

Federal Policy and Its Potential Impacts on Nonprofits and Philanthropy:

Why You Should Care and What You Should Do

February 27, 2025

Erik J. Daubert, MBA, ACFRE



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- Nonprofit Management Specialist, Coach, Workshops, Keynotes
- Internationally recognized nonprofit teacher, trainer, speaker
- Helped raise billions of dollars including recent \$100 million gift
- Faculty: Lilly Family School of Philanthropy at Indiana University
- Founding Chair, Growth in Giving Initiative & Fundraising Effectiveness Project
- AFP Government Relations Committee and long-time partner with Charitable Giving Coalition, National Council of Nonprofits, and other organizations.
- Research has been used consistently by Congress and on the Hill
- Affiliated Scholar, Center on Nonprofits and Philanthropy at the Urban Institute
- Immediate Past Chair, AFP Research Council
- Past Chair, ACFRE Certification Board, AFP Research Council, FEP and more
- Awards from the Olympic Games, The Business Journal, AFP, and many others.
- Co-Author of *Achieving Excellence in Fundraising, 5th ed. (Wiley, 2022)* - a *Number One Amazon Nonprofit Book* and other books, articles, blogs, webinars, etc.

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Nonprofit Tech for Good



The Nonprofit Sector: Its Impact and Economy

The United States Nonprofit Economy

- Job Creation Powerhouse – The nonprofit sector employs **over 12 million people** in the U.S., accounting for more than 10% of the private workforce. 1 in 10 workers relies on a nonprofit for their paycheck.
- Driving Economic Growth – **Nonprofits contribute approximately \$1.5 trillion** to the U.S. GDP each year.
- Investing in Communities – **Beyond employment, nonprofits fuel local economies** by purchasing goods and services, supporting small businesses, and delivering essential services that governments alone can't sustain.
- Bridging Gaps Where Others Won't – **In moments of crisis, nonprofits step in where government and the private sector fall short.** Disaster relief, healthcare access, food security, workforce development, and more - nonprofits are often the first responders and long-term supporters of vulnerable communities.



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Nonprofits in Colorado

The IRS lists 37,168 active tax-exempt organizations operating in Colorado, including 30,715 501(c)(3)s, to which you can make a tax-deductible donation. Colorado nonprofit organizations reported \$58.1 billion in revenue on their most recent tax filings.

<https://projects.propublica.org/nonprofits/states/CO#:~:text=Nonprofits%20in-,Colorado,make%20a%20tax%2Ddeductible%20donation.>

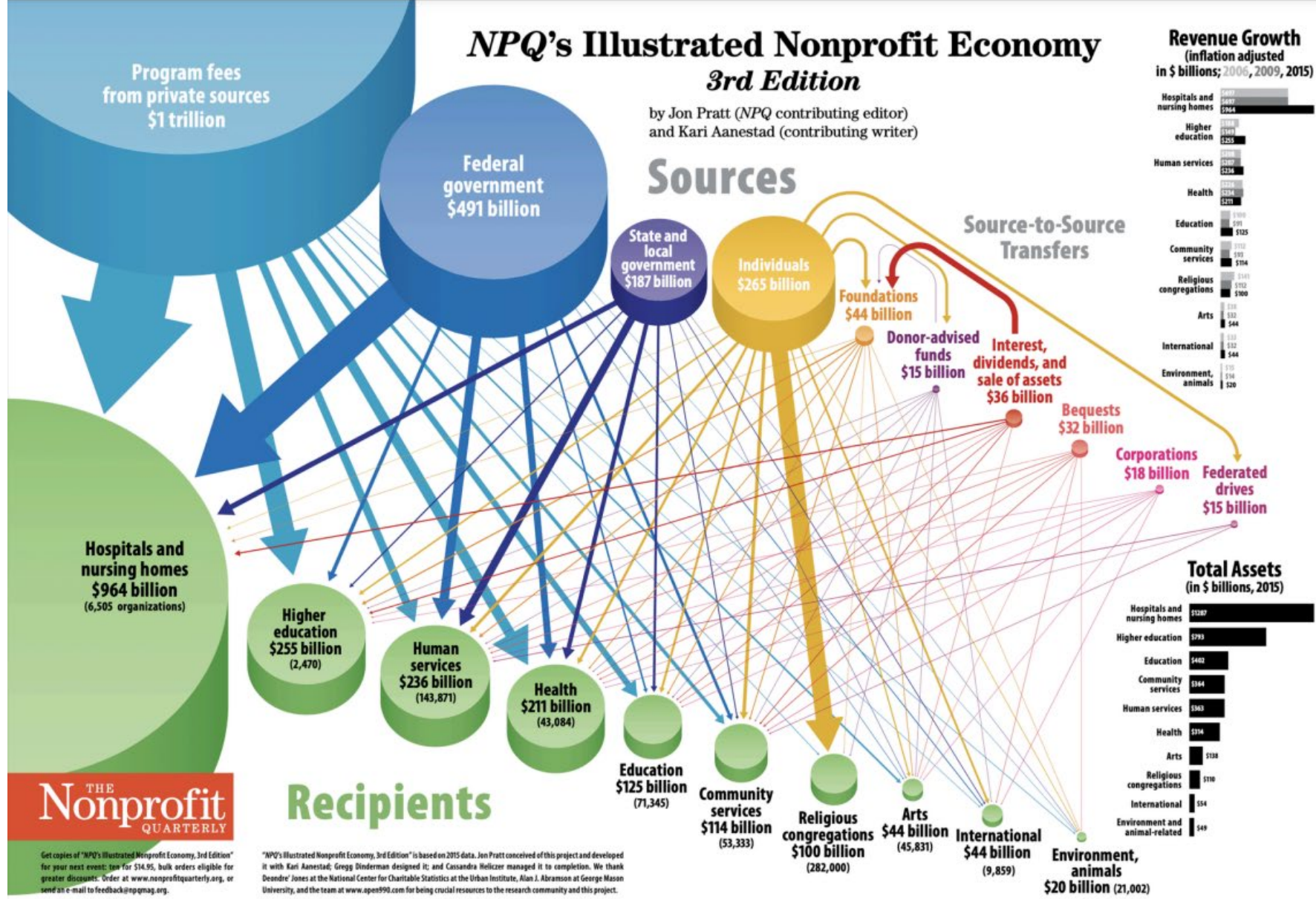
How Reliant Is The Nonprofit Sector On Federal Funding?



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NPQ's Illustrated Nonprofit Economy 3rd Edition

by Jon Pratt (NPQ contributing editor)
and Kari Aanestad (contributing writer)



THE Nonprofit QUARTERLY

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"NPQ's Illustrated Nonprofit Economy, 3rd Edition" is based on 2015 data. Jon Pratt conceived of this project and developed it with Kari Aanestad; Gregg Binnerman designed it; and Cassandra Helitzer managed it to completion. We thank Deondre Jones at the National Center for Charitable Statistics at the Urban Institute, Alan J. Abramson at George Mason University, and the team at www.apen990.com for being crucial resources to the research community and this project.



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How reliant are nonprofits on government grants?

By [Cathleen Clerkin, Ph.D. \(she/her\)](#), [Anna Koob \(she/her\)](#), and [David Wolcheck \(he/him\)](#) | February 6, 2025

At least 30% of nonprofits rely on government grants

Roughly 30% of U.S. nonprofits filing an [IRS Form 990](#) report receiving grants funding from the government.¹ This translates to over 100,000 nonprofits being awarded a total of \$303 billion annually.



In 2023, two-thirds of nonprofits from a nationally representative panel study in the United States received at least one government grant or contract, resulting in the average nonprofit generating one-quarter of its revenue from government sources that year. Over a third of nonprofits received more than a quarter of their revenue from the government, and about two in ten nonprofits received more than half of their revenue from the government.



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What is the Financial Risk of Nonprofits Losing Government Grants?

February 21, 2025

<https://www.urban.org/research/publication/what-financial-risk-nonprofits-losing-government-grants>

In every state, every congressional district, and more than 95 percent of counties in the United States, public charities receive government grants. Without these grants, most nonprofits would be unable to cover their expenses.

- Nationally representative [survey data](#) shows that government funding is especially consequential for larger nonprofits: Almost 9 of every 10 nonprofits with \$10 million or more in annual expenses reported receiving government funding, and 54 percent of their revenue came from government sources.



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Colorado - Financial Risk of Nonprofits Losing Government Grants



In Colorado, nonprofits received a total of \$3.5B in government grants. Nonprofits in Denver, Jefferson, and El Paso counties and 1th, 7th, and 2st Congressional districts received the most government funding. Nonprofits in Gilpin, Crowley, and Saguache counties and 1th, 4rd, and 8th Congressional districts would have the biggest gap to fill if they lost their government grants. Nonprofits in Conejos, Costilla, and Crowley counties and 1th, 4rd, and 3rd Congressional districts have the highest share of nonprofits at risk of not covering their expenses if they lost their government grants.



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**Number of 990
filers with
government
grants**

**Total
government
grants (\$)**

**Operating
surplus with
government
grants (%)**

**Operating
surplus without
government
grants (%)**

**Share of 990
filers with
government
grants at risk**

Geography

United States

103,475 \$267,700,640,00

9.05%

-12.83%

67.35%

Colorado

2,634 \$3,482,686,129

11.50%

-6.54%

59.83%

Adams County

97 \$100,171,554

10.19%

-6.57%

59.79%

To provide a sense of the level of financial risk these nonprofits might face if they lost their government grants, we report their operating surplus with and without their government grants and the share of nonprofits that would have a negative operating surplus were they to lose their government grants. A positive operating surplus indicates a nonprofit can cover all of its expenses and has funds available to reinvest in its mission, while a negative surplus indicates they could not do so in that given tax year.



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How Does Federal Policy Happen/Work?

A QUICK Civics Lesson 😊

The executive branch of the United States government **enforces laws passed by Congress**. The executive branch includes the president, vice president, Cabinet, and federal agencies. [🔗](#)



How the executive branch enforces laws

Signs legislation

The president can sign legislation into law. [🔗](#)

Vetoes legislation

The president can veto legislation passed by Congress. Congress can override a veto with a two-thirds vote of both houses. [🔗](#)

Issues executive orders

The president can issue executive orders to direct federal agencies to take specific actions to implement laws. [🔗](#)

Appoints officials

The president appoints the heads of federal agencies, including the Cabinet, as well as federal judges, ambassadors, and other federal officials. [🔗](#)

The legislative branch of the United States government, made up of the Senate and the House of Representatives, is responsible for **writing and passing laws**.



How does the legislative branch make laws?

Drafting bills

Congress members draft proposed laws, also known as bills, to address issues of concern to their constituents.

Holding hearings

Congress members hold hearings and investigations in committee to gather information and refine proposed laws.

What other functions does the legislative branch have?

- **Confirming presidential appointments:** Congress confirms or rejects presidential nominations for federal judges, federal agency heads, and the Supreme Court.
- **Declaring war:** Congress has the sole authority to declare war.
- **Regulating commerce:** Congress regulates interstate and foreign commerce.
- **Controlling spending and taxing:** Congress controls taxing and spending policies.
- **Investigating:** Congress has extensive investigative powers, including the power to compel testimony or the production of evidence.

The judicial branch of the U.S. government **interprets laws, applies them to cases, and determines if they violate the Constitution**. The judicial branch includes the Supreme Court and other federal courts. [🔗](#)



How does the judicial branch interpret laws? [🔗](#)

- **Interpret meaning:** The judicial branch determines the meaning of laws.
- **Apply to cases:** The judicial branch applies laws to individual cases.
- **Decide constitutionality:** The judicial branch decides if laws violate the Constitution.

What is the role of the judicial branch?

Maintain rule of law

The judicial branch helps maintain the rule of law, especially when it comes to protecting civil rights and liberties. [🔗](#)

Ensure checks and balances

The judicial branch helps ensure that each branch of government recognizes the limits of its own power. [🔗](#)

Protect fundamental values

The judicial branch protects fundamental values like freedom of speech, freedom of religion, and due process of law. [🔗](#)

Executive Orders (EOs) are official documents ... through which the President of the United States manages the operations of the Federal Government.” The directives cite the President’s authority under the Constitution and statute (sometimes specified). EOs are published in the Federal Register, and they may be revoked by the President at any time. Although executive orders have historically related to routine administrative matters and the internal operations of federal agencies, recent Presidents have used Executive Orders more broadly to carry out policies and programs.



MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

February 6, 2025

The United States Government has provided significant taxpayer dollars to Nongovernmental Organizations (NGOs), many of which are engaged in actions that actively undermine the security, prosperity, and safety of the American people. It is the policy of my Administration to stop funding NGOs that undermine the national interest.



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Executive Orders Affecting Charitable Nonprofits

Updated February 21, 2025



National
Council of
Nonprofits

After his January 20th inauguration, President Trump signed dozens of Executive Orders (EOs) covering a broad range of issues, including diversity, equity, and inclusion programs; government grants and contracts; civic engagement; immigration; and certain nonprofit subsectors. **Some of the EOs won't take effect immediately, and many are expected to be immediately challenged in court.**

<https://www.councilofnonprofits.org/files/media/documents/2025/chart-executive-orders.pdf>



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Updated February 21, 2025



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Federal court review of executive orders is one of the most important facets of the relationship between the executive and judicial branches. In evaluating presidential actions, the courts uphold the separation of powers between Congress and the executive and place a check on executive power. On occasion, federal courts are required to perform this function in moments of national crisis. While there have been notable instances in which the Supreme Court has struck down executive orders, the Court has been loath to do so frequently, preferring to be cautious when reviewing the exercise of presidential power.



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**As of earlier this week, there were at least
79 different lawsuits in response to
approximately 35 Executive Orders.**

**Federal judges have issued temporary
injunctions against some...**

“Constitutional Crisis”

No...


How Do Americans View The Nonprofit Sector?



Republicans (83%) and Democrats (88%) both agree that nonprofits are essential to the well-being of our country.



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58% of Americans say that the federal government should provide ongoing funding for charitable organizations to cover their core operational and administrative expenses.



86% say a strong reputation for delivering on its promises drives their decision to support nonprofits.



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What Is Happening in Federal Policy?

TCJA and its impact on charitable giving



AGI Limitation

The Tax Cuts and Jobs Act (TCJA) increased the adjusted gross income (AGI) limitation for charitable deductions.

Standard Deduction

The standard deduction was doubled, making it less beneficial to itemize and claim a charitable deduction.

Marginal Tax Rates

The TCJA reduced marginal tax rates, lessening the incentive to claim charitable deductions.

Key Statistic

30%

Pre-TCJA, 30% of US Households Itemized

Key statistic: 7.5 %

1 7.5% Now Itemize

The TCJA's impact on charitable giving has been significant, with only 7.5% households now itemizing.

2 Billions Lost

This translates to billions of dollars lost for nonprofits that rely on charitable support.

Studies on Giving Trends

How the 2017 Tax Law Made Itemized Charitable Giving a Luxury Good

By Howard Husock | Edmund J. McMahon

American Enterprise Institute



Indiana University Indianapolis

Lilly Family School of Philanthropy

Tax law change caused U.S. charitable giving to drop by about \$20 billion in law's first year, new study shows

Monday, July 29, 2024

First estimate of Tax Cuts and Jobs Acts' impact on giving is based on Indiana University Lilly Family School of Philanthropy's unique dataset

“The contraction in donor participation...lessens the power of...populations to bring their spirit, voice, and message to the nonprofit community.”

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The Chronicle of Philanthropy
Everyday Donors Want to Give
July 9, 2024

Temporary Charitable Deduction Helped

Modest Deduction

Congress included a temporary deduction for non-itemizers in pandemic-relief legislation.

Positive Impact

FEP found a 7.5% increase in individual gifts of \$300 in both 2020 and 2021.

Increased Giving

AEI found that the provision added 6% to total itemized donations in 2020-2021.

118th Congress: Charitable Act (S. 566/H.R. 3435) 3435)



Restores and expands the charitable deduction for non-itemizers.



Increases the cap from \$300/\$600 to \$4,800K/\$9,700K (one-third the standard deduction threshold).



Allows gifts to donor-advised funds.

Strong Bipartisan Champions, GOP Support



Senate Sponsors/Co-sponsors: 24



House Sponsors/Co-sponsors: 64



Finance Republican Cosponsors: 3



Ways and Means Republican
Cosponsors: 9





Appropriations and Federal Funding

1

March 14th Deadline

Government funding expires. Lack of clarity on Congress's plan to plan to address these issues.

2

Democratic Leverage

Democrats have leverage in both the House and Senate on priorities.

3

Uncertainty Ahead

Lack of certainty around how Congress plans to address these funding issues.

The Reconciliation Process

Majority Party Advantage

Reconciliation allows Majority party to overcome the filibuster with a majority a majority vote.

Concurrent Budget Resolution

Sets top-line numbers and provides instructions to the Committee.

Committee Work

In March, Committees start work on the final bill per the Resolution.
Resolution.





Budget Resolutions: House vs Senate

Feature	Senate	House
Budget Committee Chair	Lindsay Graham (R-SC)	Jodey Arrington (R-TX)
Number of Bills	Two bills	One big bill
Total Size	\$342 Billion	\$3.3 Trillion
General Overview	First resolution focused on national security and immigration	Include taxes and health care spending
Timing	Committees much submit by 3/7	Committees much submit by 3/27

Critical Threats to the Nonprofit Sector

■ Anti-Terrorism Legislation (H.R. 9495)

Proposed legislation would give unprecedented power to designate nonprofits as supporting terrorism without due process, potentially threatening legitimate charitable work and international aid efforts.

■ Expanding Endowment Taxation

Growing pressure to implement new taxes on nonprofit endowments could significantly impact long-term financial sustainability and ability to fund critical programs during economic downturns.

■ Higher Education Challenges

Increased scrutiny and potential regulatory changes targeting higher education institutions could affect their nonprofit status and ability to serve their educational mission effectively.

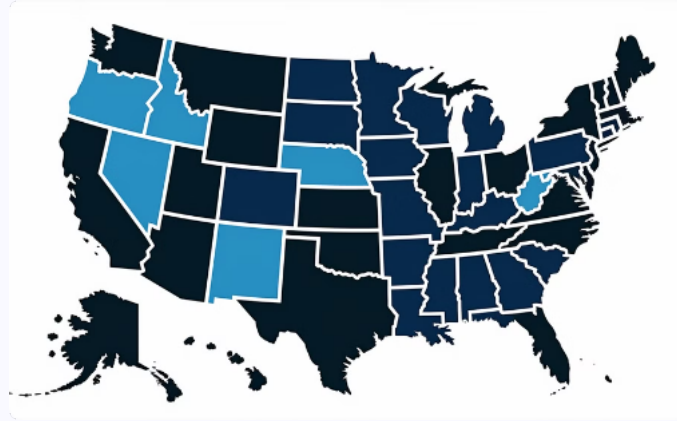


Data Privacy Challenges for Nonprofits



Congressional Working Group

House Committee on Energy and Commerce
Commerce members have formed a new data privacy working group, led by Chairman Brett Guthrie and Vice Chairman John John Joyce, with nine Republican committee members.



State vs Federal Privacy Laws

Nonprofits face a complex regulatory landscape where different states have varying privacy laws. Even if federal law excludes nonprofits, state-level requirements may still apply.



Strategic Decision for Nonprofits

Organizations must choose between pursuing a unified federal standard or seeking exemption while managing state-level compliance. Each path has significant implications for nonprofit operations nationwide.

Source: [House Committee on Energy and Commerce](#)

What Should Nonprofits Be Doing Now?



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What Sway Does the Nonprofit Lobby Have in Trump 2.0?

The future of nonprofits is likely to be determined by Congress, not the judiciary. Efforts to lobby conservative lawmakers will be especially significant.

By Alex Daniels | FEBRUARY 21, 2025



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Advocacy and Lobbying

Engage Stakeholders: Mobilize your board, staff, volunteers, and beneficiaries to reach out to their representatives. Personal stories about the impact of your work can be very compelling.

Build Alliances: Partner with other nonprofits and advocacy groups to form a coalition. There is strength in numbers.



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Diversification of Funding

Grant Getting: Increase efforts to secure grants from private foundations, state governments, and other sources.

Corporate Sponsorships: Develop relationships with local businesses and larger corporations for sponsorships and partnerships.

Individual Donors: Strengthen your individual donor base through focused campaigns and events.



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Community Engagement

Raise Awareness: Increase public awareness about your nonprofit's mission and impact through social media, press releases, and community events.

Volunteers as Advocates: Encourage your volunteers to become advocates for your cause in their own networks.



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Financial Planning

Build Reserves: Establish a financial reserve to provide a buffer against funding shortfalls.

Cost Management: Evaluate and optimize your budget to reduce reliance on any single funding source.

Program Evaluation and Adaptation

Impact Measurement: Continuously measure and demonstrate the impact of your programs to justify continued funding.

Adapt Programs: Be flexible in adapting your programs – as appropriate - to align with current government priorities and funding trends.

Legislative Involvement

Stay Informed: Keep abreast of legislative developments that could impact your funding.

Provide Testimony: Offer to provide expert testimony or data that supports the need for continued funding of your nonprofit's initiatives.

Proactive planning and advocacy are key!



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The Best Time to Implement Great Fundraising...



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Major Donor Campaigns

Identify Donors: Research and identify potential major donors who have a strong connection to your cause.

Personalized Approach: Develop personalized outreach strategies, including one-on-one meetings and tailored proposals.



Corporate Partnerships

Sponsorship: Approach businesses for sponsorship opportunities.

Employee Giving Programs: Partner with companies to set up employee giving programs and corporate matching gifts.

Grants and Foundations

Research: Identify and apply for grants from private foundations, state governments, and other sources.

Tailored Proposals: Create compelling grant proposals that align with the priorities of the funding organizations.



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Online Fundraising

Social Media: Utilize social media platforms to run fundraising campaigns and engage with supporters.

Email Campaigns: Develop email campaigns to solicit donations and keep donors informed.



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Membership Programs

Benefits: Offer membership programs with benefits such as exclusive events, newsletters, and merchandise.

Renewals: Focus on retaining and renewing memberships annually.

Legacy Giving

Planned Giving: Encourage supporters to include your nonprofit in their estate plans through bequests, trusts, and other planned giving options.



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Peer-to-Peer Fundraising

Ambassadors: Recruit volunteers and supporters to run peer-to-peer fundraising campaigns on your behalf.

Toolkits: Provide fundraising toolkits to equip your ambassadors with the resources they need to succeed.



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Crowdfunding

Campaigns: Launch a crowdfunding campaign on platforms like GoFundMe, Kickstarter, or Indiegogo.

Engagement: Use engaging content such as videos and personal stories to connect with potential donors.

And More?!

Diversification and creativity are key!

**Leverage YOUR uniqueness to your community's
advantage!**



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Independent Sector

The Chronicle of Higher Education

The Nonprofit Quarterly

Association of Fundraising Professionals

Uncorked Advocates

Nonprofit Alliance

Department of Justice

Federal Judicial Center

WhiteHouse.Gov

Center on Nonprofits and Philanthropy, Urban Institute

ProPublica Nonprofit Explorer



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You Have an INCREDIBLE Resource...HERE!



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