



A PODCAST WITH RUSTY STAHL | S7 EP15

Funders & Nonprofits: Unite to Defend Democracy

Defend Nonprofits! Defend Democracy! Series

WITH

Rusty Stahl
Fund the People



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Welcome to the Fund the People podcast and our Defend Nonprofits Defend Democracy series. We're doing these DND2 episodes every other week here on the show and on the off week we continue to bring you our regular episodes with thought leaders, ideas and research to help you invest in the nonprofit workforce from wherever you sit in the sector.

Today, I want to talk to you about defending nonprofits and defending democracy and how those two things are intertwined. My name is Rusty Stahl, I'm your host here on the podcast, and I am president and CEO of Fund the People, the National Organization to Maximize Investment in America's Nonprofit Workforce.

Since our last Defend Nonprofits, Defend Democracy episode, two weeks ago, there's been a ton going on in terms of issues confronting nonprofits and our democracy, both domestically and around the world as it relates to the Trump administration and its actions.

And what I want to talk to you about today in particular is one attack during the last two weeks that is an example of how our sector, our democracy and our communities are being simultaneously threatened by tightly integrated attacks from the Trump administration.

What I want to talk about today is the attack on the Public Service Loan Forgiveness Program, which was signed into law in 2007 by George W Bush, Republican President, and has survived Bush, Obama, Trump, Biden and is now in Trump's hands again.

And this has been a problematic program just in terms of its logistics, it's been hard to get these loan forgiveness opportunities. In the original version of the program, they were rejecting like 98% of applicants who were trying to get loan forgiveness after at least ten years of working in government or nonprofits. And so it wasn't really working. So actually, President Biden put in a

lot of reforms, some temporary, some long term to improve the program, make it more efficient and effective, and help more people get their loans forgiven after at least a decade of working in a 501c3, a school as a teacher, or in military service or government.

And now President Trump has put out an executive order, it basically says that organizations that do things that the Trump administration doesn't like, they can't be counted toward the loan forgiveness time served, if you will. So if you are a nonprofit leader who has worked in immigrant rights or in an organization that explicitly cares about equity or diversity or trans rights or anything that touches on those kind of topics, let's say you work there for seven out of the last ten years and you are applying for this loan forgiveness from the government, what they're saying at the Trump administration is those seven years out of your ten years won't be counted toward you're eligibility. So you'd have to work another seven years somewhere else that doesn't care about equity, immigrants, trans people, or the environment, or these other areas that the administration is targeting and trying to, by sheer force of will, make illegal.

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Now, the good thing I've seen is that it may take a while for this to go into effect. In addition to people pushing back and suing over this and trying to fight this, the program was established by law, passed by Congress, so Congress, in theory, would need to change the law to be in keeping with the Trump administration's new directives, if they take orders from the White House now in the Congress. So this could be delayed and I didn't see anything up on the government's website for this program about these changes when I looked last night (I'm recording this on Thursday, March 13th, so this may be different by the time you're listening to it).

So, as I was looking around on the Web to see what was being said about these changes, I found an article in Forbes, that says that this is an effort in part to stop loan forgiveness for people who work in health care. And I thought, well, that's interesting and what I found was that in this memo from the House Committee making recommendations for budget cuts, one of their options or opportunities for cuts, this long list, it's on page nine, is to eliminate the nonprofits status of hospitals.

They say it would give the government \$260 billion over ten years of savings to help the Republicans Party cut taxes for the wealthy by stripping nonprofit hospitals of their nonprofit tax status. It says that more than half of all income by 501c3 nonprofits is generated by nonprofit hospitals and health care firms, whatever that means, and that this option would tax hospitals as ordinary for-profit businesses.

Out of a total of U.S. hospitals, there's 6093 hospitals in the United States, 2978 of them are not for-profit community hospitals. Half of the hospitals in the United States are nonprofits. Of the for-profits 1200, and of the government controlled by state and local 920, and federal 207. So by far, the largest number of hospitals in the United States, half of them are non-governmental,

nonprofit organizations. That is the population of hospitals that the Trump administration, their friends on Capitol Hill, would consider stripping of their tax exempt status.

Do you know what would happen if the government stripped half the hospitals of their legal existence? I don't know what would happen, I don't think anybody knows what would happen. Would they turn into for-profits somehow automatic? What would happen to all those tax exempt, tax deductible dollars that are in their budget? Would those all have to go to the government? Would they have to go form new nonprofits? Would they have to be given back to the people who gave those dollars? I mean, would it tank the organizations completely? Like, would they just close? Is that what would happen, is that what we're looking at? You just close half the hospitals in the United States in order to pay for tax cuts.

Any of those scenarios could happen. There's no plan. There's no path for this. It's the same question with foundations. If they want to strip endowed foundations or strip universities of their endowments, what would happen to that money? What do you think the Trump administration would want to do with that money? If they took that money, would they then own those hospitals or those universities or those foundations?

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I don't know, only they know what their intent is. America doesn't know. That's the level of challenge facing philanthropy and nonprofit organizations right now, that's one dimension of possible pathways that we might have to navigate going forward.

And we all know hospitals are frustrating places, extremely expensive, hospitals don't always seem to act like nonprofits. But nonprofits are not all delivering services for free to the people who need those services. Nonprofits that are big, have scale and staying power, charge a lot of money and have a lot of money in their endowments. For example, Harvard University is a nonprofit organization, all those Ivy League universities and, most good higher education is either public, that is it's run by a state, it's a state school or it's a nonprofit organization.

So just because you are a nonprofit organization, you have a public service mission, you don't exist to make a profit for a few people, it doesn't mean you don't charge a lot of money for the valuable services you offer, or that you don't have a lot of employees delivering those services. And so I think stripping nonprofit hospitals of their tax status, it's almost like taking all of the publicly run prisons, turning them all into for-profit prisons, which has been happening, you know, slowly over time.

We already have a lot of hospital systems that have sold themselves to for-profits. And that's why we have all these conversion foundations, because the nonprofit dollars that those hospitals had, the donations people had given to those organizations were tax deductible gifts and they were tax exempt assets. And so when a for-profit took over that nonprofit, they had to spin out those assets into another nonprofit with the same mission and footprint as that nonprofit hospital had had.

So, we already have a process in this country going on all over the place of nonprofit hospitals, in particular, turning into for-profit hospitals. And so now, the Trump administration apparently or their congressional allies who are trying desperately to find sources of money, things they can cut, money they can bring in from nonprofits that aren't paying taxes, how can we tax those things? And it's all to pay for tax cuts for the people with the most at the top of the economy.

And that was one thing that was clear when I was in D.C. a couple of weeks ago, was that they are willing to rip away food, health care and any other kind of basic services that the government is providing in this country or to our friends around the world, just to say that they are somehow balancing out or bringing in some money to enable them to make these tax cuts for the wealthy. And that's the game and that's what's happening right now. And that's why they would dare to try to pull money from the VA or the Department of Defense. It seems they're willing to do anything, including destroying the ecosystem of nonprofit mission driven health care.

And, you know, the only way to pay for these tax cuts and to really shrink the government is defense spending and entitlements, which are Social Security, Medicare, Medicaid and other things like that. And it sounds like they're making noises about attacking those things as well, because they realize that they have to if they're going to have these massive tax cuts for the wealthy.

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So that's the situation. And they're willing to take people who've worked for decades in the government as teachers, doctors, nurses, military personnel and other public servants, willing to let them drown in debt that they have been working to get forgiven for years, if that means they can eke back a little bit of money for their tax cuts.

So that's where we're at with that. And we'll see, you know, how much pushback the nonprofit sector and government workers who have a lot to lose in terms of the Public Service Loan Forgiveness Program, how much we will be pushing back on that.

Now, the other part of this that I wanted to talk about is that the comprehensive and concurrent way they are attacking different groups it's evil genius level stuff. So I think this effort to change the Public Service Loan Forgiveness Program is a great example of how that is working. So they are simultaneously, with this order, attacking the nonprofit sector and our workforce. They are attacking the government itself and its workforce, and they're attacking their little portfolio of issues and communities that they are using as scapegoats of hate and as targets for their backlash politics.

So that's, you know, immigrants, LGBTQ people, protesters, people of color and diversity, equity and inclusion as a concept. While they're doing that, so they're attacking nonprofit people, government people and community members and ideas, they're also attacking freedom of assembly, freedom of speech as they go.

So, the fact that they're asserting these nonprofits are doing illegal things that don't deserve these loan forgiveness for their employees, because supporting refugees who are resettling in America, that work ought to be now considered illegal. That's what they're saying. So they're attacking the freedom of speech and assembly and other First Amendment rights of both nonprofits and their employees and government agencies and employees. Their ability to craft programs to address critical issues facing their constituents. So, as I said, I think it's evil genius. It's one strike on all these targets all at the same time.

And the thing that's different from the last Trump administration and this one is that they're not just targeting their backlash issues and populations, but they're simultaneously attacking government and the nonprofit sector while they're at it. And that really is a more authoritarian level kind of play because it doesn't just divide and conquer and target marginalized communities who have the least voice, which it does. But then it also attacks the platforms on which people in our society speak out and organize and solve problems. And have a sense of autonomy and agency and grassroots, social movement capabilities.

And that used to be something that both conservatives and liberals loved, right? The nonprofit sector is a bipartisan thing. It's been around for hundreds of years, it precedes the Constitution, it precedes the federal government. We've had self-organized community based efforts and associations in this country for hundreds and hundreds and hundreds of years. It's a large part of how we've organized our democracy.

It's something that conservatives love, faith based work, churches, being closer to the ground. It's not some distant government in Washington. It's people in the community, building the barn together or doing the work that needs to be done to solve problems and help people locally and build new things together, improve the community, that is a bedrock of conservative rhetoric and ideology.

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And the left loves it, too, right? Like we believe in community organizing and social movements and people power and all of that that comes from the bottom, comes from the local, not some far off distant, power wielding, controlling government. So attacking the nonprofit sector and the nonprofit workforce while attacking the issues and scapegoat communities that the administration is targeting, that's new this time around. And I think that's causing much more stress and strain on the people listening to this podcast, because not only are we dealing with things like a "muslim ban" or kids in cages on the border, like we were in 2017, we're dealing with those same things heightened to a new level while we're also being attacked and threatened and bullied.

And not only that, not only that, but philanthropy is being attacked and threatened and bullied as well. And so the most powerful institutions in the nonprofit sector, which tend to be viewed as these private foundations that give out grants to the rest of the nonprofit sector, those institutions are also stressed out not only about the attacks on the communities they serve, but attacks on themselves.

And they're not used to having to defend themselves. In fact, by law, private foundations are only allowed to lobby in self-defense, not on the issues that they care about in society. And they're not used to lobbying in self-defense. They're not even doing it now when they damn well need to be.

So I think what's happened is that nonprofits are hoping the private funders, philanthropic funders, foundations and donors will speak out, will use their power, will use their access to policymakers to defend the sector, will use their dollars to fund the sector to survive this onslaught of attacks and threats and bullying and pulled funding. And funders, a lot of funders are like frozen with fear. They don't know exactly what to do. This is a brand new kind of circumstance.

And they're in the Trump trap, the same trap in some ways that the Republican Party fell into, politicians. The same kind of trap that the media, the mainstream media, was placed in is now trapping foundations. If funders speak out, they're concerned that they will be demonized, they'll be mocked, that the administration will turn its fire on them and call them up to Capitol Hill for hearings and try to strip their endowments away, potentially individual institutions, but also the whole thing, just like the idea of stripping nonprofit hospitals of their tax exempt status. So there's a lot of fear not only for themselves, but also that they don't want to trigger a wider attack on the whole philanthropic system.

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And so nonprofits have started getting frustrated with the lack of action, the lack of speaking out and defending the sector coming from philanthropy. And that, I think, is another challenge that's facing us, which is there's now this rising tension between nonprofits and funders about how to respond to the attacks, the threats and the bullying

And there's a chance we get divided and conquered on this, right, that nonprofits get pissed off enough that funders aren't doing enough, they're not communicating directly to grantees, they're not speaking out publicly, they're not using their leverage, they're not using their dollars to push back. And funders are caught between their aversion to risk, which is pretty traditional with them, and the needs in the field and they feel frozen with fear of making things worse.

And so, we have to remember that as nonprofit folks, the funders, the private philanthropic funders are not the bad people here. They're not the enemy, if you will. They are trying to navigate this moment as well. And funders need to understand why they can't stay in this trap for much longer.

To me, the way to get out of this trap is to walk right out. It's kind of like Dorothy in The Wizard of Oz, right? She could have clicked her heels together and said "There's no place like home, there's no place like home" at any time during that movie. She could have done that and she could have gone home. But she had to go on this whole journey that took forever down the

yellow brick road and come to this realization eventually by unveiling the little man behind the big all mighty, all powerful Wizard of Oz front.

So funders just need to walk out of the trap and feel free to speak out, use their freedom of speech to protect their freedom of speech, use their freedom of assembly to protect their freedom of assembly. If we don't use it, we lose it. And the attacks are coming no matter what. And so staying silent is not really a helpful option, it's not going to save anybody or any institution.

So I wanted to share, I mean, there are funders who have issued bold public statements since the inauguration of this administration. So, on January 23rd, Dr. Richard Besser, president-CEO of the Robert Wood Johnson Foundation, issued a statement about the initial executive orders that rolled back health and DEI efforts and I think his statement was very strong. He said: instead of sowing division, discord and fear, our leaders should be strengthening access to health care, protecting workers and supporting families. And that Robert Wood Johnson family will continue to defend and advance fundamental American values of diversity, equity and inclusion with the urgency this moment requires, and that they would be increasing their investments in diversifying health care professions and supporting legal communications and organizing efforts alongside leaders in the field.

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February 14th, Jim Canales President of the Barr Foundation, full disclosure, one of our funders, the Barr Foundation, came out with a statement as well that said they would redouble their commitments to DEI and other issues and maintain their core values along the way.

February 18th, Candice Jones, president and CEO of the Public Welfare Foundation, wrote an incredible statement. She said, our work is being tested, the strength of prior strategies, coalitions and movements will wither or solidify in these times. Those efforts, our toil, cannot be abandoned but must be redoubled. She said in these times, we must refocus on our principles to ensure our strategies deliver the world we hope to create, not to undercut it. And she said that the Public Welfare Foundation remains unwavering in their commitment to promote efforts that are community led, restorative and racially just.

John Palfrey from the MacArthur Foundation in Chicago came out with a statement. Deepak Bhargava, president of the Freedom Together Foundation, came out with an incredible statement that I also commend you to read. He said, we stand with those millions of Americans steadfastly committed to morality and decency, democracy and freedom.

So, those are just a few and there are more. I wanted to share those because I do want to offer that there are funders who are taking a stand, and the more of them who come out, the less risk there is to any of them. There is power in numbers, there's power in solidarity, there's political cover in being together. And so maybe funders need to come out with joint statements if they can't do it alone or don't feel comfortable doing it alone. But there's got to be a way, there's got to be a way to walk out of this trap and not stay in it for too much longer. Because not only is it

dangerous to the sector, but it's dangerous it's corrosive to our own sense of self and our own organizations.

Now, nonprofits need to obviously find ways to speak out, too. And for those with government dollars as part of their budget, it's more complicated. Everyone is navigating difficult choices about how to respond to what's going on. But one action item folks can take that I wanted to share is that you can share your story. If your organization or organizations, you know, are being harmed by the threats, by the cuts, by the attempts to freeze funds, by the bullying, by all of these policies and executive orders and other attacks. If you're experiencing harm, you're laying people off, you're furloughing people, you're stopping services, you're scrubbing your website of things you believe in, you can share those stories.

And there's two reasons to share the stories. One is to get help and support, to address the harm. The other reason is to help the sector and policymakers who are allied with us, who care about nonprofits and charities, to help them tell our stories, to make real. This is not just statistics, this is not something happening way over there. It's happening in our communities, it's happening in Iowa, it's happening in Wisconsin, it's happening in Pennsylvania, it's happening in Rhode Island. People are being laid off, people are losing their jobs in nonprofits all around the country because of these attacks.

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And policymakers need to know that their own constituents in their congressional districts, in their states, that they are supposed to represent and serve are being harmed. And when nonprofit people lose their job, it means the people that they serve are losing services. And I know it's difficult to share your story because you don't want to cause more harm or put a further target on your back by speaking out and saying what happened. So the efforts out there to collect these stories are being carefully crafted so that groups can remain anonymous if they need to and can share as much or as little information and specifics as they want to.

So the National Council of Nonprofits has a form where they're collecting these stories. The Chronicle of Philanthropy is collecting these stories through a web form, and there are some statewide and local groups that are doing this as well. For example, I know the Massachusetts Nonprofit Network and the Boston Foundation have a form where they're collecting stories of harm in the Boston area and the Massachusetts area. The Delaware Alliance for Nonprofit Advancement has actually already issued an initial report and continues to collect data on the impact of organizations in Delaware. I just found out about that, I haven't read the report yet. And we'll share links to these things in our show notes so you can get to the forums easily and hopefully get to that report as well.

North Carolina Center for Nonprofits is collecting data and stories through a form. Now, I haven't looked at all of these forms yet to see how well they're structured. I looked at the National Council of Nonprofits and I spoke with them and they're being very thoughtful about making sure that they are protecting anyone who submits information through that form. And they're not planning to publish a report with that data because they don't want to put anybody in that public light unnecessarily. But they're doing other things with this information that will help with their

advocacy on behalf of the sector. And we all know that the National Council nonprofits has been crucial during the last couple of months in standing up for our sector alongside their colleague organizations in Washington who represent the sector such as Independent Sector, the Council Foundations, United Philanthropy Forum and others.

But if any of you listening know about more forms or surveys like this that are trying to collect data and stories about the harm that's being done or could be done, please let us know so that we can make those resources, the forms themselves, the links to those forms available to our followers on LinkedIn and elsewhere. You can connect with me on LinkedIn and direct message me or you can email me through our Website. So let us know if you know of groups out there collecting this data.

That's one thing that I think legislators, policymakers in Washington who want to protect the nonprofit sector are looking for information about what this harm is. They don't have a way to collect this information themselves. So the more we can coordinate and share information, the more they can try to help organizations and to get their dollars or overcome these harms and also amplify what's happening to real people and real organizations in real communities around the country.

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So it's a critical kind of action step I'm inviting you to take today. Share the links to these data collecting mechanisms in your networks. Find out if there are more of them and share them with Fund the People.

So I hope you've found this episode to be useful and not only depressing but also hopeful and motivating. We all need to be working proactively in the spaces we can to protect our communities and our sector. And remember, it's not just about our own organizations, it's about our entire sector. We have to protect our whole sector, not just try to defend our own organizations because these attacks are on all of us, not any one of us.

Now, if you have ideas for future episodes of our Defend Nonprofits, Defend Democracy series, please do let me know or you have other ideas about how to build the political power, the voice of the nonprofit workforce, please do be in touch and please share this episode with your networks as well.

With that, I will wrap up today's episode of Defend Nonprofits, Defend Democracy. Thanks for being with us here on the Fund the People podcast. I hope you'll join us next Wednesday morning when we will be back with our regularly scheduled podcast programming with a conversation for you with another incredible guest from the field. Please do not miss it, right here on your Fund the People podcast.