

THE NONPROFIT
ASSOCIATION OF
OREGON

Good works. Together.

MEASURE: SB 0040
EXHIBIT: C
Senate Finance and Revenue 76th Session
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SUBMITTED BY: CARRIE HOOPS, ROSS LAYBOURN

TESTIMONY TO SENATE FINANCE & REVENUE COMMITTEE RE: SB40

NONPROFIT ASSOCIATION OF OREGON

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February 9, 2011

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Nonprofit Association of Oregon (NAO) supports the passage of SB40.

NAO (previously known as TACS) is a nonprofit support organization which represents over 500 Oregon nonprofits and affiliate organizations and provides assistance to the nonprofit sector through training and consulting. Our members are located throughout the state and come from all major areas which serve our communities, including: education, health and human services, the arts, and environmental protection. NAO's mission is to strengthen the collective voice, leadership, and capacity of Oregon nonprofits. We do this by conducting training, offering executive transition and consulting services, and public policy advocacy. More information about our many programs and services can be found at www.nonprofitoregon.org.

Government and the nonprofit sector work in concert to address the unmet needs of our citizens. Particularly in times of economic downturn, we understand how precious those resources are to our communities. Our members, and the vast majority of nonprofits, acknowledge their responsibility to be good stewards of the resources received, whether those assets are obtained from government contracts, foundation grants, or donations directly from the giving public. Oregon nonprofits routinely accomplish a great deal with limited resources. Half of the registered charities operate with budgets under \$100,000 and many of those are exclusively run by volunteers.

Sadly, there are a small handful of charitable corporations that do not take these responsibilities seriously. Almost all of these are headquartered out-of-state and have signed "sweetheart" contracts with national telefunding companies with the latter receiving 80-90% of the donations raised. The Better Business Bureau Wise Giving Alliance Standards for Charity Accountability specify that qualifying charities must spend at least 65% of their total expenses

(over)

on charitable program activities. Year after year, these under-performing charities devote less than 25% to program mission. To some extent, these outliers siphon away charitable donations from effective charities providing essential aid and services to our local communities.

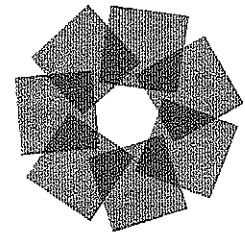
When Oregonians donate to these organizations and take a tax deduction, the State is, in effect, subsidizing the contributed revenue. To the extent it encourages donors to contribute funds to ease the burdens of government, this makes sense. But at a certain level of diminishing returns, it is appropriate for society to question this arrangement. For the State to continue to subsidize charities, SB40 mandates that the charity must devote at least 30% of expenses to charitable programs. NAO agrees that this proposed threshold is appropriate. NAO also supports the requirement that charities which run afoul of the law must put donors on notice that contributions will not be deductible for state tax purposes. This will serve to help educate donors that there is a wide disparity between the performance of charities and that donors need to pay more attention to this reality before deciding how to allocate their valuable charitable dollars.

NAO is mindful that setting a blanket threshold has risks. There may be legitimate reasons why a worthwhile charity could fall below the 30% expenditure minimum. However, we believe that SB40, as conceived by Attorney General Kroger, recognizes the most authentic reasons for under-performance and creates appropriate exceptions. Thus, the bill requires a three-year averaging process and it protects startup charities, those that may transfer money to affiliates, and those that accumulate revenue to be spent in a subsequent year when consistent with the representations made to its donors. All of these exceptions, as well as the 30% threshold, are critical to addressing the problem identified without imposing undue hardships on legitimate charities.

Lastly, one of the reasons NAO supports SB40 is that it imposes no additional regulatory burdens on the roughly 98% of the charities operating effectively in the state. There are no additional fees, no additional forms, and no additional disclosures for those that operate above the minimum imposed. In addition, it does not apply to organizations with less than \$200,000 in annual income.

For all of the above reasons, NAO urges the passage of SB40.

NONPROFITS MATTER



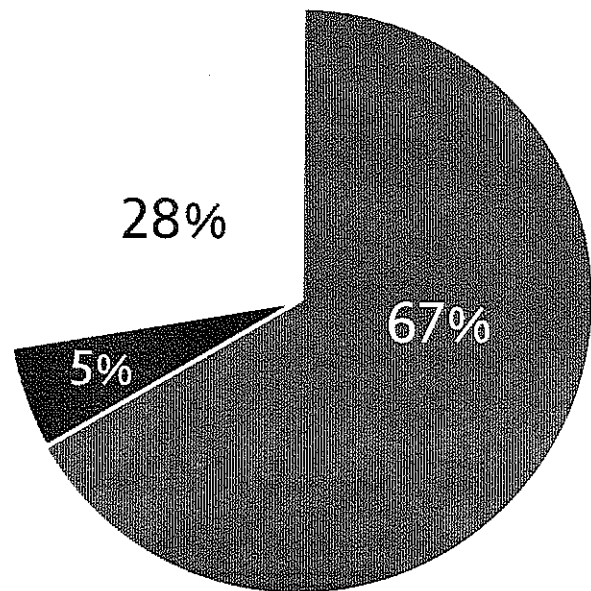
THE NONPROFIT
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Nonprofits play an exceptional and vital role in our communities and in our state.

The sector enriches community life, offers people a way to participate, stands up for underrepresented people, provides needed services, and pioneers solutions to social and economic problems.

Oregon is home to 22,862 registered nonprofit organizations:

- 15,322 are 501(c)(3) public charities, working in social services, health care, education, the arts, and related public benefit activities.
- 1,222 are 501(c)(3) private foundations, most of which are grantmaking family foundations.
- 6,318 are other 501(c) nonprofit organizations, such as civic clubs, homeowners associations, and chambers of commerce.



- 501(c)(3) public charities
- 501(c)(3) private foundations
- Other 501(c) organizations

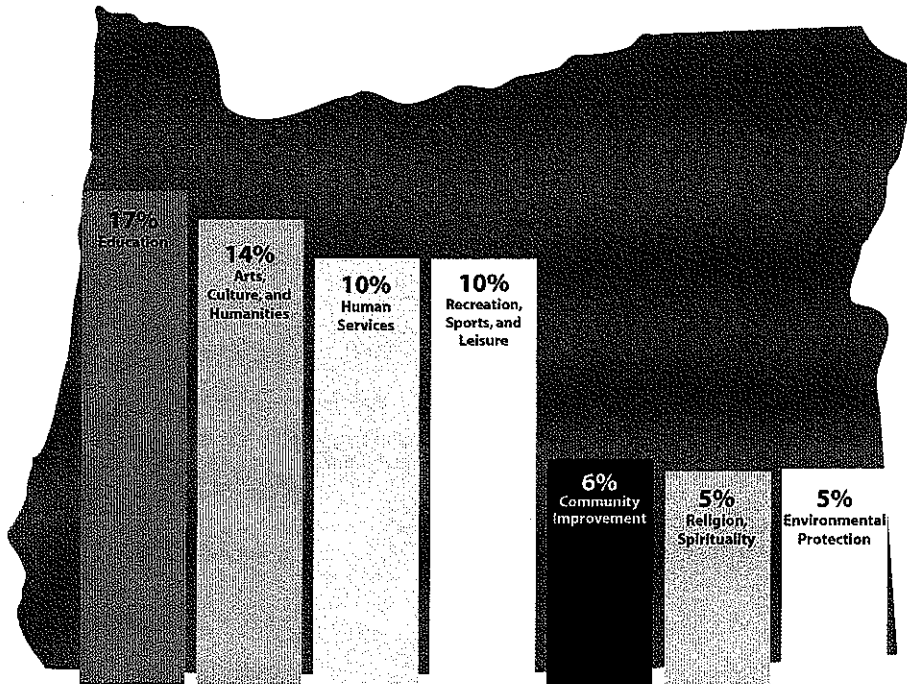
These figures do not include Oregon nonprofits that have never applied to the IRS for any form of tax-exempt status.

Economic Impact

Nonprofits not only make our communities more vibrant places to live, they also contribute to Oregon's economic vitality. Oregon nonprofits employ over 160,000 people. This represents 12% of all private sector jobs in Oregon. Most private sector nonprofit employment—99,000 jobs—is with health and social services. Together, health and social services make up 62% of all nonprofit jobs.

What Do Oregon Nonprofits Do?

Oregon nonprofit organizations provide a wide variety of programs and services to our communities. Of those Oregon public charities filing with the IRS, their top areas of focus are:



A smaller number of nonprofits in Oregon focus their activities in the areas of health, youth development, and housing.

Quality of Community Life

Nonprofits also offer meaningful avenues for civic engagement through volunteerism. Over 33% of all Oregonians volunteer, one of the highest rates of volunteerism in the U.S.

About the Nonprofit Association

The Nonprofit Association of Oregon, formerly known as TACS, is a statewide network of nonprofits, foundations, business partners, and individuals dedicated to supporting Oregon's nonprofit sector. We serve as a resource for nonprofit organizations and a central source of information about the nonprofit sector. We connect nonprofits of all sizes, missions, and geographic locations. We offer programs and services that enhance the capacity of nonprofits to fulfill their essential missions. While our role as a statewide membership association is a relatively new one, we have over 30 years' experience providing consulting and training to nonprofit leaders, staff, and volunteers.

LEARN ABOUT OUR SERVICES AND MEMBERSHIP AT
WWW.NONPROFITOREGON.ORG

The information in this profile is based on data organized by the National Center for Charitable Statistics, the Oregon Department of Employment, and Oregon Volunteers.