equitable and inclusive future—in both cases strengthening and building the social capital in communities to heal and be more resilient in times of crisis. The legislation introduced by Senator Klobuchar would be a powerful and in many places necessary tool for continuing this work. In addition to the essential resources provided, it would be helpful in the long-term to build in more robust and efficient data reporting for the nonprofit sector (currently The Johns Hopkins Center for Civil Society Studies independently gathers nonprofit employment data. As the third largest employer in the United States, it would be ideal to streamline the collection and reporting of nonprofit job-related data at the Federal level).

Opinion A Really Good Thing Happening in America—The New York Times

Sunday, December 16, 2018

2:57 PM

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A strategy for community problem-solving does an extraordinary job at restoring our social fabric.

Not long ago, in Spartanburg, S.C., I visited the offices of something called the Spartanburg Academic Movement (SAM). The walls were lined with charts measuring things like kindergarten readiness, third-grade reading scores and postsecondary enrollment.

Around the table was just about anybody in town who might touch a child's life. There were school superintendents and principals, but there were also the heads of the Chamber of Commerce and the local United Way, the police chief, a former mayor and the newspaper editor.

The people at SAM track everything they can measure about Spartanburg's young people from cradle to career. They gather everybody who might have any influence upon this data—parents, religious leaders, doctors, nutrition experts, etc.

And then together, as a communitywide system, they ask questions: Where are children falling off track? Why? What assets do we have in our system that can be applied to this problem? How can we work together to apply those assets?

There are a lot of things I love about this approach.

First, it understands that life is longitudinal. Sometimes social policies are distorted by the tyranny of randomized controlled experiments. Everybody is looking for the one magic intervention that will have a measurable effect.

But life isn't like that. Our actual lives are influenced by millions of events that interact in mysterious ways. And when life is going well it's because dozens of influences are flowing together and reinforcing one another. SAM tries to harness those dozens of influences.

Second, SAM treats the whole person. "The disease of modern character is specialization," Wendell Berry once wrote. Sometimes schools treat students as brains on a stick who come to be filled with skills and information.

But children don't leave behind their emotions, their diet, their traumas, their safety fears, their dental problems and so on when they get to school. If you're going to help kids, you have to help the whole kid all at once.

Third, and maybe most important, SAM embodies a new civic architecture, which has become known as the "collective impact" approach. Americans feel alienated from and distrustful toward most structures of authority these days, but this is one they can have faith in.

SAM organizes the community of Spartanburg around a common project. Then it creates an informal authority structure that transcends public-sector/private-sector lines, that rallies cops and churches, the grass roots and the grass tops. Members put data in the center and use it as a tool not for competition but for collaboration. Like the best social service organizations, it is high on empathy and high on engineering. It is local, participatory and comprehensive.

SAM is not a lone case. Spartanburg is one of 70 communities around the country that use what is called the StriveTogether method. StriveTogether began in Cincinnati just over a decade ago. A few leaders were trying to improve education in the city and thinking of starting another program. But a Procter & Gamble executive observed, "We're program-rich, but system-poor." In other words, Cincinnati had plenty of programs. What it lacked was an effective system to coordinate them.

A methodology was born: organize around the data, focus on the assets of the community, not the deficits; realize there is no one silver-bullet solution; create a "backbone organization" (like SAM) that can bring all the players together; coordinate decision-making and action; share accountability.

At one point the folks in Cincinnati noticed that their students were not coming prepared for kindergarten. The data suggested that the private pre-K programs were performing better than the public ones. So the public school system allocated some of its money to support other, private programs, making Cincinnati one of the first American cities to offer near-universal preschool. That's a community working as one.

Collective impact structures got their name in 2011, when John Kania and Mark Kramer wrote an influential essay for the Stanford Social Innovation Review in which they cited StriveTogether and provided the philosophical and theoretical basis for this kind of approach.

Such structures are now being used to address homelessness, hunger, river clean-up and many other social ills. Collective impact approaches have had their critics over the years, in part for putting too much emphasis on local elites and not enough on regular parents (which is fair).

But a recent study led by Sarah Stachowiak and Jewlya Lynn of 25 collective impact initiatives found that these approaches do work, at least most of the time. StriveTogether, which is now led by Jennifer Blatz, is thriving. It's just received a significant financial infusion from Connie and Steve Ballmer, of the Ballmer Group.

Frankly, I don't need studies about outcomes to believe that these collective impact approaches are exciting and potentially revolutionary. Trust is built and the social fabric is repaired when people form local relationships around shared tasks.

Building working relationships across a community is an intrinsically good thing. You do enough intrinsically good things and lives will be improved in ways you can never plan or predict. This is where our national renewal will come from.

RESPONSE FROM MR. CRIM TO QUESTION FOR THE RECORD SUBMITTED BY SENATOR HASSAN

The COVID–19 pandemic has simultaneously caused a dramatic growth in the need for nonprofits' services and a significant decline in their financial resources. While the Congressional response so far has ensured that nonprofits have access to the same economic relief as businesses, significantly more needs to be done to help these nonprofits stay on firm financial footing. Could you comment on how the COVID–19 crisis has affected nonprofits' financial standing?

In Utah, we've seen a steep increase in needs, while at the same time many nonprofits are fighting to survive. According to a survey conducted by the Utah Nonprofits Association "nonprofits in Utah report layoffs, lost revenue, canceled events, and curtailed services in response to the COVID–19 pandemic. Reduced revenue from events, combined with decreases in donations and the need for social distancing have led 24% of nonprofits surveyed by UNA to temporarily suspend services—creating gaps in the social fabric as the neediest among society lose access to housing, food, and family support.

Nearly two thirds (61%) of nonprofits told UNA that in response to social distancing, they had slowed, temporarily suspended, or decreased services—even as the demand for their services increased. Fifty-two nonprofits in Utah have canceled 1,493 events—eliminating $11,795,501 in revenue. Another $4,091,941 was spent to restructure events and move them online. In a March UNA survey of nonprofits, 68% of respondents believed that the COVID–19 would negatively impact finances. It is clear from these numbers, that these predictions were accurate. The decline in financial security may also be more rapid than anticipated. In the March survey, 41% of nonprofits reported cash reserves equal to or greater than six months of expenses. Six weeks later, only 32% of those surveyed reported that same level of financial security.

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Nationally, the picture is similar. The National Council of Nonprofits estimates that "1.6 million nonprofit jobs have been lost through June. (data source, page 14 [Johns Hopkins Center for Civil Society Studies 2020 Nonprofit Employment Report]). It will take several years to determine how many nonprofits have folded, and nonprofits are in grave danger of having their budgets impacted now more than ever. Beyond the initial wave from COVID–19, we are bracing for another financial challenge as state budgets shift as they individually respond to this economic crisis.

Nonprofits receive a third of their revenue from states and should that revenue stream constrict, nonprofits will be left without critical resources to do their work."

RESPONSE FROM DR. OSILI TO QUESTION FOR THE RECORD SUBMITTED BY SENATOR KLOBUCHAR

Research shows that wealthier Americans have contributed an ever-increasing proportion of total charitable giving in recent years. Meanwhile, many young Americans in their twenties and early thirties have thus far chosen not to engage in charitable giving.

- *How could instituting a substantial universal deduction for charitable giving encourage younger Americans to develop a habit of charitable giving that will encourage continued giving as these men and women advance in their careers?*

Before the COVID–19 crisis, our research finds a majority of Americans give to nonprofit organizations at some time. However, the number of Americans who give in any single year declined by more than ten percentage points from 2000 to 2016. The overall rate of Americans who give declined from 66.22% of Americans in 2000 to 53.94% of Americans in 2016. Volunteering has also fallen during this period. Also, that decline is concentrated among younger adults—a worrying sign about the future trends in giving.

A universal deduction for charitable giving provides tax recognition of every American's gifts, both those who itemize and those who do not.

Charitable giving tends to be habit-forming—when an individual makes a charitable donation, that individual is more likely to continue to give and to give more over time. We have also documented that households that itemize have seen a far smaller decline in their participation in charitable giving over time. A universal deduction would be more likely to benefit younger people (who tend to be non-itemizers). It can boost lifetime charitable involvement while providing a potential opportunity to bolster participation in charitable giving.

RESPONSE FROM DR. OSILI TO QUESTION FOR THE RECORD SUBMITTED BY REPRESENTATIVE SCHWEIKERT

To what extent is indirect, social media-driven giving unaccounted for in the data of charitable giving?

Social media giving including crowdfunding is becoming an increasingly important tool, especially for online fundraising. Giving USA only takes into account crowdfunding donations that go to 501(c) 3 organizations. It does not include crowdfunding that represents informal transfers between individuals (or person-to person transfers) in its estimates.

While we have data on social media giving that is directed toward a 501c(3) charitable organization, through tax data reported by charities, we have less information about giving to a tax-deductible organization—giving to a business, a 501c(4), an individual. In general, Giving USA only measures formal U.S. philanthropy, i.e., giving directed to tax-deductible charitable organizations.

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