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Volume 20, Issue 1

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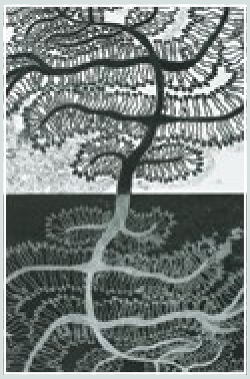
Features


Page 6


Page 18


Page 26

COVER DESIGN BY KATE CANFIELD
COVER ART: "EGGSISTENTIAL MIGRATION" BY JOHN A. SARGENT III/WWW.JOHNASARGENT.COM

Page 32

Page 44

Satire

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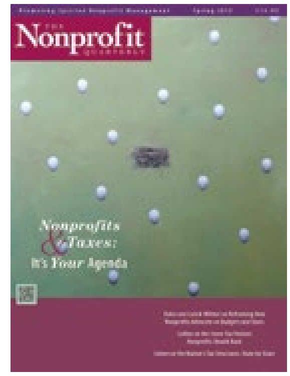
Welcome



Dear readers,

NPQ has always cautioned that ignoring your public policy context is akin to turning over the keys to your house and having to ask permission to sleep on the couch. And of all the aspects of your public policy context, the scaffolding of tax structures is king. How we raise and spend money as a nation reflects a set of our most basic collective priorities and beliefs. Investment bankers know this—they have worked effectively to create an iconic framework that, against all factual information, suggests that taxing the rich at rates equal to those at which we tax the middle class would be a disaster for our nation.

There are many doors into this oft-repeated story. One story: the rich are the job creators, and taxing them would force them to make such uncomfortable decisions as choosing between hiring eighty more factory workers or buying that sweet little sailboat they saw in the South of France. But small business has always been the job-creation engine in this country. Focusing on small business is, of course, one way to create an economy that offers more diversity of ownership, but that is not the direction in which tax breaks and expenditures are skewed. Through TARP, for instance, the federal government spent hundreds of billions in tax money to bail out the large institutions that led us into this extended recession—institutions that subsequently refused to increase, and even decreased, their number of small-business loans.

The way taxes are raised, waived, and used not only reflects value sets but also sets the stage for all we do as a sector. That design to some extent determines our collective and individual possibilities in a rapidly changing world. *Not* paying attention to that design, and how it is manipulated through rhetoric, means that we abdicate a critically important leveraging action that could improve the lives of those we work with in ways that are currently incalculable. But nonprofits' discussion of tax policy tends to revolve around charitable deduction or charitable exemption, and there is a bigger field that nonprofits could and should be playing on. What happens in the federal and state tax structures affects everything we do—directly, through a panoply of incentives and disincentives for achieving public policy goals, and indirectly, through the impacts of tax policies on the families and communities that we serve.

The nation is on an unremitting path toward changing the structure of taxes; the challenge is in figuring out what we can and should do within that dynamic. We are advancing two messages here: 1) We must be actively and intelligently engaged in the nation's fiscal debates if we are to be taken seriously in the larger dialogues of our times; 2) tax structures, tax reform, and tax equity are the important game right now in determining the nation's economic future. We cannot opt out of the arena, but before we enter the fray we have to be smart about the issues and facts. Toward that end, we hope this edition gives you some of the information and analysis necessary to craft and advocate for a nonprofit vision of an improved national and state tax design.

The Nonprofit Ethicist

by Woods Bowman

You know your organization is fighting the good fight—but what do you do when personality clashes turn your internal operations into something approaching civil war? In this installment, the Ethicist gives you tips for defusing tensions and mastering diplomacy when things get messy.

DEAR NONPROFIT ETHICIST,
Several agencies in my town support the same population of disadvantaged individuals. The executive director of one of the agencies has a reputation for lying, being snappish, sending poorly written e-mail tirades, refusing to be held accountable, and denying past actions and statements. (You get the idea: this person is a poster child for narcissistic personality disorder.)

When this human hand grenade explodes, my, and any other, agency that shares responsibility for the same clients, gets hit with the shrapnel; yet my board thinks that our mission requires us to overlook personality issues. How do we manage this relationship to protect our clients and ourselves?

Disarmed

Dear Disarmed,
Stay focused on what's best for your clients, and the rest will take care of itself. By this I mean that he or she will probably continue to annoy you (I like your shrapnel analogy) but try to think of such irritations as part of the price you pay for delivering the best service to your clients. When this person crosses the line and begins to hurt your ability to deliver for your clients, then it is time to build a firewall between your two organizations.

Dear Nonprofit Ethicist,
Many staff and board members have left the organization on whose board I sit; they have left because of a highly dysfunctional executive director who does not want to be managed by anyone, "spins" information to her own ends, and uses every Sun Tzu tactic to extinguish efforts to make changes.

For the majority of her time as ED, the board has been in interpersonal strife or organizational crisis; there is high board turnover as a result. Since the board has so many people who are new to boards as well as to the organization, this ED basically runs the agency and controls the board. She does this in two ways: (1) by dictating to the inexperienced board members what their roles are and what they are not; and (2) by positioning herself as more oppressed than her board and staff. The underlying strategy here is to be able to, on any level, empower herself by making the other person appear ignorant. From this strategic home base, she can at any time begin delegitimizing anyone she perceives to be a threat—and this she does. There have been several "ugly" confrontations involving staff and board members being pushed out by her passive-aggressive tactics and masterful manipulation; the reasons for these ugly endings remain unclear—except in my case (I have since become a subject of these attacks).

This organization was once a world leader in its field; it was supported by government and used to consult on issues by media, academia, government, and others. Today the government that created the organization has little interest in it, and representatives no longer have time to attend its events. The only media that this organization *gets is an occasional op ed (it is no longer contacted to give comments on events); instead of acting as consultants on governmental policy development, representatives now attend only as members of the public giving depositions. Politically and in the media, the agency has become basically irrelevant. Most people in the community don't know of the organization, although in its own small circle it is valued and continues to provide the same services it has for many years, which is essentially public education.*

This ED has effectively crippled innovation and leadership, and in doing so frittered away the wellness of the organization. Those who have attempted to do basic things (such as position the board to truly understand operations as they relate to the strategic priorities or move toward stating organizational objectives to focus the work of the organization) are targeted on a personal level and ultimately pushed out. Since people want to protect the integrity of the organization, nobody speaks of this dysfunction. How can this be addressed without compromising the reputation of the organization? In our case, it seems to be a toss-up: try from the inside and risk having your reputation ruined, or accede to this person's reign of control and warlike conflict that is bringing the agency closer each year to complete irrelevance.

Can this situation be reversed?

No Fun in Dysfunction

Dear No Fun,
The executive director may or may not have been responsible for the organization's decline, but abusive behavior and board subservience make it less likely that the situation will be reversed. If you want to try to turn things around, you will need to invest a lot of time in explaining the situation to new board members before the executive director can get to them. When you have one or two staunch allies to take your side and second your motions, announce to the board that the Emperor has no clothes—and keep it up. Still, this may not work. In Hans Christian Andersen's story, the emperor suspected the truth of the matter but continued with his parade.

Dear Nonprofit Ethicist,
One of our board members is a nursing home administrator. This person is an officer, serves on the executive committee, and is the chair of the personnel committee. A volunteer and advocate for our organization has now applied for a middle-management-level position. His wife is a patient at the board member's nursing home. Should the board member be required to step down from any of the board roles?

Interested in Conflicts

Dear Interested,
I like to think of such problems in terms of "ethical distance." When a decision maker's personal interests are completely intertwined with his or her organizational responsibilities, the ethical distance is zero, and drastic interventions are needed to protect the organization. In the case you describe, the ethical distance is large between your board member and an individual who is both middle manager for your organization and the husband of a person in the board member's nursing home. I believe that a modest intervention should suffice, such as the interested board member recusing him- or herself on matters related to this individual. (Many states have anonymous hotlines for reporting nursing home abuse—I'm assuming your state is among them.)

Dear Nonprofit Ethicist,
As the director of a small nonprofit, I recently received a request to write a letter of support for a grant being sought by a large organization with a reputation for chasing grant money and not being responsive to the needs of the community once they get it. I declined to write the letter and politely told them why. Word quickly spread throughout the community, and I am being told that I am the first to reject writing a support letter of request for any agency in our area. If I had provided the letter, I would have been supporting conduct that I do not find ethical; however, it sure would have been easier than the drama this has stirred up. I would make the same decision again, but I wonder what your thoughts are on this.

Odd Man Out

Dear Odd Man Out,
If you had misgivings about the organization's responsiveness to the community, then you were right to decline, but perhaps you could have handled your relations with the aggrieved organization more tactfully. There is a difference between honesty and candor: honesty is essential; candor is optional. Less candor might have served you better.

Woos Bowman is a professor of public service management at DePaul University, in Chicago, Illinois.

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Ask the Ethicist about Your Conundrum
Write to the Ethicist about your organization's ethical quandary at feedback@npqmag.org.

The Case against Rainy-Day Framing *of* Budgets *and* Taxes

by Susan Nall Bales and Yndia Lorick-Wilmot, PhD

How the public views fiscal issues is mired in a swamp of toxic ideas about taxes. It's tempting to try circumventing the muck and downplaying the importance of revenue issues, but in order for change to happen, you need to know how to navigate that swamp. Strategic Frame Analysis™ can help.

If there is any good to emerge from the financial upheavals of the past few years, it may come in the form of nonprofits' realization that they cannot be rainy-day, ambivalent advocates on the issue of budgets and taxes. Whether they are advocates for children's services, public safety or public health, or poverty prevention or remediation, it is no longer possible to ignore that they are in the business of budgets and taxes. The federal, state, and local budgets enacted and the taxes deemed necessary to support them will constrain or support the programs that nonprofits espouse.

Indeed, one might say that budgets and taxes are every nonprofit advocate's second issue. If that is the case, advocates across a broad spectrum of issues must stop treating messaging on budgets and taxes as an afterthought or intermittent necessary evil. They must bring to their advocacy repertoire a more refined, reliable approach to explaining how budgets and taxes affect children and family services, public safety, and many other issues. And in order to shift the discourse on public funding over the long term, they must do this year round, not simply at key points in the visible budget battles. Advocates must also consider the intersecting effects of how they communicate about budgets and taxes and their core issues.

Susan Nall Bales is founder and president of the FrameWorks Institute, an independent nonprofit research organization founded in 1999 to advance the nonprofit sector's communications capacity by identifying, translating, and modeling relevant scholarly research for framing the public discourse about social problems. A veteran communications strategist and issues campaigner, she has more than thirty years of experience researching, designing, and implementing campaigns on social issues; **Yndia Lorick-Wilmot**, PhD, is a trained sociologist in the areas of race, ethnic identity, immigration, and human services, and a senior associate at the Institute for Field Building and Research.

Strategic Frame Analysis™

While many nonprofits have developed strong communications practices on their focal issues, very few have questioned how these strategies affect their ability to explain fiscal issues within that context. Put another way, what happens when you combine the framing strategies you use to advocate for a primary issue with the frames used to advocate for the related, secondary issue of public funding? Do those framing strategies yield "toxic combos" that undermine the compound message? Or, does the strategy allow for an integration of both issues into a powerful story that lifts support for progressive fiscal policies?

In this article we use the perspective of Strategic Frame Analysis™ to explore these sorts of

"RAINY WINDOW" BY CHRISTINA KERNS/WWW.CHRISTINAKERNS.COM

Political scientist Shanto Iyengar has shown . . . that how people think about poverty is dependent on how the issue is framed: when framed structurally, people assign responsibility to society at large; when framed as a specific instance of a poor person, responsibility is assigned to the individual.

questions, mapping the terrain that advocates need to cover in becoming more effective communicators about budgets and taxes.[1] We do so because we believe—and numerous social scientists concur—that the conscientious reframing of issues is imperative to galvanizing public support.[2] Political scientist Shanto Iyengar has shown, for example, that how people think about poverty is dependent on how the issue is framed: when framed structurally, people assign responsibility to society at large; when framed as a specific instance of a poor person, responsibility is assigned to the individual.[3] But changing the way we frame issues requires that we understand which frames to use and which to eschew, and why. Strategic Frame Analysis™ not only examines how issues are routinely framed in news media and public conversations but also evaluates the merits of these frames based on the cultural models they ignite in mind—or their frame effects.

Beginning in late 2008, the FrameWorks Institute began a multiyear investigation of American thinking about budgets and taxes. Building on FrameWorks' research on how Americans think about government, the goals of this project were to understand the underlying assumptions Americans have about budgets and taxes, and to develop more productive strategies for communicating about these issues. With funding from the John D. and Catherine T. MacArthur Foundation, we translated these findings into an interactive game tool that allows advocates to explore the intersections of education and early child development with budgets and taxes.[4] The insights we offer here are based on this research and our experiences advising dozens of nonprofit groups in related message framing.

The Drip-Drip-Drip Hypothesis

Media theorist George Gerbner coined the term "drip-drip-drip" to refer to the effects that emerge after steady long-term exposure to media frames. In this process, ordinary Americans going about their everyday lives encounter frames that seep into their thinking, connect to their internalized ideas about how the world works, become chronically accessible, and eventually drive thinking. What is present in the drip-drip-drip of messages about budgets and taxes? Budgets are rarely present in the flow of frames except as they relate to (1) government excess or incompetence, and (2) household budgeting. But taxes are ubiquitous, and not just in politics—a steady drip-drip-drip of meaning is omnipresent in ads for accounting and tax preparation services, in news you can use for April 15 tax filing, and in consumer tips about buying or selling a home or sending your child to college. And what do we learn from this faucet of frames? It's a pretty consistent message, as codified in this (paraphrased) ad campaign from TurboTax: *It's your money. We know how hard you work for your paycheck. You should have the power to keep as much as possible.*

Far from an innocuous invitation to buy a product, the framing in this advertising campaign tells us that advertisers are playing to the way people have come to think about taxes: they rob people of their earned income, they violate fundamental American principles that reward hard work, and it is the right of every American to resist taxation. These frames are designed to connect to Americans' deeply held cultural models that shape and constrain how people think about an issue and the solutions they see as effective and appropriate.[5] People's mental muscles are being exercised with great regularity on this issue, building strong connections between the term "taxes" and these deeply held cultural models of how the world works. Getting out of this situation will require nonprofit communicators to become highly strategic and intentional in the way they wield new frames to break down these forged connections.

What's in the Swamp?

Most approaches to communication make it a priority to anticipate and understand the audience. Strategic "framers" approach this task by seeking to understand the cultural models accessible to people when they think about a particular issue, or the "implicit, presumed models of the world that are widely shared and that play an enormous role in the public's understanding of that world and their behavior in it."[6] For example, the American cultural model about work would include the widely shared notion that work should be rewarded and that people who don't work shouldn't get the same rewards as those who

do. A steady diet of stories in news media and public discourse plays to these cultural models, enhancing our ability to use them as reliable, default meaning-making devices. In short, cultural models help us to filter and categorize new information, determine relevance and priorities, and guide our decision making.[7] When we choose how to frame a message, we must understand what cultural models we are playing to, and with what consequences for our positions and policies. And, more often than not, the choice of frames already dominant in discourse yields no movement in public thinking beyond the status quo.

In explaining this complex array of implicit concepts that the public uses to make sense of the world on any given topic, FrameWorks appeals to the metaphor of a "swamp." When social scientists examine what's at play in people's reasoning, they do not witness a barren landscape but rather a complex, vibrant, messy, "swampy" ecology of cultural models that people have stored away over time and bring forward as necessary to explain their world. The "swamp" metaphor can help advocates appreciate several fundamental characteristics of cultural models:

1. People hold multiple cultural models on any given issue. In our research, we often observe an informant arguing passionately for one way of thinking, only to see him or her endorse an opposite position in the next breath.
2. Cultural models are neither inherently good nor inherently bad; it depends on where you want to lead people. Some parts of that swamp will prove useful for growing your advocacy goals—places where you can nurture positive support for your progressive policies. Other parts are full of alligators, dangerous currents, and sinkholes—places where your policy proposals are likely to meet tough opposition from entrenched habits of thinking.
3. Cultural models are directive. That is, whatever part of the swamp you "re-mind" people about will be used by people to "think" or process your issue. The lesson is clear for advocates: you must avoid activating cultural models that take people in the wrong direction and focus on invigorating only those that allow people to reason more productively and expansively.

Let's apply cultural models theory and our swamp heuristic to the issue domain of budgets and taxes. Think of communications as navigating the swamp and mapping it in order to determine what you have to work with and what you will need to avoid in the future. To map the swamp of public thinking about budgets and taxes, FrameWorks conducted twenty-five one-on-one, in-depth interviews with members of the public, followed by peer-discourse sessions with fifty-four adults divided into small groups. To find ways around the traps lurking in that swamp, we conducted an experimental survey with 6,700 Americans, documenting the effects of various "reframes" in inoculating against unproductive models and pulling forward more productive ways of thinking. Here's what the swamp of budgets and taxes looks like:

Relating budgets to taxes. A notable characteristic of the swamp is that in public thinking, *budgets and taxes are disconnected concepts*.[8] FrameWorks' informants struggled to link the two concepts, and were consistently unable to explain decisions and respond to problem-solving tasks that required their integration. This finding reveals a highly problematic cultural

When we choose how to frame a message, we must understand what cultural models we are playing to, and with what consequences for our positions and policies.

understanding—one that sets up a disjointed conversation in which budgets are not related to nor integrated with taxes. Reasoning in this way, people cannot see a system in which the country sets both short- and long-term priorities, and pays for them with revenues from past taxes as well as projecting for future needs. If they cannot *see* a system, the need to reform the system is equally "hard to think." Divorced from this integrative relationship, the default models of budgets and taxes are not required to make sense with respect to each other and thereby elude an important reality check. At the same time, when FrameWorks' researchers forced informants to relate budgets to taxes, there emerged a strong cultural model in which inputs must equal outputs. That is, the "common sense" that most Americans bring to these issues asserted a one-to-one correspondence in which balance is best and inputs can occasionally exceed outputs, but outputs can never exceed inputs without the system's collapsing.

Many economists and public policy experts believe that the current narrow discourse on public budgets and the role of the American tax system does not reflect the full range of policy thinking necessary to solve the problems that assail the country.

Why is this problematic? Many economists and public policy experts believe that the current narrow discourse on public budgets and the role of the American tax system does not reflect the full range of policy thinking necessary to solving the problems that assail the country. Most recently, Harry J. Holzer and Isabel Sawhill pointed out:

> Alarmists who call for immediate spending cuts and immediate reductions in our debt-to-GDP ratio (now at 73 percent) overstate the dangers of current levels of spending and debt, and they understate the damage to employment and economic growth that result from recently enacted belt tightening. That tightening, including the effects of provisions enacted in both 2011 and 2013, is expected to halve the growth rate in the gross domestic product this year, according to the Congressional Budget Office. This self-inflicted wound to the economy and to jobs makes no sense. If anything, we should be using this period when workers are underemployed and firms' physical plant and financial resources are underutilized to improve productivity by investing more in infrastructure and job training.[9]

Yet current American discourse on the role of government and its tax systems is not about job training, infrastructure growth, or even the necessity of a sustainable system with a robust social safety net that invests in human capital of all members of society. As such, the public's myopic outlook inhibits any opportunity to view public budgets and taxes as the tools society needs in order to meet its goals for the future.

The household budget model. We are far from experts on fiscal issues, but we do understand how the cultural models available to people on budgets and taxes prevent the broader conversation that experts would like them to join. When forced to think and talk about budgets, our informants defaulted to several powerful models. First, they individualized the topic, often equating budgets and budgeting with the household kind. Once thinking from this model, people draw upon the personal qualities they believe make for good household budgeting: notably, a good household budgeter has "character"—or moral and ethical traits—that allows him or her to overcome selfishness and self-indulgence. Taking responsibility for his or her household, the budgeter exercises belt-tightening discipline, resulting in shared hardship that is tough but builds character in everyone. Like dieting, budgets were described in terms of strict behaviors: "taking control," "sticking with it," and avoiding excess. In addition to focusing all attention on individual (moral) traits of the budgeters, this cultural model assumes that budget balancing is the ultimate goal. Budget experts reject this analogy because it overly simplifies and distorts the public budgeting process. For instance, the household budget model works with short time frames—paycheck to paycheck, month to month, and year to year. In contrast, public budgets are not tied to immediate revenue but rather to long-term needs. Government budgets need to fund very large investments (i.e., infrastructure) that must be amortized over time. The taxes we pay today do not fund our medical or technological advances of next month but those far into the future. In addition, the household budget model holds that short-term sacrifice necessarily leads to long-term benefits, but this analogy does not hold for public budgets: sometimes austerity results in bad financial outcomes.

The household budget cultural model is instructive in demonstrating how cultural models shape and constrain public thinking. Once this quickly accessible, concrete analogy is evoked to explain the abstract, complex process of public budgeting, it will influence the interpretation and assessment of information on the topic. It brings with it a package of assumptions about the character traits of good household budgeters—thinking that easily leads to opinions about the government's lack of "discipline," or inability to prioritize needs over wants.

The household budget model is also instructive in illustrating that common tropes are often communication "traps." Advocates are understandably attracted to this simple analogy that seems so popular with the public, but it is ultimately unproductive in advancing the case for public support of critical initiatives. There is an important lesson to be extracted from this alligator in the swamp: not everything that people are familiar with works to one's advantage. The goal of communications is not simply to relate to or "resonate" with people's prior convictions but rather to guide their thinking and opinions toward a desired position. To accomplish this, strategic framers look to research that describes the available cultural models, consider the implications of each, and choose to build a framing strategy on the cultural models that work to their advantage in explaining progressive programs and policies.

The interpretation of "fairness." Now let's take a look at what's in the swamp of thinking about taxes. Just as the cultural models for budgets tended to be highly individualistic, so the default models about taxes focused more on individual than collective needs. One of the most commonly expressed beliefs about taxes was that they undermine Americans' ability to meet their needs. At the core of this model is the belief that personal earned income should be dedicated to earners' immediate needs as individuals and families, and that government "takes money away from [us]."[10] Closely related to this way of thinking is the consumerist assumption that people should get their money's worth: if taxes are paying for goods, people should be able to immediately see and appreciate the thing they have purchased. In other words, people have a model that, like a vending machine, suggests taxes in, goods out, in exact proportions.

This vending machine cultural model can lead to faulty thinking about budgets and taxes. Many of the "goods" purchased with tax revenue are intangible, invisible, or ill understood as resulting from public funding. Without considerable prompting, such collective benefits as education, highways, social security, public health, and safety are not "top of mind"; indeed, they are often not recognized as "public" goods. The collective benefits that taxes support are masked by the consumerist model. If taxes are all about benefits accruing to individuals in the exact amount that individuals put in, there is quite literally no space for benefits from taxes that don't accumulate to individuals, or that may tax some people more than others in order to support the common good.

People have a model that, like a vending machine, suggests taxes in, goods out, in exact proportions.

The interpretation of "fairness" is similarly influenced by consumerist thinking. In the public mind, the default definitions of tax "fairness" involve either complete standardization (everyone should pay the same amount) or fee for service (everyone should pay only for the services he or she uses, and in proportion to how much is used). These powerful models guided thinking in everyday conversations among our informants, despite the fact that there was almost universal consensus that wealthy people and corporations should bear greater burdens in the tax system. And herein is another important lesson: when cultural models are vivid and well exercised, they tend to trump other opinions we hold.

Perceptions of government. While the concepts of budgets and taxes are disconnected from each other in public thinking—like Mars and Venus, in the title of a FrameWorks report[11]—they are nevertheless perceived to orbit within the same solar system: that of government. How people think about government flavors their understanding of both budgets and taxes—what these are and should be, how they work or don't, and whom they benefit or disadvantage.[12] As FrameWorks' research shows, cultural models commonly used to think about government pollute the swamp of budgets and taxes with strong, entrenched currents. On the one hand, there is the view of

Not only are taxes seen as an end in themselves, the budget process is routinely thought of as a game that government plays with other people's money—a kind of macabre Monopoly.

government as "it"—or a big, bloated bureaucracy of undifferentiated parts that is wasteful and out of control. Reasoning from this model, Americans assume that "it" will try to take their hard-earned funds, be unable to control its own excessive spending, and act irresponsibly with "someone else's" (their) money. On the other hand, there is the view of government as "them"—or an array of untrustworthy politicians who are using Americans' hard-earned funds for their own purposes. It is important to note how individual intentions and character traits flavor this discussion; here the moralism of the budgets and taxes discussion draws further credence from the immoral context that characterizes the domain of government. "What would you expect from government," people ask, "if not to take your money and spend it on some crazy thing you will never see?" And, as scholar Deborah Tannen has remarked, "The world, being a systematic place, confirms these expectations, saving us the individual the trouble of figuring things out anew all the time."[13]

Navigating the Swamp Is Hard Work—You Need Gear

What are nonprofit communicators to make of or do with this swamp of highly patterned, well-traveled ways of thinking about budgets and taxes? As with any journey, you are going to need a map to get from where you are to where you want to go. The swamp we've just described tells us where people are stuck and what concepts routinely and predictably inform their conversations and opinions. But the dominant cultural models are not the only ways people think about these issues. As we saw with the issue of fairness, people have other ideas about how the world should work—they are just less formed, less practiced, or sketchier than those that get exercised daily in public discourse. The job of strategic reframers is to identify more useful, albeit rare or recessive, models hidden in the swamp, and to figure out how to pull them forward.

If cultural models research provides a map of public thinking, then framing strategies might be thought of as the gear needed to get through the swamp. Strategic Frame Analysis™ points to two powerful reframing tools that have performed consistently to invigorate more productive models of budgets and taxes, of government and the common good. These tools cue up concepts already in mind but less developed than the dominant cultural models we've observed in the swamp. Think of them as big magnets we wave over the swamp in order to pull up what's valuable.

Tools for Reframing

When we scrutinize the swamp of existing cultural models of budgets and taxes, we find a notable lack of ideas about the end goal. Not only are taxes seen as an end in themselves, the budget process is routinely thought of as a game that government plays with other people's money—a kind of macabre Monopoly. How might we remind people what's at stake in setting priorities for the country and raising the funds necessary to support those goals? Can we realign budgets and taxes behind larger ideas about how the world should work, beyond consumerism and individualism?

The values tool. The first tool in the reframing tool kit of Strategic Frame Analysis™ is *values*, or those enduring beliefs that orient individuals' attitudes and behavior and form the basis for social appeals that pull audiences' reactions in a desirable direction.[14] Values hold promise for redirecting thinking on these questions, but it's important to make sure that the right value is assigned to the job. To ground framing recommendations in solid scholarly research, FrameWorks' comprehensive experimental survey tested the frame effects of four values on support for progressive tax and budget attitudes and policy preferences. Those values were: *Crisis*, *Prevention*, *Common Good*, and *Future*.[15] These values were not chosen randomly; rather, each represents a hypothesis about which framing might be most effective in reorienting public thinking on budgets and taxes.

The Crisis value is used frequently by policy experts and advocates for progressive budget and tax reform. That is, it is one of the values to emerge from the field of practice. Based on our prior research on social issues, we hypothesized that Crisis would not elevate public support for policy, as the tone of the value primes the public to see the problem as overwhelming and intractable. Thus we thought it would likely push people to disengage from the issue, ignoring the possible efficacy of proposed solutions. Additionally, we predicted that "crisis fatigue," or the public over-saturation with this way of thinking about the world, would blunt or undermine frame effects.

The Prevention and Common Good values were included on the basis of positive results in previous FrameWorks research, in which similar contours of public thinking presented themselves. For instance, in work on reframing racial disparities, Prevention helped people to move past thinking that was fixated on the present-time horizon of social problems, and we hypothesized that Common Good would be effective in reminding people of the public goods that are supported by taxation. The Future value emerged during our qualitative work on budgets and taxes, having been employed quite skillfully by one of the participants in our peer discourse sessions. Her ability to change the entire conversation of a diverse group of participants alerted us to the potential of this value, and we subsequently tested it in other phases of the research.[16]

FrameWorks' experimental design involved exposing participants to a short paragraph explaining one of the values, and then probing their attitudes toward the topic as well as their support for a wide range of progressive policies. (Values frames are judged effective if they achieve statistical significance in raising support for policies, compared to the null condition in which people get no value but are simply asked about their attitudes toward budgets and taxes and their support for policies.) In the case of the experiment on budgets and taxes, the policy list included everything from expanding the Earned Income Tax Credit to rejecting flat taxes and budget cuts. Then, we tested the synergistic effects of each of our four candidate values with a secondary paragraph about budgets and taxes—that is, could the value gain strength when applied to the issue domain?

One of the tested values achieved a statistically significant result in moving attitudes and policy preferences, but in a negative direction: Crisis. As predicted, framing budget issues in terms of Crisis depresses, rather than increases, support for public budgets and related progressive policies. What worked? One value—Prevention—outperformed all others in moving attitudes and policy support toward the more progressive end of the scales. Compared to the control group that received no values frame, priming subjects with the value of Prevention increased support on the attitudes scale by 12.4 points, a statistically significant change. When the paragraph about budget and taxes was added, it enhanced the attitudes effect to 17 points. On the policy preferences scale, the results of a Prevention frame showed a trend in a positive direction, though these results did not achieve statistical significance. No other values frame achieved significance.

On the Prevention Value

Our state/country could do more to prevent problems before they occur. Instead of postponing our response to fiscal problems, we could use our resources today to prevent them from becoming worse. When we postpone dealing with these problems, they get bigger and cost more to fix later on. We would be better off in the long run if we took steps today to prevent the fiscal problems that we know will affect the well-being of our state.

How does Prevention *help us? First, it conveys the idea that acting now to prevent problems from becoming worse is the responsible thing to do, while postponing action will have consequences for us all. Moreover, it establishes the idea that using resources that we have today can help us to solve problems. These ways of framing the issue pull forward other available ways of thinking about what is moral and responsible behavior than merely tightening one's belt. They also put forward goals that are bigger than one's own consumption. In this way, the value of* Prevention *performs that magnetizing function over the swamp of cultural models, pulling forward what's useful and leaving the rest behind.*

The explanatory metaphors tool. The second reframing tool FrameWorks commonly advances is the *explanatory metaphor*. This device is especially useful when public thinking reveals "cognitive holes"—such as the missing concept of the relationship between budgets and taxes. To fill these "holes" in public understanding, FrameWorks develops and tests explanatory metaphors

The second reframing tool FrameWorks commonly advances is the *explanatory metaphor*. This device is especially useful when public thinking reveals "cognitive holes"—such as the missing concept of the relationship between budgets and taxes.

Budgets and taxes occur in a system of *forward exchange*. We pay taxes forward—not for immediate exchanges for public goods but so that we can have them available in the future.

that make concepts easier to understand by organizing information and comparing it to something concrete, vivid, and familiar.

We set out to use metaphor to address some very specific problems lurking in the swamp. In order to use metaphor to full advantage as a frame tool, we homed in on several aspects of the perceptual problems. Specifically, we sought to address the disconnect between budgets and taxes. An effective explanatory metaphor would have to generate this connection in order to improve understanding of budgets and taxes, helping people relate and integrate the two concepts. We also sought to ensure that the metaphor addressed the need for (1) a way to think beyond or outside of dominant cultural models (e.g., wasteful and broken government); (2) ways to think productively about old tensions (e.g., taxes versus spending); and (3) ways to encourage individuals to conceive of their own roles as political actors (agency).

One metaphor, *forward exchange*, emerged as powerful from FrameWorks' iterative process of qualitative and quantitative testing.

On the Forward Exchange Metaphor

Budgets and taxes occur in a system of forward exchange. *We pay taxes forward—not for immediate exchanges for public goods but so that we can have them available in the future. The public goods a community has today, such as schools, highways, and safety systems, weren't only paid for by taxes its members* just *paid or are* about to pay—*they were also paid for in the past, by taxes that were budgeted* then *to meet the community's needs* now. *So we can say that a good public budget is one that plans for the future and for the unexpected. And we can also say that good taxes are the ones that allow a community to pay for the public goods and services for which it has planned.*

Not only was the forward exchange *metaphor found to enable the connection to be made between budgets and taxes (whose relationship the public needed to understand) but it also (a) inoculated against the dominant frames of government as wasteful and bureaucratic; (b) enabled people to think about how taxes and public goods and services are not immediate exchanges, and that budgets spread out the cost and benefit of public goods over time; (c) allowed people to see that taxes have a purpose and are shared responsibilities rather than individual burdens; (d) encouraged individuals to consider their own role in solutions; and (e) significantly shifted respondents' attitudes about budgeting and taxation in a progressive direction.*

Toxic Combos

What happens when you apply these potent values frames to the issues that advocates care about, whether mental health, education, or early child development? As we acknowledged earlier, we recognize that budgets and taxes are not the prime issue of concern for most nonprofits. We are arguing for a more strategic approach to including this secondary issue in advocacy communications. Such an approach would require recognition of the way people come to the issue (their swamps of cultural models), and would use tested and proven frame techniques to navigate around the communications pitfalls.

It is our observation that this is not the current practice in the field. Nonprofit communicators are very smart about framing their own top issues but append a budgets-and-taxes message onto them as an afterthought. The danger in so doing is that they run the risk of igniting those "toxic combos" referred to earlier—alignments of issues that are fraught with the same unproductive cultural models. When nonprofit communicators inadvertently cue up a cultural model with their framing of budgets and taxes, they also reinvigorate its negative effects on their own issues.

Education and budgets and taxes. Let's look at how the issue of education overlaps with budgets and taxes in relying on an unproductive model of individualism. We have described Americans as thinking about many social issues in distinctly individualized, consumerist ways. Where education and budgets and taxes are concerned, Americans believe that "you should get out of the system no less than what you put in." They are wary of free riders who don't pay their fair share and take more from budgets and public education than they deserve. FrameWorks research shows

Toxic Combos between Education and Budgets and Taxes	
Education	**Budgets and Taxes**
People think of education as a consumer good.	People think government should work like a vending machine: you should get back what you pay in.
Blame for education system failures falls on individual students who lack the discipline and motivation to succeed.	Blame for failures falls on government wastrels who lack the discipline and restraint of responsible individuals who must manage personal budgets.
People think in zero-sum ways, which leads them to oppose policies that seem to favor the poor at the cost of the middle class.	People think in zero-sum ways about budgets and taxes, which pits people who pay more against those who pay less.
People lack an understanding of the shared stake citizens have in a functional education system.	People lack an understanding of the broader societal infrastructures that budgets and taxes support and provide to communities.

Locked in a "starve the beast" mentality with respect to government, Americans are likely to see nonprofits as regrettable casualties of this more important goal of shrinking the bloated bureaucracy.

that education as a *collective* investment is not on people's radar. (These "individualist" tendencies can be seen in the toxic combos outlined in the above table.)

Avoiding such toxic combos is but one reason why nonprofit communicators need to pay more attention to the framing of budgets and taxes. There are numerous ways to avoid these and other toxic combos, but to learn how to do so, nonprofit communicators will have to agree to get in the game of reframing the swamp of budgets and taxes. FrameWorks offers a simple, painless, costless way to do so—it's our online advocacy game, SWAMPED! Here you will encounter dangerous predators and hazards in the swamp of public thinking that threaten to sink your communications message. In this adventure, you will navigate the challenges in the Education or Early Child Development landscape as well as those that cross over from the land of Budgets and Taxes. After you have charted the path with our communications canoe, you can begin to help your organization, the coalitions it leads, and the communities it informs to think more productively about the intersection of your issue with the national conversation about budgets and taxes.

The following are four illustrations of how nonprofit communicators might begin to engage in reframing their issues at the intersection of budgets and taxes:

1. Framing state budget priorities. Advocates have characterized the current decisions facing their state as the proverbial fork in the road—with raising revenue as one possible direction and cutting spending as the other. This false choice is countered with the statement, "It's not one or the other . . . it's a balanced approach."[17] When making this claim, communicators trigger consumerist cultural models in the public's thinking, in which the focus is on the assumption that input must equal output. This way of framing the issue inadvertently leads the public to think about budgets and taxes like a household budget, in which immediate income must balance immediate expenditures. As a consequence of this framing, the public is unable to understand how budgets and taxes might be used to meet our societal goals, such as investing in opportunities, resources, and supportive services for children that can yield long-term benefits for the entire state. Nonprofits can overcome this framing trap by using the *forward exchange* metaphor to explain that budgets are instruments for planning our future. Doing so will help bring the collective nature of the budgeting process into the public's focus. Also, the *Prevention* value can help frame the importance of setting state budget priorities as collective and solvable.

2. Framing charitable deductions. Nonprofit leaders have been focused lately on saving the charitable giving deduction—"Both by reducing the charitable giving incentive and cutting federal programs, nonprofits would face increased public demand for services with fewer resources."[18] Locked in a "starve the beast" mentality with respect to government, Americans are likely to see nonprofits as regrettable casualties of this more important goal of shrinking the bloated bureaucracy. Moreover, such crisis frames applied to taxes, tax policies, and deductions make the

Public goods, like education, are not only paid for by taxes from people who need it now or in the near future; they have also been paid for in the past, with taxes that were budgeted *then* to meet the community's needs *now*.

issue more about getting the wealthy to donate funds than about how effective public tax policies can help nonprofit programming—which, in turn, contributes to the priorities we set as a society. Nonprofit communicators can reframe the conversation by using the *forward exchange* metaphor to clarify that what the public programs and services nonprofits provide, and which are also paid for by public taxes, are collectively beneficial. Doing so will help shift the focus from politicians and sequestration politics to policies that grow the economy and facilitate the participation of nonprofits in that goal.

3. Framing April 15. Every year during tax season, nonprofits participate in campaigns and share information with the public about a variety of tax exemptions, deductions, credits, deferrals, and special rules that allow individuals and businesses to reduce the amount of state tax they owe. In doing so, they may say, "It's your money, you've earned it, claim it now," to emphasize that such credits are vital to ensuring that working families do not miss out on valuable incentives that can alleviate the burden they face when trying to make ends meet.[19] These sorts of statements trigger cultural models of government as a force to be resisted and of zero-sum thinking that individualizes the impact of taxation by suggesting that our tax system should be operating like a vending machine. As these statements reach a broader audience, they encourage the public to think that some people are getting more than they pay in, thereby obscuring the purpose of budgeting and taxation: to meet the needs for all members of society. To overcome this communications challenge, nonprofit communicators will need to avoid talking about fairness as a goal for evening out the "paying field" when it comes to taxes and tax reforms, and talk instead about how important it is to prevent communities from deteriorating by ensuring that people can maintain property, support their local institutions, and participate in the local economy.

4. Framing budget cuts. When nonprofit leaders speak out about the impact of budget cuts on, for example, education and youth mentorship programs, there is a tendency to frame the issue as "We cannot let these kids lose their adult role models."[20] This serves to trigger toxic combos of cultural models about family responsibility for children, defining the issue as an individual-level problem. Relatedly, such statements trigger cultural models about government as wasteful, since they fail to explain why education and mentorship should matter to all, and how budgets and taxes are infrastructures that support entire communities—both in the long- and short-term—by paying for such important programming. Key to navigating away from this particular toxic combo of cultural models is making the case for linking funding for educational (e.g., after-school and mentorship) programming to tax resources as a solution that benefits the country as a whole.

Conclusion

In sum, knowing what's in the swamp of cultural models, and what frames can be mobilized, can help you to avoid entrenched ways of thinking, and expand constituencies for your policy agenda. Above, we gave an example of a toxic combo between education and budgets and taxes that led to defining an issue as an individual-led problem. An example of a more constructive frame would be: Our education and early child development systems are crucial in preparing our country to meet its future challenges. Instead of promoting fiscal policies that only work for some of the nation's children, we should use our public budgets to develop solutions that serve the common good for all. We need to make sure we don't go backward, or leave our children with outdated skills and our communities without the workers and stakeholders they need. We can prevent that from happening. When we pay our taxes, we pay forward—not for immediate exchanges for public goods, such as education, health care, libraries, and highways, but so we can have them available in the future. Public goods, like education, are not only paid for by taxes from people who need them now or in the near future; they have also been paid for in the past, with taxes that were budgeted *then* to meet the community's needs *now*. When young people have access to educational, mentorship, health, and social service opportunities, they will be better able to contribute to our society's future and ensure America's long-term fiscal foundation.

Going forward, we hope there will be many more examples of effective framing to add to our archives on how nonprofits might better communicate about budgets and taxes. We offer our framing tools as a point of departure. If we can agree to keep budgets and taxes at the forefront as we explain how the world works on issues of inequality, human needs, environmental stewardship, and other key societal concerns, we can begin to take back a critical component of what ordinary people need and want to know about exercising their rights as citizens and stakeholders.

Notes

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3. Iyengar, "Framing Responsibility for Political Issues: The Case of Poverty," *Political Behavior* 12, no. 1 (March 1990): 19–40, www.jstor.org/discover/10.2307/586283.
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5. Moira O'Neil, "Literature Review and Methods Associated with Cultural Models," unpublished working paper (FrameWorks Institute, 2007).
6. Dorothy Holland and Naomi Quinn, eds., *Cultural Models in Language and Thought* (Cambridge: Cambridge University Press, 1987), 4.
7. See Bradd Shore, *Culture in Mind: Cognition, Culture, and the Problem of Meaning* (New York: Oxford University Press, 1996).
8. Nathaniel Kendall-Taylor and Susan Nall Bales, *Like Mars to Venus: The Separate and Sketchy Worlds of Budgets and Taxes* (Washington, DC: FrameWorks Institute, 2009).
9. Harry J. Holzer and Isabel Sawhill, "Why Won't Liberals Back Reforms?," *Washington Post* (March 10, 2013). (For open access, see www.kansas.com/2013/03/12/2711814/harry-j-holzer-and-isabel-sawhill.html.)
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11. Kendall-Taylor and Bales, *Like Mars to Venus*.
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Tax Equity and the Nonprofit Sector

by Chuck Collins

Over the last thirty years, ideas of "waste, fraud, and abuse" have loomed large in the debate over taxes, while lawmakers have made our tax system more regressive. Is there hope for reform? The author identifies seven tax policies that nonprofits should back.

Cynthia Carranza is the director of a food pantry in Niles, Illinois. For a decade she has watched the growing number of hungry people at her food pantry door, even as government support for her program is slashed. When she hears politicians talking about how our nation is broke, she has a pithy response: "Our country is not really broke, but our priorities are twisted. We're an incredibly rich and prosperous nation. But our wealth is skewed to a very few fortunate at the top. We're not broken, just twisted."

Chuck Collins is a senior scholar at the Institute for Policy Studies, where he directs the Program on Inequality and the Common Good (see www.inequality.org). His most recent book is *99 to 1: How Wealth Inequality Is Wrecking the World and What We Can Do about It* (Berrett-Koehler Publishers, 2012).

We Are Not Broke, Just Twisted

You may have heard the news—our communities are financially insolvent and the federal government is so mired in debt that we must tighten our belts. Politicians and governors are calling for deep cuts in education, community services, and other investments that cut close to the heart of the nonprofit sector. Around the country, states and localities are making decisions based on this austerity framework, gutting their budgets and undermining the quality of our lives.

There are two important points of engagement for the nonprofit sector to connect to beyond advocating for specific spending initiatives.

Tell our stories of effective government. Underlying the debate over taxes are public attitudes about government and the nonprofit sector. There is an infrastructure of anti-government, tax-cut-advocacy organizations whose

"AS ABOVE, SO BELOW 1" BY BROOKE MULLINS DOHERTY/WWW.BROOKEMULLINS.COM

Many of our community organizations are engaged in state and local spending and budget matters. . . . We are shyer when it comes to engaging in tax and budget matters. But as the pie appears to be shrinking, we cannot sit out debates over taxes and revenue.

primary agenda is to beat the drum about public and community sector "waste, fraud, and abuse." Their goal is to undermine confidence in the work that the third sector and government do. To counter this, we need to broadcast the success stories of effective government and community organizations that transform lives or provide lifeline services.

Advocate for new sources of tax revenue. For decades, federal lawmakers have been cutting taxes on high-income households and allowing huge corporate loopholes to be established. We need to raise our voices in support of specific revenue proposals that will raise hundreds of billions of dollars a year and obviate the need for extreme cuts.

Many of our community organizations are engaged in state and local spending and budget matters, concerned about specific budget line items related to children, mental health, and community programs. We are shyer when it comes to engaging in tax and budget matters. But as the pie appears to be shrinking, we cannot sit out debates over taxes and revenue.

How Our Federal Tax System Became More Regressive

For three decades, lawmakers have gradually been shifting the design of our tax and revenue system. They have reduced "progressive taxes"—those primarily paid by the wealthy. These include taxes on higher incomes, dividends and capital gains, and inherited wealth. More of our federal and state revenue now comes from "regressive taxes"—those paid disproportionately by lower-income households. These include taxes on wage income and sales taxes.

In 1915, Congress passed laws instituting federal income taxes and inheritance taxes (estate taxes). Over the subsequent decades, these helped to reduce the concentration of income and wealth, and even encouraged Gilded Age mansions to be turned over to civic groups and charities.[1] Today, the higher up the income ladder people are, the lower the percentage of income they pay in taxes. This is why Warren Buffett's disclosure about his own low taxes was so important. Buffett revealed that in 2010 he paid only 14 percent of his income in federal taxes—lower than the 25 or 30 percent rate that more than twenty of his co-workers paid. Buffett wrote:

> While the poor and middle class fight for us in Afghanistan, and while most Americans struggle to make ends meet, we mega-rich continue to get our extraordinary tax breaks. Some of us are investment managers who earn billions from our daily labors but are allowed to classify our income as "carried interest," thereby getting a bargain 15 percent tax rate. Others own stock index futures for ten minutes and have 60 percent of their gain taxed at 15 percent, as if they'd been long-term investors. These and other blessings are showered upon us by legislators in Washington who feel compelled to protect us, much as if we were spotted owls or some other endangered species. It's nice to have friends in high places.[2]

The richest four hundred taxpayers saw their effective tax rate decline to 19.9 percent in 2009.[3] In 2009, the most recent year for which data are available, fifteen hundred millionaires paid no income taxes, largely because they dodged taxes through offshore tax schemes, according to the IRS.[4]

The 2001 and 2003 tax cuts passed under President George W. Bush were highly targeted to the top 1 and 2 percent of taxpayers. Between 2001 and 2010, the United States borrowed almost $1 trillion to pay for the higher-income tax cuts. These included reducing the top income tax rate, cutting capital gains and dividend taxes, and phasing out the estate tax, our nation's only levy on inherited wealth.

Toward a New Tax and Revenue Policy

In the next two years there may be actual reforms of the federal tax system, motivated in part by embarrassing corporate tax loopholes. Anti-tax forces will continue to advocate for regressive taxes and reduced or eliminated corporate income taxes.

You may have heard the expression "sin taxes" (or "tax the bads"), referring to taxes levied on socially destructive activities such as cigarettes, some of which allocate funds to healthcare and smoking-cessation education. Governors and state legislatures are now looking to address the obesity crisis by instituting taxes on candy and soda. These taxes tend to be regressive, disproportionately falling on lower-income households. Are there progressive "sin taxes?" What are the new "bads," those destructive forces that are undermining the health and well-being of our society?

There are four modern-day "bads" that should be the focus of our taxes: *concentrated wealth*, *financial speculation*, *short-term financial horizons*, and *environmental destruction*. Taxing these bads will not only generate revenue but also address several of our most pressing societal problems.

Concentrated wealth. A decade of research in a variety of disciplines now shows how the extreme inequalities of income and wealth are destructive to almost every dimension of our society. Too much concentrated wealth undermines our democratic system, thwarts social mobility, reduces competition in the business sector, threatens our physical and mental well-being, and tears communities apart. Too much inequality destabilizes the economy, as the affluent shift more wealth into the speculative investments and working families take on more precarious debt to cover for stagnant or falling wages.[5] These extreme wealth disparities have nothing to do with individual deservedness; rather, they are a cancer on an otherwise healthy society and vibrant private sector. We have to directly reduce wealth concentration through progressive income taxes, estate or inheritance taxes, and taxes on luxury consumption.

Financial speculation. The economic meltdown of 2008 was fueled by extreme inequalities of wealth and the corporate capture of our regulatory system, leaving the Wall Street foxes in charge of our economic henhouse. The healthy "built to last" sectors of the economy that produce real goods and services are being wrecked by the parasitical "built to loot" antics of several thousand transnational corporations whose business model is to squeeze out short-term gains and undermine long-term economic health.

Short-term financial horizons. The incentive system in large global corporations encourages CEOs to adopt a destructive, short-term, "take the money and run" outlook. An earlier generation of CEOs operated within different rules and values—and they had a longer-term orientation.[6] There are a wide range of policies and rule changes that would alter this warped incentive system that results in reckless corporate behavior and excessive executive pay.

Environmental destruction. We are consuming the earth's bounty at a dizzying pace and dumping carbon and other toxins into the environment in ways that are unsustainable. To slow global warming, we have to raise the cost of burning fossil fuels. Progressive consumption taxes and a tax on carbon would raise substantial revenue and reorient investment toward green energy and conservation.

A decade of research in a variety of disciplines now shows how the extreme inequalities of income and wealth are destructive to almost every dimension of our society.

Seven Tax Policies that Nonprofits Should Back

1. **Restore income tax progressivity.** Taxes on the wealthy have steadily declined over the last fifty years. If the 1 percent paid income taxes at the same actual effective rate as they did in 1961, the U.S. Treasury would receive an additional $231 billion a year.[7] Taxes on higher income and wealth reached their zenith in the mid-1950s. At the time, the incomes of millionaires were taxed at rates over 91 percent. Creating additional tax brackets for people earning $1 million or more per year could generate at least $79 billion annually.[8]
2. **Eliminate tax preference on income from wealth.** One simple proposal would be to tax income from wealth the same as income from work. Current law subjects most dividend and capital gains income—the investment income that flows overwhelmingly to wealthier Americans—to a 20 percent tax rate, after a decade at 15 percent. The tax on wage and salary income, by contrast, can now run up to 39 percent. This yawning gap is what inspired Warren Buffett to call on Congress to "stop coddling the super-rich" and institute higher rates on income from wealth.[9] With carefully structured rate reform, we can end this preferential treatment and at the same time encourage average families to engage in long-term investing.

By current statute, corporations are supposed to pay a 35 percent tax on their profits. According to Citizens for Tax Justice, between 2008 and 2010, the top U.S. corporations actually paid only 18.5 percent of their profits to Uncle Sam.

One distortion of the two-tier system is the so-called "carried interest loophole," which permits gazillionaires to pay only a capital gains tax rate (just raised from 15 to 20 percent) on the profit share (the carried interest) that they get paid to manage hedge and private equity funds. Ray Dalio of Bridgewater Associates raked in $3 billion in 2011, making him the highest-paid hedge fund manager in 2011. If his income were taxed like a doctor's wages, and not investment income, he would have paid an extra $450 million in taxes.

3. **Eliminate taxpayer subsidies for excessive executive pay.** One way to discourage "short-termism" among leading corporations would be to deny all firms tax deductions on any executive pay that runs over twenty-five times the pay of the firm's lowest-paid employee or $500,000—whichever is higher. Companies can pay executives whatever they want, but over a certain amount ordinary taxpayers should not have to foot the bill for what becomes excessive executive compensation. Such deductibility caps were applied to financial bailout recipient firms and will be applied to health insurance companies under the healthcare reform legislation. Eliminating perverse loopholes that encourage short-term "take the money and run" financial decision making adds up to more than $20 billion per year in otherwise lost revenue.[10]
4. **Institute a Wall Street financial transaction tax.** A modest financial transaction tax on the sale of stocks, bonds, and other financial instruments such as derivatives would generate substantial revenue, estimated between $150 billion and $200 billion a year.[11] At least eleven European countries are on track to adopt a financial transaction tax that could soon raise a total of nearly $72 billion U.S. per year if enacted throughout the European Union.[12]

   A financial transaction tax would have the positive economic impact of discouraging the controversial high-speed trading that destabilizes the investment markets. New technologies and increased competition between brokers have lowered the cost of trading, which has benefited all investors. But lower trading costs have also opened the door to widespread speculative activity that erodes confidence in the stability of markets. High-frequency trading now comprises about 55 percent of equity trades in the United States.[13] This is a threat to the interests of responsible investors.
5. **Levy a progressive estate tax on large fortunes.** Since 2001, Congress has weakened the federal estate tax, our nation's only levy on inherited wealth transfers. A progressive estate tax could include graduated rates starting on estates over $5 million and getting more steeply progressive on large estates. One estate tax proposal includes a 10 percent surtax on individual estates valued over $500 million—or $1 billion for a married couple.[14] This would raise $35 billion a year and put a significant brake on the buildup of concentrated wealth over generations, a virtual "plutocracy prevention act."
6. **Close offshore tax haven loopholes for transnational corporations and wealthy individuals.** In the mid-1950s, corporations contributed a third of the nation's revenue; today, corporations contribute less than one-tenth. By current statute, corporations are supposed to pay a 35 percent tax on their profits. According to Citizens for Tax Justice, between 2008 and 2010, the top U.S. corporations actually paid only 18.5 percent of their profits to Uncle Sam.[15]

   One of the main ways that large corporations dodge their fair share of taxes is by playing global shell games using subsidiaries in countries with low or no taxation. The use of offshore tax havens and "secrecy jurisdictions" enables hundreds of multinational companies like Apple, Verizon, Boeing, Pfizer, and General Electric to shift their responsibility for paying taxes onto responsible businesses that operate within our borders. A common gimmick of the corporate 1 percent is to shift profits to subsidiaries in low-tax or no-tax countries such as the Cayman Islands. They pretend corporate profits pile up offshore while their losses accrue in the United States, reducing or eliminating their company's obligation to Uncle Sam.

These same companies, however, use our public infrastructure—they hire workers trained in our schools, they depend on the U.S. court system to protect their property, and our military defends their assets around the world—yet they're not paying their share of the bill.

Corporate tax dodging also hurts Main Street businesses that are forced to compete on an unlevel playing field. "Small businesses are the lifeblood of local economies," said Frank Knapp, Jr., president and CEO of the South Carolina Small Business Chamber of Commerce. "We pay our fair share of taxes, shop locally, support our schools, and actually generate most of the new jobs. So why do we have to subsidize the U.S. multinationals that use offshore tax havens to avoid paying taxes?"[16]

Several pieces of federal legislation, including the Corporate Tax Dodging Prevention Act (S. 250, introduced and referred to committee on February 7, 2013) and the CUT Loopholes Act (S. 2075, introduced and referred to committee on February 7, 2012), would close numerous loopholes that facilitate tax dodging via tax havens. For example, they would treat foreign subsidiaries of U.S. corporations whose management and control occur primarily in the United States as U.S. domestic corporations, for tax purposes.[17] Both of these acts would each generate an estimated $100 billion in revenues a year—or $1 trillion over the next decade.

7. **Tax carbon and pollution.** In order to slow the pace of climate change, we must raise the cost of carbon. A number of proposals levy a tax on carbon and increase it gradually each year to encourage new investments in energy efficiency. The revenue from a carbon tax could be $90 to $150 billion a year, and could be partially rebated back to consumers on a per capita basis to offset its regressivity.

Conclusion

Taxing the wealthy and closing corporate tax loopholes won't entirely solve our nation's short-term deficit problems nor dramatically reduce inequality in the short run, but it will have a meaningful impact on both problems over time. Thirty years of tax cuts for transnational corporations and the wealthiest 1 percent has shifted taxes onto middle-income taxpayers and added to the national debt. The nonprofit sector can play a critical role in educating our communities and advocating for progressive tax reforms. We're not broke by any means.

"Small businesses are the lifeblood of local economies . . . We pay our fair share of taxes, shop locally, support our schools, and actually generate most of the new jobs. So why do we have to subsidize the U.S. multinationals that use offshore tax havens to avoid paying taxes?"

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RESOURCES

For more information, see:

Citizens for Tax Justice
www.ctj.org

Center on Budget and Policy Priorities
www.cbpp.org

Program on Inequality and the Common Good
www.inequality.org

We’re Not Broke
www.werenotbrokemovie.com

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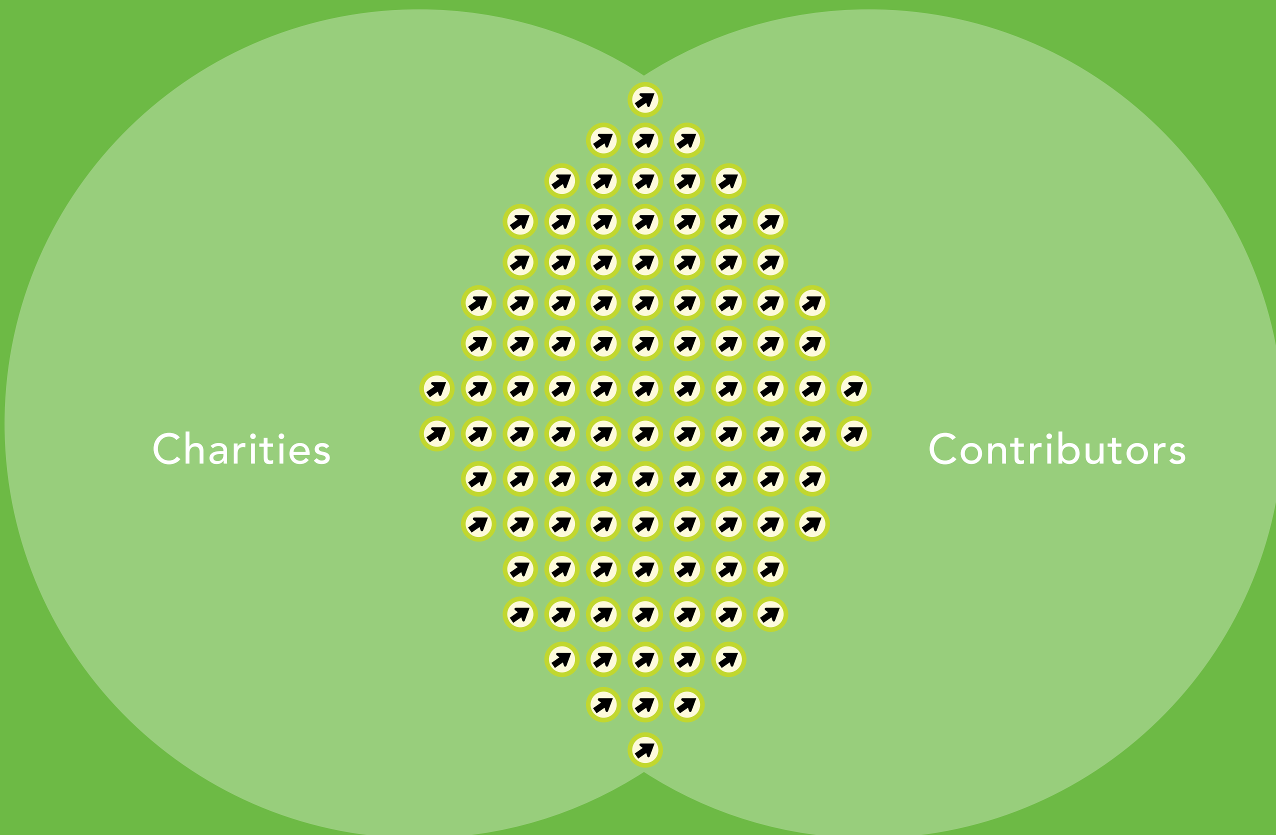

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Participatory Budgeting *in the* United States: What Is Its Role?

by Daniel Altschuler, PhD

"Now is not the time to be creative," said Vallejo mayor Osby Davis, when his city became the first in the nation to use Participatory Budgeting. But judging from its success, the time seems ripe for this experimental form of local governance, in which citizens actively work together to allocate city funding to projects.

Fifteen year-old Johnnel White didn't know what he was getting himself into. His cousin had taken him to a neighborhood assembly in Vallejo, California, to discuss the local budget. Johnnel had never participated in a community organization or student government before, and all of a sudden he was being asked to report back for the group of residents he had joined. "We had to present what our group had decided. Everyone said I was a good leader and should present, and then afterwards they said I should become a delegate. I was scared, but after I saw everyone smile and clap, I felt like I could get the hang of it."

With that, Johnnel became the youngest budget delegate in a municipal innovation called Participatory Budgeting (PB), a deliberative process through which Vallejo residents are proposing, vetting, and ultimately voting on capital projects to be built with a portion of citywide funds. Neighbors come together in assemblies to brainstorm ideas, form sector-specific committees to check the feasibility and cost of proposals, and vote in elections where all residents (age sixteen and over) can choose their preferred projects.

Daniel Altschuler, PhD, holds a doctorate in politics from the University of Oxford, where he studied as a Rhodes Scholar. He is coauthor of the forthcoming book *The Promise of Participation: Can Participatory Governance Bolster Citizen Engagement and Democracy?* (Palgrave MacMillan, 2013).

Participatory Budgeting Arrives in the United States

Participatory Budgeting is perhaps the greatest innovation in municipal governance in the United States in the last five years, and it has grown

"GOLDEN APPLES" BY MARINA NOVIKOV/WWW.NONSENSPICTURES.RU/

In the summer, a citywide steering committee deliberated on [PB] rules and procedures, including voting eligibility. The city council ultimately approved most of the committee's recommendations—all residents sixteen years old and above, irrespective of citizenship or immigration status, could vote.

rapidly. Originating in Porto Alegre, Brazil—where 20 percent of the municipal budget is now allocated this way—PB has spread quickly throughout Brazil and Latin America over the past two decades. It's currently in place in roughly fifteen hundred municipalities throughout the world, but U.S. municipalities have been late adopters.

Participatory Budgeting came to Vallejo via Chicago and New York. In 2010, after hearing of PB's success in other parts of the world, including Toronto, Alderman Joe Moore of Chicago decided to allocate $1.3 million in discretionary money via PB. Alderman Moore was thrilled with the results: residents of his ward chose a wide array of projects, including sidewalk repairs, community gardens, and public murals. He also saw a political benefit, crediting PB with his smooth reelection.

The next stop for PB was New York City. Council Member Melissa Mark-Viverito recalled, "I was invited to a presentation in Brooklyn. Joe Moore was on the panel. When I heard about the concept, it clicked with me." Mark-Viverito, a former labor organizer whose district includes East Harlem and parts of the Upper West Side of Manhattan and the South Bronx, became one of four council members to implement PB with discretionary funds, starting in 2011. A local organization, Community Voices Heard (CVH), worked closely with Mark-Viverito to make it a reality.

Mark-Viverito and her colleagues committed roughly $6 million to PB in its first year, to widespread acclaim. Ann Bragg, an East Harlem resident, CVH member, and PB budget delegate, agrees that the process has been a success. Bragg explained that the process has been "a way for people to empower themselves. . . . You have a chance to decide what you want, as opposed to elected officials making decisions for us." Bragg was pleased when a project she supported, a new Meals on Wheels truck for seniors, was approved in PB's first cycle.

Mark-Viverito has been thrilled with the results: "It was incredible to see that the people who have been participating aren't the ones who'd been participating before." Research by the Urban Justice Center bears out Viverito's observation. Citywide, 44 percent of PB participants had never before worked with others in their community to solve a problem. Moreover, participation from people of color and those of low income outpaced these groups' participation in city council elections.[1]

Impressed by these results, four more council members adopted PB in 2012; PB now determines the allocation of roughly $10 million in the nation's largest city.[2]

PB Heads West

PB's next major expansion brought it to Vallejo. Vallejo was an improbable candidate for PB. In 2008, this extremely racially and ethnically diverse blue-collar port city, tucked between Berkeley and Napa, became the largest American city to file for bankruptcy. Vallejo only fully emerged from bankruptcy in 2011, and that year voters approved a sales tax increase to help cover the budget shortfall. In 2012, with pressure from Council Member Marti Brown—who had begun looking into PB years before—a new city council majority allocated 30 percent of those funds, over $3 million, to PB.[3] Vallejo became the nation's first citywide PB process.

Not everyone was convinced. The mayor, Osby Davis, was quoted as saying, "Now is not the time to be creative."[4] Brown disagreed. At a time of great disenchantment with and distrust of government, she felt that PB would "open up the process and give more control to residents."

In the ensuing months, Vallejo followed steps similar to PB elsewhere. In the summer, a citywide steering committee deliberated on rules and procedures, including voting eligibility. The city council ultimately approved most of the committee's recommendations—all residents sixteen years old and above, irrespective of citizenship or immigration status, could vote. Then came a series of neighborhood assemblies, in which residents brainstormed project ideas and volunteered to be budget delegates. The budget delegate phase, still ongoing in Vallejo, involves assessing the feasibility and eligibility of projects (only capital projects are eligible) before putting proposals on the ballot.

Johnnel has been assessing youth mentoring projects with his neighbors. He noted that the process has "been very educational. We talked to the school board and the mayor about projects we could do." Like many involved in PB elsewhere, Johnnel has also been impressed by the respectful tone of discussions. He explained, "It's been pretty cooperative. People agree or disagree, but they still have a positive tone." Council Member Brown similarly observed, "It's been a very respectful, cooperative dialogue—they've done a very good job of wrapping their arms around the projects and weeding out the ones that weren't possible."

According to Josh Lerner of the Participatory Budgeting Project—a nonprofit organization that has led PB implementation in Vallejo, New York City, Chicago, and elsewhere—in Vallejo over eight hundred people have submitted 819 project ideas through neighborhood assemblies and online forums, higher per capita participation than in the New York or Chicago districts.[5]

Moreover, citizens seem to be developing new political capabilities, applicable beyond PB. The same Urban Justice Center report found a majority of low-income and low-education New York participants reporting increased comfort in making demands on government, speaking in public, and negotiating and building agreement.[6] Mark-Viverito put it simply: "[PB] is empowering people to think that it's possible to demand things from elected officials."

Explaining Success and Ongoing Challenges

Of course, PB has not been universally successful. Even in Brazil, participation has lagged in certain localities, and certain processes have not adequately incorporated residents' input. But, Lerner explained, two key factors seem to explain where PB succeeds best: "political will from above and community support from below."

Where political leaders are supportive of the process, and existing community organizations can mobilize residents to participate, PB can best achieve what Lerner calls "a joint governance process between community and government."

Sondra Youdelman, executive director of CVH, the lead community engagement partner for PB in New York City, noted, "In the best districts, you've got a real commitment from the city council office to dedicate staff time and energy to this process. And it's far more effective when there's a community organization in the district that's focused on targeted outreach and is interested in broader-based community engagement."

The importance of strong existing civil society raises perhaps PB's biggest challenge: it is resource intensive and particularly challenging to accomplish in places where little organizing is already happening. PB requires extensive outreach and organizing, including phone and door-knocking canvasses, careful meeting planning and facilitation, and work to help residents vet projects. Mark-Viverito noted that the process has been "very labor intensive," with roughly one full-time council staff person devoted to it.

In Vallejo, $200,000 was allocated for PB implementation, with most resources going to community outreach and engagement. This was particularly important, because, unlike Mark-Viverito's New York district, Vallejo lacks base-building community organizing groups. Council Member Brown explained, "In a city that's a 60 to 70 percent commuter town, it's always challenging to get people to come out and participate in any type of public meeting."

The lack of an existing civic infrastructure can also make attracting diverse participants more difficult. In New York City, strong community organization outreach led to African Americans being slightly overrepresented in neighborhood assemblies in New York's four districts. Meanwhile, in Vallejo, final data are not yet available, but one active Latino resident, Jaime Guzmán has noted that outreach to "the Latino community is difficult—it's hard to get people to participate." Brown observed that, in terms of racial and ethnic diversity, PB meetings are "better than your typical planning meeting, but there's still room for improvement."

Another related challenge has been the size of the pot. In its first year in New York City, PB touched less than one hundredth of 1 percent of the $68.5 billion city budget and roughly 1 percent of the city's $489 million capital discretionary budget.[7] According to Peter Marcuse, professor emeritus of urban planning at Columbia University and research advisory board member to PB in New York City, "It has not been as widespread

Where political leaders are supportive of the process, and existing community organizations can mobilize residents to participate, PB can best achieve . . . "a joint governance process between community and government."

as it would need to be to make a real impact on what happens in the city."

This challenge of scale is why elected officials and civil society leaders involved in PB are pushing for expansion. Lerner noted that, elsewhere in the world, including the poster-child case of Porto Alegre, PB "starts small and gets bigger," both in terms of citizen participation and budget allocations, once people perceive success.

Sondra Youdelman added, "When people engage with the $10 million on the table now, they start to understand the budget as a whole and begin to think about engaging in it. It gives them an understanding and expertise that makes taking on the bigger battle more likely." And the New York advocates have started to do just that, pushing for more council members to adopt PB (four new ones acceded in 2012) and working to get city agencies like the Housing Authority on board. Mark-Viverito noted, "The ideal is to figure out if there's a way to have this be included in the citywide budget." City council and mayoral elections in 2013 may provide the greatest opportunity yet for pushing for increased commitments from elected officials and candidates.

Professor Marcuse reflected, "If it were to stop [with a few council districts], I would not consider it that important. But it is also pathbreaking—setting an image of what might be done at a larger scale and leading the way there. And that's what makes it important."

The good news for advocates is that they now have success stories and templates from which to draw. The ongoing challenge will be attracting sufficient resources from municipal governments and private sources to ensure smooth implementation. . .

What's Next?

The big questions now are whether municipalities that are already participating will choose to continue with PB and invest greater resources, and whether new cities opt in to the program. The good news for advocates is that they now have success stories and templates from which to draw. The ongoing challenge will be attracting sufficient resources from municipal governments and private sources to ensure smooth implementation, particularly for outreach to disengaged communities.

In the meantime, Lerner argues, the several million dollars currently on the table in Chicago, New York, and Vallejo matter: "These projects do make a concrete difference in people's lives. Having functional bathrooms in your school, having intersections that are less likely to kill people—those make a difference in people's lives."

Back in Vallejo, Johnnel would agree. As budget delegates finalize the list of eligible projects for this year's ballot, Johnnel is excited about a proposed center for troubled teens. Johnnel can't vote in PB elections yet, but he will be able to next year. In the meantime, he's glad to be participating and "learning about what we could accomplish if we put our minds to it."

Notes

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THE Nonprofit QUARTERLY

Nonprofits and *State Tax Systems:* The **Big Picture**

by Rick Cohen

How can nonprofits weigh in on the national debate over taxes if we don't have a solid grounding in what is happening at the state level? In this investigative report, Cohen dissects the nation's tax structures state by state in an effort to wean the sector from its narrow focus on charitable deductions and point it toward a more comprehensive understanding of the bigger picture.

Editors' note: *This outline of some of what is known about state taxes is not comprehensive, but it indicates how diverse the tax picture is from state to state. It should be a reminder that as complex a challenge as federal tax reform may be, it is in some ways made immensely more so by both the interactions of state and federal tax systems and the nonprofit sector's disunited, unintegrated advocacy approach to state taxes.*

On Washington, D.C.'s Capitol Hill, charities have been involved in an all-consuming debate over the future of the federal charitable tax deduction. But can nonprofits effectively participate in the national debate over taxes and expenditures if they don't know what is happening at the state

Rick Cohen is the *Nonprofit Quarterly*'s correspondent at large.

"OPEN POMEGRANATE" BY KAMILLE SAABRE/WWW.KAMILLE.EE

Table 1			
	FY2011 (billions)	FY2012 (billions)	Projected FY2013 (billions)
Sales Tax	$209.5	$211.1	$217.0
Personal Income Tax	$258.2	$278.3	$293.7
Corporate Income Tax	$42.7	$42.6	$42.8

Adapted by the author from table 20: "Comparison of Tax Collections in Fiscal 2011, Fiscal 2012, and Enacted Fiscal 2013 (Millions)," *The Fiscal Survey of States* (Fall 2012)

Table 2	
Ten States with Highest Tax Burdens (taxes paid as % of income)	**Ten States with Lowest Tax Burdens** (taxes paid as % of income)
New York (12.8)	Alaska (7.0)
New Jersey (12.4)	South Dakota (7.6)
Connecticut (12.3)	Tennessee (7.7)
California (11.2)	Louisiana (7.8)
Wisconsin (11.1)	Wyoming (7.8)
Rhode Island (10.9)	Texas (7.9)
Minnesota (10.8)	New Hampshire (8.1)
Massachusetts (10.4)	Alabama (8.2)
Maine (10.3)	Nevada (8.2)
Pennsylvania (10.2)	South Carolina (8.4)

Table created by the author, based on information from *USA Today* (March 2, 2013)

There is no one definitive reference source for nonprofits on the impact of state tax climates on nonprofits.

level? There are fifty states with budgets that are paid for by taxes—fifty different states with fifty different mixes of tax rates, tax deductions, and tax credits. Understanding the mix of state tax regimes is crucial to nonprofit public-policy literacy.

There is no one definitive reference source for nonprofits on the impact of state tax climates on the sector. Unlike at the federal level, at the state level there is a panoply of tax policies that both directly and indirectly affect donations to public charities. While there is one federal income tax rate, there are wide variations among the states regarding their marginal rates, with a handful of states having no income taxes at all. And some states offer individuals and corporations tax credits, not just tax deductions, to incentivize contributions to the nonprofit sector.

Overall, states differ in their willingness to use their tax powers to promote policy objectives for nonprofits and the communities they serve. Unlike the microscopic attention nonprofits pay to federal tax policy issues, there is much less understanding of the complexities of state tax policies. Are nonprofits conscious of the differing tax climates affecting citizens and communities in the various states? How can nonprofits better grasp state attitudes toward taxes in order to craft effective state tax advocacy strategies?

The Big Picture

What characterizes state tax systems? While most people would probably think that the answer is income taxes, the largest source of state tax revenues as of 2011 was sales (and gross receipts) taxes (48.4 percent), followed by personal and corporate income taxes (39.5 percent), license taxes (6.8 percent), and all other state (gift and estate) taxes (5.3 percent).[1]

More surprising to many people, individual income taxes are much larger as a revenue source than corporate income taxes—between six and seven times as much in both FY2011 and FY2012 and projections for FY2013 (see table 1).[2]

The flatlining of corporate income tax collections is striking, given how stridently many corporations bemoan state tax climates. The states with no corporate income taxes (per the National Governors Association's 2012 survey, *The Fiscal Survey of States)* are Nevada, South Dakota, Texas, Washington, and Wyoming. All of these states, plus Alaska, Florida, and New Hampshire, show no personal income taxes.[3] It would seem that personal income taxes should be declining, as only five states have enacted increases in personal income taxes for FY2013, compared to thirteen that have cut personal income taxes; but the higher taxes are in Arizona, California, and New York—states whose increases drive personal income tax revenues upward, compared to the other states that have cut marginal rates. Where corporate taxes are concerned, states have been acceding to the complaints of the business sector: while two increased corporate tax rates, nine cut them, and Arizona and West Virginia eliminated specific categories of corporate taxes altogether.

Table 3			
States with Most Regressive Tax Structures (rank order)	Taxes as a % of Income on Poorest 20% of Population	Taxes as a % of Income on Middle 60% of Population	Taxes as a % of Income on Top 1% of Population
Washington	17.3	9.5	2.9
Florida	13.5	7.8	2.6
South Dakota	11.0	6.9	2.1
Tennessee	11.7	7.6	3.3
Texas	12.2	7.6	3.3
Illinois	13.0	9.7	4.9
Arizona	12.5	8.5	5.6
Nevada	8.9	6.1	2.0
Pennsylvania	11.3	8.9	5.0
Alabama	10.2	8.6	4.8

Taxes as shares of income by income for non-elderly residents. Institute on Taxation and Economic Policy, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States* (November 2009)

Tax Climate Change

One dimension of a state tax climate is how much of a burden taxpayers face from state to state. *USA Today* ranks states by the combination of state and local tax burdens relative to their per capita income for fiscal years FY2010 to FY2012 (see table 2).[4]

These tax burden rankings are likely to change, with recently enacted tax increases or decreases in specific states, such as: California's personal income tax increase for tax years 2012 through 2018 (projected to raise $4.735 billion in new revenues in FY2013 alone); New York State's addition of three new tax brackets for taxpayers with incomes over $150,000 (aiming to bring in $1.931 billion in new revenues in 2013); and, in contrast, Ohio's reduction in personal income taxes (-$446 million compared to FY2011) and the consolidation of tax brackets in Kansas (-$249.2 million).[5] But the overall result is that the "high tax" states are largely in the Northeast and Mid-Atlantic, where state governments tend to provide more state aid to localities and state programs for the poor, and the "low tax" states are in the Southeast and Southwest, along with South Dakota and Alaska, where the scope of state government is smaller. (Alaska has the extra benefit of a huge infusion of oil tax revenue from the Trans-Alaska Pipeline knocking its need to rely on other tax sources way down—similar to North Dakota, which has also reduced its tax burden thanks to burgeoning oil shale revenues.)[6]

But tax burden is a gross indicator that reveals nothing about state tax fairness, which may be a much more important indicator of state tax climates (the extent to which state tax regimes are progressive or regressive in terms of their distributional equity). Unfortunately, according to the Institute on Taxation and Economic Policy's November 2009 study of tax equity in the states, "nearly every state and local tax system takes a much greater share of income from middle- and low-income families than from the wealthy." State and local tax burdens are extremely regressive in their treatment of (non-elderly) families (see table 3). Given that the states basically all lean more regressive than progressive in their tax systems, which are the most regressive?[7]

The overlap between the states with low tax burdens and those with regressive tax systems is self-evident: four of the regressive states rely highly on sales taxes and excise taxes; six lack broad-based personal income taxes. The least regressive locations, including New York, Vermont, and the District of Columbia, rely much more on income tax systems that tax the wealthier more and rely less on consumption taxes such as sales and excise taxes.[8] Tax progressivity is enhanced by income taxes and diminished by consumption taxes.

Unfortunately, according to the Institute on Taxation and Economic Policy's November 2009 study of tax equity in the states, "nearly every state and local tax system takes a much greater share of income from middle- and low-income families than from the wealthy."

Taxes with a Purpose

Taxes can be a tool to accomplish social objectives, as the notion of progressive and regressive tax regimes implies. Whether states choose to use taxes to help the poor or to promote public purposes adds another dimension to the picture of their tax climates. Important tax tools include income transfer mechanisms, such as state Earned Income Tax Credits, Child Tax Credits, and Child and Dependent Care Tax Credits, as well as taxes— such as those on liquor and gasoline—intended to discourage certain behaviors.

The EITC, CTC, and CDCTC programs are all meant to supplement the ability of the working poor to survive and stay employed. The alternative for families that would qualify for these programs is to slide back into welfare.

Earned Income Tax Credits. According to the Internal Revenue Service, twenty-four states,[9] one district (Washington, D.C.), and two local jurisdictions (New York City and Montgomery County, Maryland) offer refundable Earned Income Tax Credits (EITCs)[10]—meaning that if the size of the family's credit exceeds the amount of state income tax it owes, the family receives the difference in the form of a refund[11]—in contrast with a partially refundable EITC in Rhode Island and nonrefundable EITCs in Delaware, Maine, and Virginia.[12]

The progressivity of the EITC is that it provides a tax credit for the working poor—defraying the unnecessary taxes the poor are hit with at the state and federal levels, and providing a source of supplemental income. Unfortunately, not all states are open to EITCs, and some appear to be moving in reverse, given the recent vote of the North Carolina House of Representatives to terminate that state's EITC in 2014,[13] and efforts to cut state EITCs in Michigan, Kansas, Wisconsin, and New Jersey—all with Republican governors, all couching their proposed slashes in the EITC under the guise of balancing state budgets.[14]

Child Tax Credits and Child and Dependent Care Tax Credits. Some states further supplement the intention of their EITC with a Child Tax Credit (CTC) to help working families with the cost of raising families. According to Tax Credits for Working Families, New York and Oklahoma offer CTC programs based on a percentage of the federal version of the tax credit, while North Carolina and California use their own formulas.[15]

Tax Credits for Working Families reports that twenty-four states have Child and Dependent Care Tax Credit (CDCTC) programs in operation, helping working families pay for the cost of taking care of dependent children, adults, and incapacitated spouses. Unlike the EITC and the CTC, a CDCTC is typically nonrefundable, meaning that it is only paid as a percentage of the family's actual child-care expenses.[16] In 2011, the National Women's Law Center counted thirty-four states with some sort of child-care tax credit or deduction program:[17]

- Programs based on a percentage of the federal child-care tax credit: Arkansas, California, Colorado, Delaware, the District of Columbia, Georgia, Iowa, Kansas, Kentucky, Maine, Maryland, Nebraska, New York, Ohio, Oklahoma, Rhode Island, and Vermont.
- Programs that provide a deduction of a percentage of federal tax credit–eligible expenses: Idaho, Maryland, Massachusetts, and Virginia.
- Programs with other calculations for child-care tax benefits: Hawai'i, Louisiana, Minnesota, Montana, New Mexico, North Carolina, Oregon, and South Carolina.

The EITC, CTC, and CDCTC programs are all meant to supplement the ability of the working poor to survive and stay employed. The alternative for families that would qualify for these programs is to slide back into welfare. These tax incentives compensate for the all-too-frequent shortcomings in low-income wages that, without these programs, would lead families back into dependence on Temporary Assistance for Needy Families (TANF).

"Sin" Taxes. Other tax programs aim at taxing and dis-incentivizing activities or the use of products that may not be socially beneficial. The most common are taxes on cigarettes and liquor. Forty-seven states plus the District of Columbia and New York City levy cigarette taxes.[18] The smallest cigarette taxes are the 30 cents per pack in Virginia, Louisiana's 36-cent tax, Georgia's 37-cent tax, and Alabama's 42.5-cent tax. The largest are New York State's $4.35 (not including New York City's tax of $1.50 a pack), Rhode Island's $3.50, and Connecticut's $3.40. All of the states, plus the District of Columbia, tax distilled spirits, with a

Table 4	
State	Private School Assistance Donation Limitations
Arizona	100 percent income tax credit. Limited to a maximum of $500 for individuals and $1,000 for couples filing jointly; no maximum credit for corporations, meaning they can donate up to their full tax liability; corporate tax credits capped at $17.28 million (FY2010), to increase annually by 20 percent.
Florida	For corporations, valued at 100 percent of the donation, applied to corporate income tax, excise taxes, sales taxes, etc. Corporate donors can donate up to 75 percent of their income tax liability; total tax credits available capped at $140 million in FY2011, though the cap is flexible.
Georgia	Worth 100 percent of the donation made. Donations by corporations limited to 75 percent of their total income tax liability; for individuals, tax credits limited to $1,000 for an individual and $2,500 for a married couple; total state cap is $50 million.
Indiana	50 percent tax credit. No maximum amount per taxpayer, but state cap of $2.5 million.
Iowa	65 percent tax credit for individual donors. No limit on amounts, but statewide cap of $7.5 million.
Louisiana	100 percent income tax credit available to taxpayers of any sort. No state cap.
New Hampshire	For businesses, a credit of 85 percent for donations. Cap of $3.4 million in first year of program, $5.1 million in subsequent years, with no business allowed to claim more than 10 percent of the aggregate amount of credits in the state.
Oklahoma	50 percent tax credit for donations. Maximum of $1,000 for single individuals, $2,000 for married couples, and $100,000 for business entities; state maximum is $1.7 million for individual taxpayers and $1.7 million for businesses.
Pennsylvania	For businesses, credit worth 75 percent of a one-year contribution and 90 percent of a two-year contribution. Maximum credit of $300,000; state cap of $44.7 million; additional special credit program for contributions to pre-K scholarship program worth 100 percent of donations up to $10,000 and 90 percent of additional contributions up to $150,000, with statewide cap of $8 million.
Rhode Island	Tax credit for businesses worth 75 percent, rising to 90 percent if contribution is matched for two consecutive years. Maximum credit of $100,000; statewide cap of $1 million.
Virginia	Credit worth 65 percent of contributions of at least $500. Individuals limited to credits of no more than $50,000; no cap on corporate donors; statewide cap of $25 million.

Adapted by the author from information from the National Conference of State Legislatures

Nonprofits are typically concerned with deductions or incentives for charitable giving as the key indicator of a state government's nonprofit tax climate, but there *are* some other targeted tax programs of importance to nonprofits . . .

national average of $3.75 a gallon, according to the FTA, and beer at $0.19 a gallon, excluding additional sales-tax charges.[19] During the recent economic recession, the pressure to increase taxes on the use of "noxious" substances such as tobacco and alcohol has had the additional attraction of raising states' revenues.[20]

The gasoline tax is another matter. Based on the specific excise tax on gasoline, as of 2012 the states with the highest gas taxes were North Carolina (38.9 cents per gallon), Washington (37 cents), California (35.7 cents), and Rhode Island (32 cents).[21] In most cases, the revenues from state gasoline excise taxes are used for the cost of roads and bridges, but most states haven't adjusted their gasoline taxes in many years. In 2011, the Institute for Taxation and Economic Policy noted that actual gasoline excise taxes (not including local sales taxes and other fees that are regularly bemoaned by the American Petroleum Institute and others) have fallen to an average of 6.8 cents per gallon, lagging well behind both increases in automobile usage and the cost of road and bridge repairs.[22]

The Nonprofit Tax Issues

Nonprofits are typically concerned with deductions or incentives for charitable giving as the key indicator of a state government's nonprofit tax climate, but there *are* some other targeted tax programs of importance to nonprofits because of their impacts in providing funding for specific kinds of nonprofit organizations and projects. Two of these bear special mention because of their targeting of nonprofit end-users: *Tuition Tax Credits* and *Neighborhood Assistance Tax Credits*.

More than a dozen states offer a corporate tax credit that is geared toward supporting the projects of community-based nonprofits.

Tuition Tax Credits. One of the most controversial tax programs has been the deduction for corporations and individuals—depending on the state—for donations to state scholarship programs to pay for the cost of pupils to attend K–12 private schools. In other words, these are tax programs for financing school-voucher programs. As of September 2012, there were eleven states with some sort of program giving taxpayers credits for donations to private school scholarship assistance (see table 4, preceding page).[23]

In almost all instances, these credits are meant to support scholarships for lower-income students to attend private schools, although some programs, such as Arizona's and Georgia's, lack that income targeting. New Hampshire's program can be used to pay for the expenses of homeschoolers. Some of these programs have been challenged because of their openness toward and capacity for subsidizing the school expenses of students at religious schools, with split decisions by the courts—the U.S. Supreme Court nixing Louisiana's program of permitting public schools to teach creationism but upholding Arizona's program, which has been excoriated for mismanagement and fraud, resulting in subsidies for affluent students.[24] But the ideological pressure of promoting school choice seems to overcome questions about which students and families are receiving assistance or whether creationism and intelligent design are appropriate subject matter for state subsidization through tax credits.[25]

Neighborhood Assistance Tax Credits. More than a dozen states offer a corporate tax credit that is geared toward supporting the projects of community-based nonprofits. The first "Neighborhood Assistance Program" (NAP) was in Pennsylvania, dating back to 1967. Pennsylvania's program has now evolved into five tax credit programs—the regular Neighborhood Assistance Program, the Special Program Priorities (SPP), the Neighborhood Partnership Program (NPP), the Enterprise Zone Program tax credit (EZP), and the Charitable Food Program (CFP).

In Pennsylvania's Neighborhood Partnership Program, outlined in their September 2012 guidelines (to describe one variation on the neighborhood assistance tax credit), the state gives corporations a 75 percent tax credit for supporting a neighborhood organization for at least five years and an 80 percent credit if the corporations extend their collaboration with neighborhood nonprofits six years or longer. The benefiting projects can address affordable housing, community economic development, crime prevention, job training, education, community services, or neighborhood conservation. Pennsylvania's program is generous to corporate participants but distinctive in incentivizing long-term corporate commitments to specific projects.

A participating firm can get a maximum tax credit of $500,000 annually for supporting three or fewer projects or $1,250,000 for four or more projects, with minimum levels of cash and in-kind project support of $100,000, and allowed to be a mix of no less than $50,000 cash. These caps appear to apply cumulatively to all of the state's neighborhood assistance programs, including the Special Program Priorities, which currently calls for projects related to state-established priorities, such as integrated weatherization and housing, preventing mortgage foreclosure, encouraging racial and ethnic diversity in communities, and supporting Marcellus Shale–related projects.

The number of states emulating some aspect of Pennsylvania's Neighborhood Assistance Program currently include:

- Connecticut: 60 percent tax credits generally, but 100 percent for certain energy conservation projects, limiting businesses to $150,000 in credits annually and limiting nonprofit recipients to receiving $150,000 in program support through the credits;
- Delaware: 50 percent tax credits for business or individual taxpayer donors to nonprofits delivering community services, crime prevention, economic development, education, and affordable housing services in low- or moderate-income communities, capping the benefit to any taxpayer at $100,000, and with a statewide cap of $500,000;
- Indiana: 50 percent tax credits for business and individual taxpayers, capped statewide at $2.5 million, for donations to approved nonprofit projects in affordable housing, counseling, child care, educational assistance,

emergency assistance, job training, medical care, recreational facilities, downtown rehabilitation, and neighborhood commercial revitalization benefiting low- and moderate-income communities;
- Maryland: 50 percent tax credits for donations of cash or goods, by corporations or individuals, for supporting specific state-approved projects—limit of $250,000 in tax credits per taxpayer;
- Missouri: 50 percent or 70 percent tax credits, the latter for projects in designated low-income urban or rural areas, for business donations to approved Neighborhood Assistance Projects—$10 million cap for 50 percent credits, $6 million for 70 percent credits;
- New Hampshire: 75 percent business tax credits, administered by the Community Development Finance Authority, for donations to approved projects;
- New Jersey: 100 percent tax credits for business donors to nonprofits carrying out comprehensive neighborhood revitalization plans, with the recipient nonprofits committing to using 60 percent of what they receive on affordable housing or economic development—state cap of $10 million; and
- Virginia: 65 percent tax credits, with a total of $7 million administered by the Department of Social Services for human services programs and $8 million by the Department of Education for education nonprofits.

Like other tax programs benefiting lower-income communities, Neighborhood Assistance Programs have on occasion been slated for budget cutbacks in recent years (such as Pennsylvania's, Missouri's, and Indiana's), though the state-level advocacy of nonprofit coalitions has helped preserve and defend these programs from deeper cuts.[26] Because NAP projects must be specifically approved by designated state agencies, ideology can sometimes come into play—as in 2011, when Indiana rejected Neighborhood Assistance Program support for Planned Parenthood.[27] In light of the states' generally low tax levies on corporate income, the fact that the tuition tax credits and the neighborhood assistance tax credits primarily benefit corporate taxpayers does raise questions about nonprofits trading a concern for tax equity for access to tax-incentivized contributions.[28]

The Big Kahuna *Not*: State Charitable Deductions

Nationally, the charitable tax deduction costs the federal government $36 billion as an incentive for charitable giving. Does the generosity of the federal charitable deduction obviate the need for state incentives for charitable donations?

Interestingly, like the Neighborhood Assistance Program and the tuition tax credit programs, state incentives directed to charitable giving seem to have the flavor of special initiatives, as compared to the federal deductions, which are solid and relatively broad-based components of the tax code. Without offering an exhaustive list, the state charitable giving programs, with several targeted toward building community foundation endowments, include the following:

- Arizona's program, involving a maximum credit of $200 for individual taxpayers and $400 for taxpayers filing jointly for donations to 501(c)(3) charities or to community action agencies receiving Community Services Block Grant funds—so long as the recipient organizations spend at least half of their budgets on services to Arizona families receiving Temporary Assistance for Needy Families (TANF), to low-income Arizona households, or to chronically ill or physically disabled Arizona children;
- Colorado's Checkoff Colorado program, offering specific charities for taxpayer support, basically allowing taxpayers to make donations from taxpayer refunds or to add to their tax liabilities;[29]
- Idaho's state charitable tax credit program, until recently a 20 percent credit for individuals donating to specified Idaho youth and rehabilitation facilities, which increased in 2010 to 50 percent for taxpayers donating to educational entities such as nonprofits serving public or private schools, public libraries, nonprofit museums, the Idaho Historical Society, and state commissions or councils on Hispanic

Nationally, the charitable tax deduction costs the federal government $36 billion as an incentive for charitable giving. Does the generosity of the federal charitable deduction obviate the need for state incentives for charitable donations?

In the aggregate, charitable giving incentive programs at the state level do not appear to cost states much in lost revenues but also do not generate significant amounts of charitable gifts.

Table 5		
Expenditure Category	Total State Expenditures FY2011 (general fund and federal funds)	State General Fund Expenditures FY2011
Medicaid	23.7%	16.7%
Corrections	3.1%	7.5%
Transportation	7.4%	0.4%
Public Assistance	1.7%	1.9%
Higher Education	10.3%	11.3%
Elementary and Secondary Education	20.2%	35.1%
All Other	33.6%	27.1%

Adapted by the author from figures 4, 6, and 8, *State Expenditure Report* (2012)

affairs, the blind and disabled, developmental disabilities, libraries, and the deaf;[30]

- Iowa's Endow Iowa program, for individuals and businesses, worth a 25 percent tax credit for donations to endowed charitable funds, capped statewide at $4.5 million, and, as of 2011, the maximum annual tax credit for a taxpayer limited to $175,000 for individual taxpayers and $350,000 for joint filers;[31]
- Kentucky's SB 227 program, offering donors a 20 percent tax credit for donations to an endowment or a county fund sponsored by a community foundation or affiliate, the credit capped at $10,000 per donor and the statewide cap set at $500,000;
- Michigan's state tax credit program, a 50 percent credit limited to $100 for individuals and $200 for joint filers, for charitable donations to community foundations, state universities, public libraries, homeless shelters, and food banks (Michigan closed the program at the end of 2011, however, due to the state's budget deficit);[32]
- Montana's endowment tax credit program, a 40 percent tax credit for individual and joint-filer taxpayers and a 20 percent tax credit for businesses;
- North Dakota's state tax credit program, for donors who contribute to charitable endowments or community foundations, worth 40 percent of the deduction allowed by the IRS to a maximum of $10,000 per individual taxpayer and $20,000 for joint filers;
- Oregon's state tax credit program, allowing taxpayers to match a donation they may make to any of 1,326 participating cultural organizations with a match to the Oregon Cultural Trust, worth a tax credit for the Cultural Trust donation of up to $500 for individuals, $1,000 for couples filing jointly, and $2,500 for corporations. With the program set to expire in 2014, the legislature will consider its reauthorization in 2013.

Although there are some states, such as Maryland, that simply offer a charitable deduction against state taxes, the trend in the various state programs enumerated above is to incentivize charitable deductions for specific kinds of charities or for the capitalization of somewhat permanent charitable endowments. In the aggregate, charitable giving incentive programs at the state level do not appear to cost states much in lost revenues but also do not generate significant amounts of charitable gifts. Although the federal charitable deduction is the key incentive that nonprofits have lobbied extensively to preserve amid pressures for budget cuts and tax reform at the federal level, charities in the various states benefiting from these state charitable giving incentives value every dollar they get.

The State Tax Climate Takeaway

The complexity of state tax systems makes it very difficult to make specific statements about state tax "climates" or "attitudes." Most states are a mix of regressive and not so regressive tax policies for people in need, with several states offering specific tax programs that benefit charities. In all states there seems to be a continuing push for tax reductions, even on the seemingly undertaxed corporate sector and hardly taxed upper-income taxpayers and corporations—a movement that increases the regressivity of state tax regimes and "climates." In truth, an analysis of state climates cannot focus simply on the basis of the mix of taxes and fees plus credits and deductions. The core issue is what state tax revenues are being used for. Table 5 suggests some of the issues for evaluating state tax climates in terms of how their revenues are put to use.[33]

Within those expenditure categories are wide variations among the states in terms of how they spend their tax revenues. For example, a truly tiny proportion of state expenditures go to public assistance, but between FY2011 and FY2012, Arizona cut its commitment of general funds to public assistance by 100 percent, while Tennessee increased its same by 525 percent. Every state in the nation increased the proportion of its general fund expenditures devoted to Medicaid except for California, Oregon, and South Carolina. A truly accurate description of state tax climates would have to combine perspectives on revenue inflows with an analysis of how the state-generated funds are being used.

The nonprofit sector has long complained about state government contracting and grantmaking policies. How can the nonprofit sector call for changes in the processes of state government revenue outflows without having a reasonably comprehensive database of how the states stack up on the ways they generate revenue inflows—tax levies, tax credits, and tax deductions? It seems analytically impossible to argue for or against state tax policies without a comprehensive database for drawing comparisons.

This is essential to nonprofit tax-policy advocacy. Nonprofits must understand how states raise their money in order to weigh in on how they should spend their money, and it is difficult to imagine nonprofits participating effectively and knowledgeably in the national debate over taxes if they don't have a solid grounding in what is happening in their states and how state tax policies intersect with the federal tax code. If the nonprofit sector focuses narrowly on state tax incentives for charitable giving, omitting attention to other tax policies that affect nonprofits and the communities they serve, it will have missed the bigger and more important picture of the role of state government in addressing human needs.

In truth, an analysis of state climates cannot focus simply on the basis of the mix of taxes and fees plus credits and deductions. The core issue is what state tax revenues are being used for.

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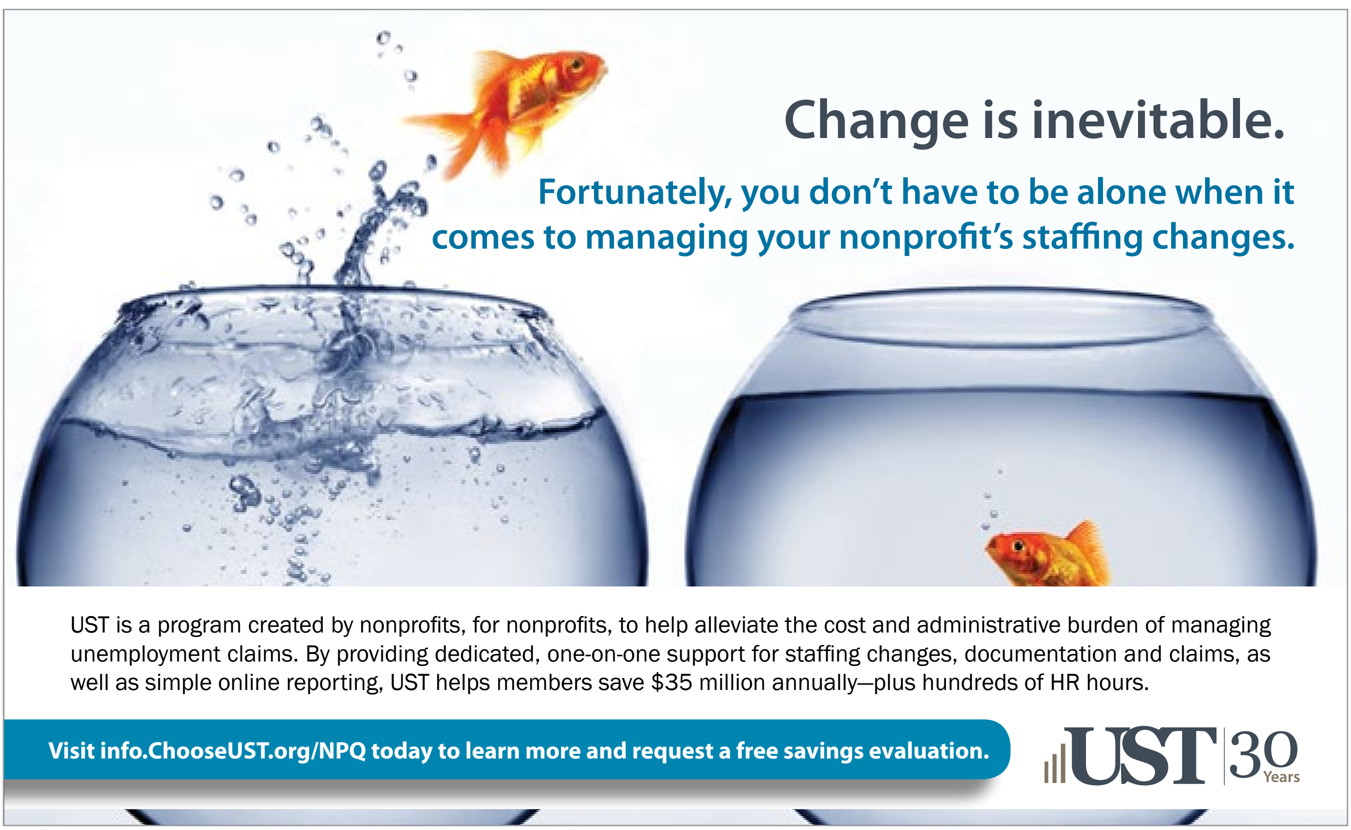

Death by a Thousand City Fees:

How Local Governments May Be Weakening Their Own Delivery Systems

by Jeannie Fox

Given the economic crunch, it's no surprise that traditionally tax-exempt entities are being squeezed by local governments. When done without conversation, as in levies, this is problematic—but nonprofits would do better to come out fighting by making a strong case (and having polling data to back it up) that the public actually wants to see tax dollars devoted to their missions.

"How Nonprofits Can End Up Becoming a Drain on City Budgets" (*The Atlantic Cities*, November 12, 2012); "Squeezed Cities Ask Nonprofits for More Money" (*The New York Times*, May 11, 2011); "Strapped Cities Hit Nonprofits with Fees" (*The Wall Street Journal*, December 27, 2010). Increasingly, headlines such as these continue to appear around the country as local governments grapple with state and federal budget cuts and the larger economic woes related to slow recovery from a national recession.

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"THE SCISSOR BIRDS" BY JENNY BARRON/WWW.JENNYBARRON.CO.UK

This dilemma is not entirely new. For years, localities, especially those with large parcels of land held by universities and hospitals, have negotiated agreements for Payments in Lieu of Taxes (PILOTs) or other such "voluntary" arrangements with larger nonprofits. Smaller, community-based organizations are often, though not always, excluded from such efforts. But as local government budgets become more strained, different types of levies, in the form of fees, are increasingly being proposed and adopted in city council meetings around the country. Now nonprofits of all sizes are increasingly being subjected to charges for services that have traditionally been seen as a basic function of government. These fees are different from the PILOT approach in that they are not a negotiation between partners but a true levy, with cities generally having statutory authority to impose the fees on citizens and landholders.

Now nonprofits of all sizes are increasingly being subjected to charges for services that have traditionally been seen as a basic function of government.

This recent proliferation of fees and assessments by municipalities has strained traditional nonprofit-government relationships. The assumption, often unspoken, that localities so benefit from the presence of nonprofits that it offsets the loss of property-based income is thus called into question—but rather than an up-front negotiation, the levies are an entrance into a different contract by the back door.

Shortsighted Thinking or Creative Budgeting?

Recent examples of this activity include Salt Lake City, Utah (December 2012) and Minneapolis, Minnesota (October 2009). In making the case to oppose the proposed fees in Salt Lake City, the Utah Nonprofits Association (UNA) executive director, Chris Bray, urged city council members to think through the true ramifications of their decision. In a letter to all council members, UNA stated that "city street lighting is vital to the safety and security of our city, but balancing the budget on the backs of Salt Lake City's nonprofit organizations will only increase the city's problems." Bray further argued that more than $100,000 per year of services to communities would be lost by imposing fees on the city's two-thousand-plus nonprofit organizations, informing the City Council that "nonprofit organizations are tax-exempt for a reason—so they can provide valuable services that government and business do not provide."[1]

Kyle LaMalfa, chair of the Salt Lake City Council, described the city's dilemma in a recent interview: "Every local government across the country experienced hard times over the last few years." In Salt Lake City, the council had determined that they would just "let the street lighting in the middle of the block burn out." As bulbs burned out, streetlights would only be maintained at intersections and crosswalks. LaMalfa reported "a great clamor" from citizens who found the approach unacceptable and a "real safety hazard," and that the controversy resulted in a turnover in membership of the elected council.

According to LaMalfa, "The council couldn't find the priority to put street lighting first, over paying the police officers or watering the grass." He credited the mayor with coming up with a proposal that made the new fee structure an "enterprise fund," resulting in a fee that would appear on utility bills. (The Governmental Accounting Standards Board [GASB] suggests that enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services.) LaMalfa reported some blowback from citizens denigrating the council for "raising our taxes and calling it a fee," mirroring many conversations around the country between citizens and their elected officials about semantics. (In one state, a "health impact fee," in the past commonly known as a "cigarette tax," was raised to help fill a hole in a state budget.) Other fee ideas discussed in Salt Lake City Council meetings during this debate included a "street tree fee," charging per tree for planting and maintaining trees between sidewalks and city streets. (The chair of the council said he did not believe a tree fee would be pursued in the foreseeable future, however.)

Salt Lake City's street lighting fee raises "on the order of 2 percent of the general fund," according to LaMalfa. When asked if it was worth risking community protest for a relatively small chunk of the city budget, he stated, "The fee is always there; it is always the same"—meaning that once a fee is enacted, it becomes a permanent part of the tax structure—adding that its attraction was in being "stable, secure, locked-in revenue to support a community asset."

Unlike Salt Lake City's approach, which included applying the fee to government (county and state) properties as well, the fee passed by the Minneapolis City Council was directed solely at "nongovernmental tax-exempt parcels," leaving nonprofits and churches feeling particularly targeted. The reality of this approach is that for what is generally a relatively modest increase to the city budget (the majority of exempt property is owned by government itself, not nonprofits), there is a disproportionate and converse impact on needed community services. Nonprofits, by virtue of their reliance on individual donors, foundation support, and government contracts, have no fund from which to draw payment for these fees other than directly out of program budgets.

In October 2009, Peter Rodosovich, then the vice president of operations for the YMCA of Metropolitan Minneapolis, argued before the city council that nonprofits "earn their nonprofit status every day" by providing essential services to the community, and that the assessment "undercut the purpose of the exemption and limits the extent to which we are able to fulfill our mission and lessen the burdens of government."

In the Minneapolis example, it was not a new attempt but an updating of a statute that had been on the books for several years. State law allowed the original assessments payable on 1974 taxes. Rates were updated in 1978, but it was not until 2009 that the levy was extended to nonprofits. Further, the charge was broken out into *two* separate assessments: street lighting and street maintenance. Assessed properties were now to include charitable institutions, private schools and colleges, and churches. The 2009 decision also altered the rate-setting methodology, incorporating a square-footage formula. The assessment rate is now determined by dividing the street-maintenance and street-lighting portions of the budget by the citywide assessable square footage. Nonprofits were, in essence, "buying down" the rate for all other property holders who had been paying since 1974.

Minneapolis City Council member Betsy Hodges remembers the discussion quite well. She did not view the 2009 vote, which ended up being unanimous among all thirteen city council members, as new policy, stating, "We just hadn't enforced the policy we already had." There was enough protest from nonprofits of all stripes (churches, hospitals, social service agencies, and arts groups) that the assessment was adjusted to be gradually phased in over a three-year period.

"The reason people equate it with a tax is because they're talking about the overall cost load on residents for city services. It's not a tax," Hodges explained. In describing the nonprofit-local government relationship, Hodges said, "Government and nonprofits do far more together; the relationships are crucial. We [Minneapolis] do a lot of partnering with nonprofits to advance common agendas. That's why disagreements like this feel more fraught, because the relationships are so close."

All in all, local governments are feeling forced to make decisions regarding reduced services to their communities. And, not unlike government, nonprofits are increasingly needing to make the choice of "doing less with less," facing reduced funding from all sources. Even while it is widely recognized that investments made in preventive and other community-based services can save money over the long term, short-term budget fixes, combined with relatively short election terms, can result in decision makers going for more immediate rewards.

Nonprofits, by virtue of their reliance on individual donors, foundation support, and government contracts, have no fund from which to draw payment for these fees other than directly out of program budgets.

So What's the Big Deal, Anyway?

While city officials may assume that they are proposing a less onerous approach to raising money from the nonprofits in their midst by focusing on what appears to be a relatively low-cost "dollars and cents on a square-footage" basis, there are some serious short- and long-term consequences to the encroachment of fees:

- The first consideration is that new fees will have an impact on the already increasingly stretched budgets of nonprofits. Depending on rate-calculation formulas and the amount of property owned by the nonprofit, the fees can vary from a few dollars to a few thousand dollars a month. Either can be disastrous depending on the type of nonprofit and the type of fee being imposed.

- Another consideration is the erosion of what is often constitutionally protected exempt status, and nonprofits have fought back against such fees on principle.

There are many other less immediately apparent losses that can occur as a result of this approach:

- *It can be divisive for the sector.* Attempts at PILOTs or fees often target large landholders like colleges and hospitals, and smaller organizations end up feeling like collateral damage.
- *Historical nonprofit-government partnerships are threatened, creating tension.* During times of reduced resources and economic downturns, this partnership couldn't be more important in continuing to meet critical community needs.
- *"Community benefit" gets reduced to a mathematical formula.* Preventive and responsive services to strengthen and sustain individuals, families, and communities often have long-term payoffs that are recognized but challenging to quantify.
- *Local governments weaken their own delivery systems (often contracted through nonprofits) as program dollars get diverted.* Nonprofits raise money to support services aimed at the public good, and any diversion raises issues of donor intent and draws directly out of program budgets.
- *Nonprofits that have multi-city operations need uniformity and predictability for budget purposes across geographic boundaries.* A city-by-city method to revenue-raising creates disparities and inconsistencies across communities.
- *Nonprofits are employers, too.* Any dollars lost out of program budgets produce a cumulative effect that can result in job losses to the community. Nationwide, nonprofits make up roughly 10 percent of the workforce.[2]

In the "new normal" of reduced government, reduced resources, and greater competition, scrutiny of the nonprofit sector will only increase. Public perception of the role of nonprofits in a civil society needs to be tested and amplified.

What Should Happen Now?

First, the sector needs to articulate better to both elected officials and the general public how nonprofits serve "the public good." In the "new normal" of reduced government, reduced resources, and greater competition, scrutiny of the nonprofit sector will only increase. Public perception of the role of nonprofits in a civil society needs to be tested and amplified. Positive perceptions of the nonprofit sector will increase public pressure on elected officials not to pursue backdoor solutions, as they could come at a political cost.

To this end, the Minnesota Council of Nonprofits (MCN) has engaged in public polling, with support of the University of Minnesota, since 1989. The telephone survey, conducted with eight hundred households around the state, informs respondents, "Nonprofit organizations provide social services, health services, education, and arts to the public. Under Minnesota law, nonprofit organizations have been free from paying sales or property taxes because their services benefit the public." Callers then ask the household member, "Do you agree or disagree that nonprofit organizations should continue to be free from paying sales and property taxes?" In the Minnesota poll, respondents consistently place support (in the categories "strongly agree" and "somewhat agree") of continued exemptions around or above the eighty-fifth percentile. "This is not the time to hesitate or make an 'aw shucks' case for tax exemption. Nonprofits are better off making a strong case—and having polling data to back it up—that the public wants to see all of their funds going for their mission," said MCN's founder and executive director, Jon Pratt.

Second, the sector should develop principles for differentiating a "fee" from a "tax." Questions to consider when examining items could include:

1. Is it tied to consumption (e.g., electricity or water)? (True fees are generally tied to a cost per use.)
2. Is it a public utility that individuals are not charged for (e.g., fire or police protection)? (Government generally provides these services, paid for with taxes.)
3. Is the charge applied only to nonprofits or to all property owners? (This could be a "tax" in disguise as a "fee.")
4. Is it something that has always been

provided by government (e.g., street lighting) and that has now been pulled out of the city's general or property tax fund? (This is a relatively new and increasingly frequent method to turn "taxes" into "fees.")

5. Is the rate calculated based on property tax values for the purpose of improvement in market value of the property (e.g., sewer hookups)? (Improvements to properties of this sort are generally funded by "special assessments," which nonprofits have traditionally paid and which are seen as a straightforward cost of improving the property.)

Finally, nonprofits need to increase their levels of advocacy activity to speak out against proposed measures that appear not to be part of thoughtful policy-making consistent with transparent processes and principles but rather a crisis-induced attempt to fill a city budget hole by any means available. And, nonprofits should be willing to stand side by side with local government officials at state capitols in order to educate elected officials about the need for adequate resources, including raising appropriate revenues, to pay for needed community services and basic functions of government.

[N]onprofits should be willing to stand side by side with local government officials at state capitols in order to educate elected officials about the need for adequate resources . . .

Notes

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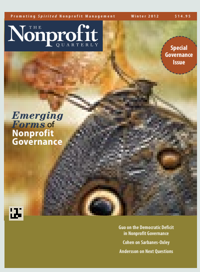

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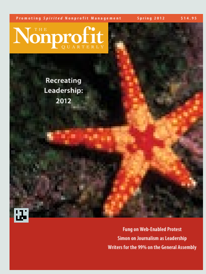

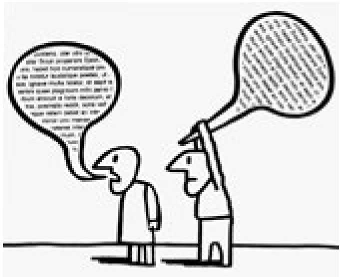

Dr. Conflict

by Mark Light, MBA, PhD

You may think that a personnel committee is a necessity for a well-functioning board, but Dr. Conflict assures you otherwise. The board governs but does not manage the organization; personnel matters are not its job. Get a grip, disband the committee, do your salary-survey homework, and help the board to do a better job.

Dear Dr. Conflict,

When it comes to salary discussions, board members on our personnel committee receive a salary survey, but then some members proceed to conduct their own salary survey, and reference nonrelevant economic issues or use their personal employer's practices. Staff get to hear "ABC agency isn't getting raises"—except they are *getting COLA increases, and longevity pay. Or, "I haven't gotten a raise; we have a pay freeze," when what they really mean is that their representatives negotiated a salary and benefit package and have maintained the pension plan, so they will be collecting a salary for X years after retirement.*

Our staff salaries are here and now—but board members say, "No one is getting bonuses; look at Wall Street or local Big Company." That obviously isn't true, but why do they use it as a reference at all? If "everyone" were now getting big bonuses, our staff wouldn't be eligible anyway, because we are a nonprofit. The most frustrating is when, after a staff member buys a new or "new to them" car, goes on a well-deserved vacation, or makes some other large purchase, a board member comments, "Looks like someone is getting paid too much."

How do we get board members to use only documentable/appropriate/current information and stop personalizing the process?

What's in Your Wallet?

Dear Wallet,

Dr. Conflict first thought this was much ado about nothing. So what if some of your board members complain and kvetch about compensation? What do you care? It's an annoyance for sure, but does it really rise to the level of action? Get board members to stop personalizing the process? Oh, please! Get a grip, disband the personnel committee, and help the board do a better job.

Dr. Conflict's advice is rooted in his disdain for irrelevant and time-wasting board committees. You may think that a personnel committee is a necessity for a well-functioning board, but Dr. Conflict assures you otherwise. The board governs but does not manage the organization—personnel matters are not its job.

Consider the evidence. In BoardSource's *Nonprofit Governance Index 2010*, the personnel committee doesn't make the list of the seven most common committees. The first three are governance/nominating (83 percent), finance, including finance and audit (83 percent), and executive committee (78 percent); fundraising/development is a distant fourth (55 percent), followed by the also-rans of audit (27 percent), program (27 percent), and marketing/communications/PR (26 percent).[1] The personnel committee didn't make the list in 2007 or the list ten years earlier.[2]

The bottom line is that the "board delegates general responsibility to the chief executive for the nonprofit's employment practices."[3] There are exceptions to the rule, including small agencies that have no full-time staff. And there may be times when you want to empower an ad hoc committee to deal with a particular subject, like the review of a new personnel handbook, or a serious situation dealing with the executive director.[4]

In sum, one reason that your committee members are misbehaving is that they shouldn't be involved in staff compensation issues at all. Assuming that you are the executive director, this is your responsibility. Considering the unpredictable state of funding and need, among other things, Dr. Conflict can only imagine that your board should have better things to do with its time.

This brings us to Dr. Conflict's four rules about committees. First, less is more. Second, never have a board committee that helps the staff do their jobs—staff know how to pick up the phone and call board members for assistance. Third, if a staff member wants a committee of board members, he or she is welcome to do so provided he or she chairs it—allow no upward delegation. Finally, only have board committees that help the board do its jobs.

What are the board jobs? In Dr. Conflict's published opinion, any effective agency must do five jobs to be successful; four of these belong to the board, and one belongs to the executive director.[5]

The first job of the board is to "decide why," which covers the mission and values. The second board job is to "decide where to go tomorrow," which addresses the strategic direction of the agency, including its lines of business, success measures, and vision statement and strategies. And don't forget that this includes listening to stakeholders and remaining transparent, an ever more critical task these days. Naturally, the executive director should be partner in all these deliberations—the board is functionally sightless without you.

The third board job is to "delegate who does what," which deals with duties and guidelines of conduct for the board (full board, officers, and committees), the board members, and the executive director. Notice that the executive director's staff is not included on the list. This is because all staff and volunteers fall within your purview.

The fourth board job is to "determine when it happened." This is only possible with a clear chain of accountability established by effective delegation—never allow staff to be servants of two masters.

The executive director has the fifth job: to "deliver what gets done today." This is the big kahuna of the operations that flow from the agency's mission, values, and strategy.

So if the executive director is responsible for personnel matters, who should review your compensation? And what about ensuring that the overall approach is meeting the needs of the agency within legal, competitive, and moral boundaries?

Relative to compensation, this is part of the board's job to "delegate who does what." Dr. Conflict suggests that the board delegate this to the executive committee.[6] Though he is leery of executive committees empowered to act on all matters major and minor, he endorses this committee when the board carefully charters it, primarily for executive director performance and compensation. This is natural, given that the executive committee usually comprises the most seasoned board members, and includes its officers.

This certainly does not mean that executive director performance and compensation should be a secret to the rest of the board. The executive committee should discuss and explain its recommendation to the board in executive session, and then the full board should vote on it. Period.

In general, your use of a salary survey suggests a thoughtful approach. Just to be safe, heed Linda Lampkin's advice: "Good compensation practices mean having established policies and procedures, doing the homework of finding and assessing comparables, making decisions based upon them, and then recording the actions taken."[7]

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Now, about your comment about board members "personalizing the process." First, this could be from simple boredom. You might try, as some put it, "throwing a little red meat on the board table." The board most likely needs to be thinking at a higher level about things like the agency's purpose and strategy. Work with your board chair to make it happen!

The other possibility is that they actually do not understand the process. Take a cue from Lyndon Johnson, who said, "You can put an awful lot of whisky in a man if you let him sip it."[8] Remember that educating the board member is part of what an effective executive director must do, no matter how frustrating and time-consuming it can sometimes be. Drink up, but take it slow and use a designated driver!

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4. "Do Boards Need Personnel Committees?" Knowledge Center Q&As, www.boardsource.org/Knowledge.asp?ID=3.91.
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Dr. Conflict is the pen name of Mark Light, MBA, PhD. In addition to his work with First Light Group (www.firstlightgroup.com), Light is executive in residence at DePaul University School of Public Service, where he teaches strategic management, human resource management, and ethical leadership. John Wiley & Sons published his most recent book—*Results Now*—in 2011.

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For the billionaire philanthropist, conventional wisdom holds that forming a traditional private foundation is the right way to channel those mammoth charitable assets. But a question that new philanthropists should be asked, is: what is the time frame for *deploying* those assets? Here the author weighs the benefits of the perpetual versus the "deliberate deployment" model.

"Deliberate Deployment" or Perpetuity? Questions to Inform Timing Strategies for Philanthropy

by A. W. "Buzz" Schmidt

***Editors' note:** This article was originally published on* NPQ*'s website, on March 8, 2013.*

Lately, we have been regaled with news of billionaires committing half of their wealth to philanthropy. Fewer details have emerged about the strategies these new mega-philanthropists will pursue to effect their mammoth commitments to society. We can be sure that the professionals—each billionaire's tax accountant, trust attorney, and financial advisor—will advise a common default solution: form a traditional private foundation. And while you're at it, they will say, hire a professional staff, invest the endowment in a modern portfolio with broad diversification, and pay out the statutory minimum in annual grants to help assure the retention of "real" perpetual value.

Most will accept that advice. The seductive advantages include estate tax avoidance, continued control of assets, creating a venue for future collaboration among heirs, elevated social status, and a public memorial—complete with a halo—upon one's death. Add the "best practice" blessing of the professionals, and the default solution is nearly irresistible.

But one question—perhaps the most critical—is seldom asked of the new philanthropists: what is the timing of the strategy you will pursue to maximize the value of your munificence? It's not surprising that this question is typically avoided. Its answer may run counter to the interests of advising professionals and the seductive advantages the traditional foundation model confers.

The magnitude of these recent commitments, however, is bound to get some people asking some basic questions. Has billionaire behavior been altered as a consequence of the Giving Pledge? What are the consequences, in the alternative, of so many leaving so much wealth to heirs? Then there's the complex question germane to our focus here: Might some philanthropists defy the advice, recognize a "time value of philanthropy," involve themselves fully in immediate solutions to society's problems, and "spend down" their philanthropic assets during their lifetimes?

The term "spend down" is used by philanthropy professionals to label foundations that concentrate grantmaking over a limited time period, often fifteen to thirty years. A number of us are keen to raise the "spend down" question, if only to get it on the radar screens of the giving pledgers. But in doing so, and by using this language, we may miss an opportunity to frame the subject of the time value of philanthropy in a balanced way.

When we ask someone, "Would you consider 'spending down'?" we inadvertently reinforce the default traditional foundation standard and raise the alternative only as an exception to this rule. Further, unlike "granting," the term "spending" is strikingly negative today, evoking associations with waste and profligacy. It diminishes the perceived value of more rapid grantmaking alternatives. Perhaps, "deliberate deployment" should replace "spending down" in the philanthropic glossary.

To assess philanthropist interest in deliberate deployment, it would be better to promote a more neutral reflection and ask prospective donors to identify their reactions to statements such as the following:

1. Society faces issues that must be addressed quickly to preserve a hospitable natural, economic, and civic environment for your grandchildren;

2. Society will always face intractable problems, and the ones we face today are no different from ones we will face in the future;
3. The economy will continue to grow, society will regenerate its financial wherewithal, and new philanthropic assets will meet future needs; and
4. We must lock up capital in philanthropic endowments to satisfy future needs.

One might then ask, "When you think about your giving, how important are the following factors?"

1. Solving problems now rather than later;
2. Making your own giving decisions; and
3. Leaving society an endowment for future giving.

Next, one might ask, "Given the relative importance of these values and beliefs, which of the following strategies characterizes your intentions?"

1. Establish an entity with a perpetual life. Limit annual giving to ensure perpetual retention of real giving value.
2. Establish an entity from which you will give generously during your lifetime, with the remainder at death to be:
   a. retained perpetually;
   b. granted at the discretion of trustees without restriction; or
   c. granted over a prescribed time frame.
3. Deploy all of your philanthropic assets over a prescribed time frame.

Whether or not this is a useful approach to understanding intrinsic donor thinking about the time value of philanthropy will soon be tested. The London-based Institute for Philanthropy makes a habit of gauging the opinions of the global body of alums, serious philanthropists all, of its Philanthropy Workshops. It will soon assess alumni appetites for a range of time-delineated strategies for deploying philanthropic funds.

Sadly, even were we to identify a strong donor belief in the value of deliberate deployment philanthropy, it wouldn't mean that behavior will follow that belief. Can we expect such sentiment to overcome the "nearly irresistible" advantages of the perpetual model and the dogma of foundation "best practices?" Frankly, it's a long shot. But it's a non-shot unless we begin the conversation with language that, unlike "spend down," does not prejudice the response.

A. W. "Buzz" Schmidt is founder and former CEO of GuideStar USA and GuideStar International. He advises nonprofit and hybrid enterprises, and chairs the boards of the FB Heron Foundation and the *Nonprofit Quarterly*.

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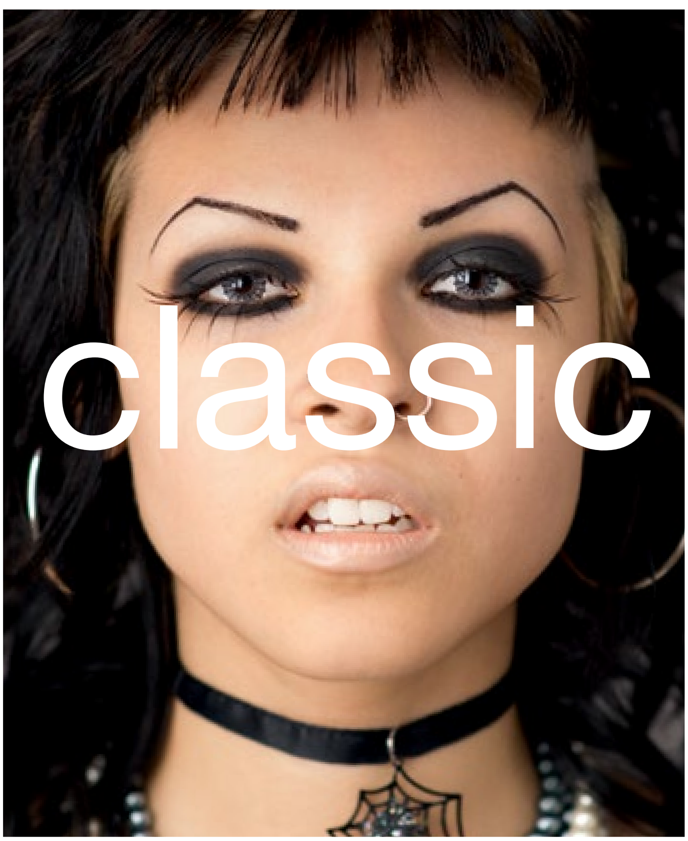

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Bottom-Up Versus Top-Down Land Conservation

by Steven I. Apfelbaum, MS, Alan Haney, PhD, and Alvaro F. Ugalde, MS

Most national and state land-conservation efforts are top-down projects, but evidence suggests that it is becoming increasingly important to focus on bottom-up strategies. In this look at grassroots community-based conservation, the authors describe the ongoing negative effects of the top-down approach, and explain, "When groups of citizens come together to start a conversation about the future of the land they love, and act together to protect it, this creates a more durable project. Both the land and local citizens are better served."

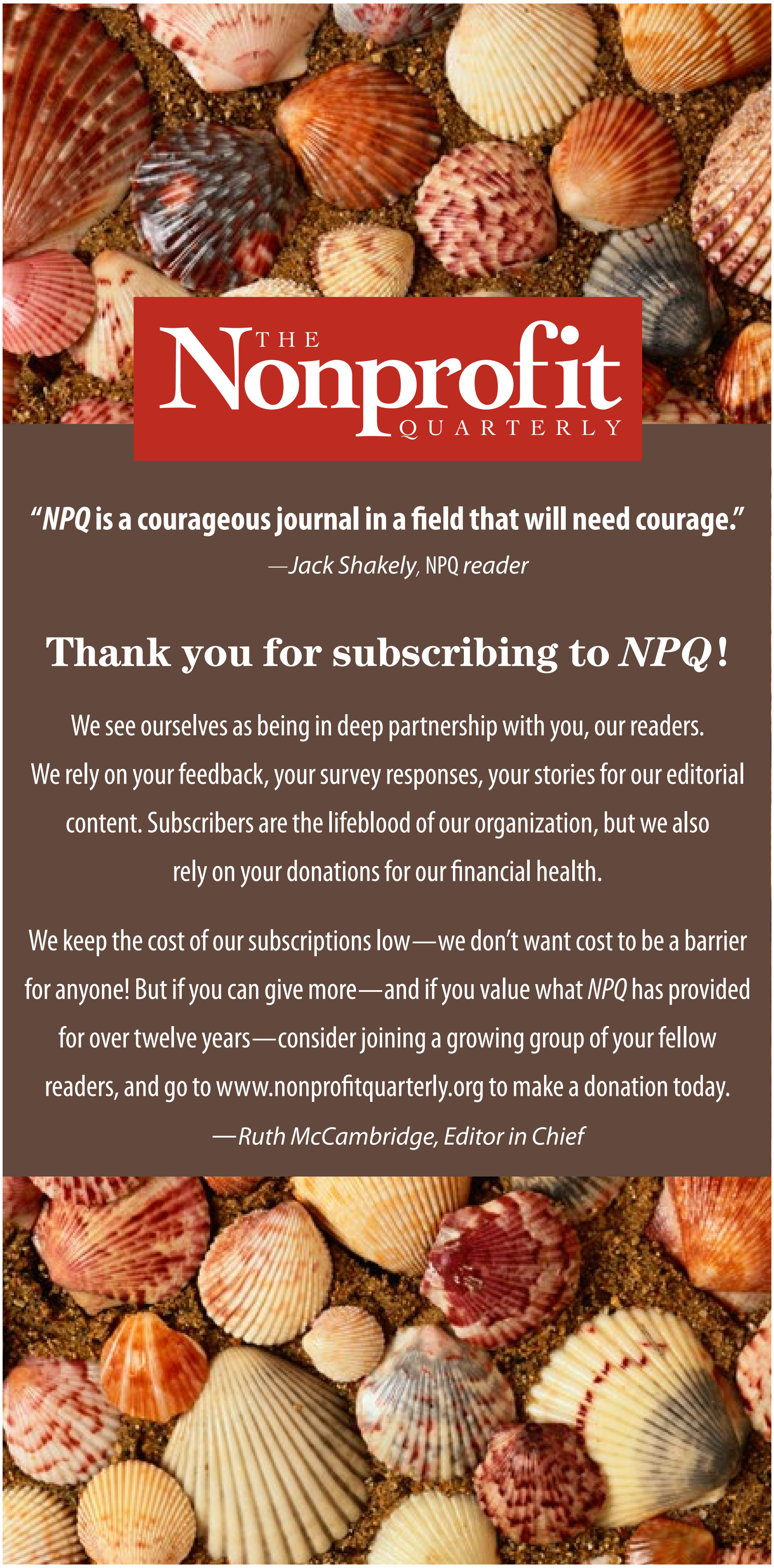
Editors' note: *This article was originally published on* NPQ's *website, on February 19, 2013.*

Community-based conservation is typically a grassroots effort, and one that is initiated because of specific concerns about an environmental or natural resource issue that affects a local population. This is in sharp contrast to regional, national, or global conservation initiatives developed by agencies launching the program from the top. With community-based initiatives, local people usually remain involved through caretaking the property. Often, this extends to community education and related benefits for the long term. This bottom-up conservation works well, because—in part—it is a collaborative process building on the organic relationships local activists have with the land.

Top-down conservation projects often cost more, and seldom achieve as many benefits for the local communities they impact. They are typically identified and defined by an outside public agency, which has no direct investment in the success of the project. The project is reviewed, refined, and its priority established within a bureaucratic organization. Legislation at some level is usually required to fund the project. This inevitably involves delay, red tape, political negotiation, and development of a management infrastructure. The top-down model provides little or no opportunity for local citizen input during the development phase or, often, afterward for the caretaking of the property. Indeed, bureaucrats, who tend to feel that input from the public is an imposition on their time, usually discourage such collaboration. Thus, local stakeholders commonly become alienated.

Perhaps the best way to distinguish the difference between these models is to recognize the top-down model as the *Protect and Enforce Model*, and the bottom-up model as the *Love and Steward Model*. Besides differences in the ways they originate, there are other critical distinctions between the two models that affect durability with respect to the relationship between stakeholders and the land and the continuing conservation of the land.

The deficiencies of the *Protect and Enforce Model* are well illustrated by Costa Rica's Osa Peninsula. The National Park Service established Corcovado National Park against much opposition. Well-aligned local stakeholder groups were never developed. Even now, while many local people are making good money as tour guides, or providing lodging, transportation, food, and other services, there is no local stakeholder group to support the park when a conflict arises. Those expelled from the park when it was established were compensated for their land but not invited to participate in the project. Now, gold miners and hunters, some of whom had previously been expelled, are moving back into the park illegally, and their activities are greatly at odds with ecological goals of the park. The national police are brought in from outside to enforce the laws. Placer mining and hunting threaten the ecotourism that is the real economic opportunity created by the park. Locals benefiting from ecotourism dollars are not unified and, therefore, are reluctant to voice their opposition to the illegal activities of their neighbors. Local people, including those who were compensated, apparently view



enforcement by "the feds" as an affront. Nearly everyone in the community was directly or indirectly negatively affected, either during the development of the park or during subsequent enforcement of regulations.

This top-down approach does not happen only with conservation projects. The U.S. Department of Defense's Badger Munitions property in central Wisconsin is another example. The facility was used to make ammunition during World War II, and continued until the 1990s to manufacture weaponry. After that, it became part of the government's surplus land, and for many years various groups debated narrowly focused potential uses, disenfranchising local interest groups. When any use was proposed, including conservation, there was always opposition from unaligned interest groups. Instead of creating a wonderful opportunity, the original conversion of the land had built up resentment and bad feelings at all levels. This has contributed to a protracted process that continues without an agreement on best use of the land.

Experience suggests that the top-down model for nearly any purpose will usually create resentment and lack of alignment between local citizens and interest groups, who often end up becoming barriers to the success of the project. Such resentment may be carried forward for many generations, as evidenced by Badger Munitions, or the Tennessee Valley Authority and their top-down approach to flood control and hydropower in southeastern United States.

The *Love and Steward Model*, or bottom-up, community-based conservation, avoids this critical flaw. It may require more time and patience initially but will usually be more successful with fewer problems later on. When groups of citizens come together to start a conversation about the future of the land they love, and act together to protect it, this creates a more durable project. Both the land and local citizens are better served. Government, philanthropic and other funding sources, and outside stakeholders see this as a much less contentious, more successful approach, and one they can more readily support. Such initiatives also easily morph into stewardship and restoration—caretaking of the land. Perhaps, because of the broader conversation this process creates, it is usually inclusive of most if not all community members, and also more easily works through or at least acknowledges problems and concerns. People feel considered and heard, and remain engaged even if they initially did not agree with the notion of protecting the land. The learning occurs among all participants and easily brings along individuals who may have been reluctant or even initially opposed.

In the United States, most national and state land-conservation efforts have been top-down projects. Even most state nature preserves and scientific areas were established through the state natural resource agency. In most cases there was a willing seller but lack of participation from the local community. Many, if not most, efforts now require considerable resources to protect and enforce rules, because local stakeholders or friends groups have not emerged, and protection must come entirely from above.

A few conservation projects, such as those involving the Everglades National Park and Boundary Waters Canoe Area, were more bottom-up. The grassroots efforts of Marjorie Stoneman Douglass to protect the Everglades are legendary. So are the heroic efforts of Sigurd Olsen, Miron Heinselman, and others that resulted in the Boundary Waters Wilderness in Superior National Forest, now the most visited wilderness in the United States. In both cases, because projects were eventually achieved through a bottom-up approach, durable protection and financial support have resulted from remarkably dedicated "friends groups," with a minimum of formal enforcement. These friends groups also readily engage the political process, as needed, to ensure continued government support and protection.

There is a third model that bears mentioning. Many wonderful areas have become permanently protected through the vision of affluent outsiders who acquired land for their own purposes—in some instances because they wanted to protect or restore it. This is the case with Ted Turner and his family, who are restoring native ecosystems on several large holdings in the United States totaling more acreage than the state of Delaware. In another example, a family of means acquired land for their private enjoyment, which, over time, developed into a deeper appreciation for and love of the land. In many cases, when estates were settled after two or three generations, the government acquired the properties. Examples are Sylvania Wilderness (in Ottawa National Forest), Acadia National Park, and Cumberland Island National Seashore. While important to conservation, reliance on wealthy conservationists—resulting in protection of some of the U.S.'s most extensive natural areas—is fortuitous. Not every need will be served by a willing outside investor.

It is possible to realign people who have been disenfranchised by a top-down approach. We have found, for example, that an interactive and open process, starting with individuals identifying and orally sharing "places of the heart"—locations in a property where they have had important experiences—can lead to positive change. Once people begin to share their emotional connection to a place—dredging up old family ties and attachments to the land—it is not difficult to encourage further involvement. It shifts the conversation from individuals to the community, and to the land. And, with an ever-expanding population, changing climate, and more limited access to such basic needs as clean water, food, fibers, and other natural resources, pressure on conservation lands will intensify. As it becomes increasingly important to assist communities with bottom-up land conservation or help shift to local support projects initiated from the top down, we could be approaching the most important time in the history of the movement to invoke community-based conservation and land restoration.

Steven I. Apfelbaum, MS, is the founder of Applied Ecological Services, Inc., a full-service environmental consulting and ecological restoration company with ten offices in the United States and two abroad. He has published an award-winning book titled *Nature's Second Chance: Restoring the Ecology of Stone Prairie Farm* (Beacon Press, 2009) as well as, along with coauthor Alan Haney, two volumes in The Science and Practice of Ecological Restoration Series titled *Restoring Ecological Health to Your Land* and *The Restoring Ecological Health to Your Land Workbook* (Island Press, 2010 and 2011); **Alan Haney**, PhD, is a forest ecologist and retired dean of the College of Natural Resources, University of Wisconsin-Stevens Point. He currently serves as the president of a land trust that works with private landowners to permanently protect their property from development or exploitation; **Alvaro F. Ugalde**, MS, founded—and, for many years, ran—Costa Rica's National Park Service. He is currently spearheading a community-based "participatory watershed restoration" effort to reconnect fragmented cloud forests and restore water supplies in Costa Rica, along with Nectandra Institute.

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Tackling anti-Islamic sentiments around the "war on terror," a group of nonprofits banded together, delivering their message as a unified front. Their efforts serve as an outstanding case study for any organization seeking to impact national dialogue.

Islamophobia in Public Discourse: A Case Study in Building an Online Communications Hub

by John Hoffman, MBA

***Editors' note:** This article was originally published on* NPQ*'s website, on January 30, 2013.*

Many groups are interested in convening colleagues to build an online hub of shared resources that will get members "on message," but few invest the necessary time, energy, and financial resources to have an impact. Reflecting on their work over the past four years, the Security and Rights Collaborative, a Proteus Fund initiative, recently released a report, *Building a Field-Wide Communications Hub: Lessons Learned*, describing how a network of organizations concerned about Islamophobia went about reframing the public discourse on the "war on terror" and progressive national security policy.[1] The report makes for an outstanding case study for any organization seeking to impact the national dialogue and public policy by engaging a cohort of nonprofits.

The Problem: Lack of a Unifying Frame

In 2008, the Security and Rights Collaborative was launched as a donor collaborative with the overall goal of impacting how policies being enacted in the name of U.S. national security were affecting fundamental human rights, particularly those of Arab, Muslim, and South Asian communities. Proteus Fund Program Officer Dimple Abichandani, who has led the collaborative since its inception, understood that to impact public policy, the collaborative needed to focus on the role that the media had played in shaping the national dialogue regarding national security and human rights.

"The shared perception of donors and organizers working in the field [of security issues] was that few voices in favor of civil rights protections were breaking through in the mainstream media," explained Abichandani. "Our first step was to understand whether that perception was true."

The collaborative hired ReThink Media to undertake a needs assessment of approximately sixty national security and human rights organizations to evaluate their communications capacity, determine what resources were already available to them, and clarify what messages were being used. The overall findings were that the field was lacking basic capacity.

"The gaps were different across different types of organizations," said Abichandani. "Large organizations often had communication staff, but they weren't necessarily dedicated to this issue. Smaller, grassroots think tanks often didn't have communications staff, and there was little coordination with others across the field. Sixty-two percent of grantees lacked communications staff, 76 percent didn't have a media database or distribution system, and most lacked press pages and press lists. Most organizations had worked with PR firms, so relationships with the press were all being outsourced, yet grantees had a strong desire to build their own internal media capacity."

The collaborative also commissioned a media audit. It found that, in contrast to the opposition, which had one frame that resonated in the media across a variety of issues (from torture to racial profiling to indefinite detentions at Guantanamo Bay), the collaborative's grantees had not effectively connected national security concerns to the protection of human rights and civil liberties.

"When our grantees were breaking through in mainstream media," said Abichandani, "they were not on the same page with their messaging. Two or three different groups would go out with messages that didn't point to any overarching frame. On the other side, we were being beaten by this very consistent, overarching message: tie any new policy back to the need to keep America safe." The result was a very strong echo chamber effect in favor of the opposition's position.

The Model: Building Capacity for Effective Collaboration

In the assessment of the collaborative, it wasn't enough just to invest in message development. The collaborative needed a method to translate the best thinking about messaging into the echo chamber, and an infrastructure that would encourage ongoing coordination across organizations. Working with ReThink Media, the collaborative developed a model that had three primary components:

- **Capacity building for individual organizations.** Communications outcomes were designed to work through existing organizations, building on their skills and the effectiveness of staff and leadership. Participating organizations received online training resources, webinars, in-person training, coaching, and consulting in both traditional and new media.
- **Shared access to a media database, including shared press lists.** Hub members were given access to a state-of-the-art, continually updated media database of 800,000 national and international media contacts. The web-hosted database is coupled with a distribution system that allows users to readily customize media lists, enabling both quick responses to breaking stories and more advanced planning to frame issue coverage.
- **A mechanism for rapid response to breaking stories.** Hub participants received daily news clips and a shared calendar of upcoming events and news hooks, opposition messaging analysis, and the latest polling and public opinion data. When a big story broke on an issue relevant to the field, ReThink sent breaking news alerts and often hosted a strategy call so that advocates could share resources, update each other on their plans, and identify opportunities for action.

"We put a lot of effort into building the model so that it provided resources that people needed," said Abichandani. "For example, we have a daily e-mail that has all the day's news clippings across a number of issues. It saves everyone hours and hours of time going through all these articles themselves." Abichandani credits field uptake of the communications hub with much of the relationship building that ReThink Media conducted early on in the project. Most of the hub's first year was focused on working with individual groups to develop trust and to build a minimum baseline of capacity within each organization. Given the range in organizational capacity, the collaborative made it a priority to offer resources that various groups could use differently, rather than trying to force a one-size-fits-all approach.

For those that may be interested in developing their own collaboration and communications hub, ReThink Media founder Peter Ferenbach cautions against adopting an "if you build it, they will come" mindset: "People have full-time jobs and lines of accountability in their own organizations. Participating in an online community is often some other thing outside of their daily work flow. Unless you've conjured up a way to demonstrate real value and engage it into their work flow, there's no way to leverage that resource into daily engagement."

The collaborative invested a little over $400,000 in messaging research and more than $500,000 in setting up the communications hub. Maintenance of the hub requires about $500,000 annually. In addition, the collaborative makes capacity building grants to individual organizations. In 2012, fifteen organizations received grants ranging from $20,000 to $70,000. It's an investment that Abichandani thinks is money well spent.

"It didn't make sense to tackle these issues by doing one-by-one

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communications grants," said Abichandani. "If we had supported the hiring of ten communications directors in the field, we would have invested roughly the same amount but wouldn't have gotten to the echo chamber effect that we got by supporting a shared communications infrastructure and working with the groups themselves. One of the things we decided early on was to work with a set of existing organizations to amplify their voices."

The Results: Changing the Narrative and Enabling Stronger Advocacy

Abichandani admits that when the hub was first launched, there was a question as to whether the larger civil rights groups would participate. "The big groups showed up and even sent their senior staff, participating actively," she said. "They recognized that the hub was an opportunity for them to recruit additional support for their efforts." One of the findings of an early media audit was that when issues were discussed, the language used was often very legalistic and therefore inaccessible. Large groups needed stories of how policies and developments directly impacted people's lives, while small organizations needed the help of the larger groups to steer the national conversation.

One of these organizations, The Sikh Coalition, credits the Security and Rights Collaborative with shaping how the media reported on the breaking news of the August 2012 mass murder at a Sikh temple in Oak Creek, Wisconsin. The shooter, reportedly a white supremacist, killed six people and wounded four others. Immediately following the incident, Sikh Coalition co-founder Amardeep Singh was on the phone with ReThink Media, developing and issuing a press release. "By the next day, the other members of the collaborative were receiving messages that we could all use in addressing this issue across the sector," said Singh. "We were on CNN and other national outlets, helping to address the message and constantly issuing press releases. As a result, we helped to shape the government's response. By that Friday, the Attorney General had declared the incident a hate crime. I don't know what we would have done without the hub."

The collaborative has also helped shape news events by planning ahead for news stories. In December of 2010, Peter King, chairman of the House Committee on Homeland Security, announced a series of congressional hearings, scheduled for March of 2011, to probe the "radicalization of the American Muslim community." The hearings posed multiple threats to the community, including inflaming hatred and bias against Muslims. Over ten weeks, ReThink Media and the collaborative held weekly conference calls to develop messaging and implement a strategic communications plan that included an op-ed strategy and a Capitol Hill strategy, placing spokespeople and compiling quotes from expert witnesses. The result, according to the Proteus Fund research, was that the collaborative's position dominated the op-ed and editorial coverage at the top thirty national and regional newspapers in the country, with 70 percent of op-eds opposing King, and the most influential papers—the *New York Times*, the *Washington Post*, *USA TODAY* and the *Los Angeles Times*—all editorializing in favor of the collaborative's position.

Kathryn Casa, director of communications at ACCESS, a national Arab American human services organization, sees a direct link between the collaborative's efforts and her own organization's ability to influence public discourse. "We often use media clips to help us in our own blogs and social media postings," said Casa. "The trainings have been very useful for us to increase our own capacity and allow us to earn more media. We were able to utilize talking points around the Peter King hearings to help us in our messaging."

Casa credits the collaborative's capacity-building work with making the resources usable. "Without having capacity to bring on a part-time communications staff person, we wouldn't have enhanced our communications work despite additional training, talking points, media lists, social media activity, etc.," she said. "Not only has this resource enabled us to react more efficiently and quickly, we can now plan better so that we're not always reacting. It was more forward looking, instead of reacting to the slings and arrows of the last decade, and it has enhanced our ability to be leaders."

Nadia Tonova, the director of the National Network for Arab American Communities, a program of ACCESS, also points to increased engagement with other members as a positive outcome of the collaborative. "There's more coordination among the field. I know that other folks have been able to improve their communications capacity," she said. "It has helped all of us move forward at the same time to be on the same page with our work. It makes us stronger advocates."

Note

1. The Security and Rights Collaborative, *Building a Field-Wide Communications Hub: Lessons Learned*, http://www.proteusfund.org/src/reports.

John Hoffman, MBA, has more than fifteen years of experience in marketing and development within the nonprofit and technology sectors.

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Nonprofit Branding 2013: What Has Changed?

by Carlo Cuesta, MBA

While nonprofits recognize that our stakeholders want to become more engaged, we still tend to operate as if we can dictate the terms of engagement, and we continue to use traditional ways of communicating to pull people in. But stakeholders today are busy plugging directly into networks they care about. The old ways promote the message, "Our needs first"; it is time, as the author enjoins, to "stop, pull up a chair, and listen."

Editors' note: *On February 20, 2013, the* Nonprofit Quarterly *and the Alliance for Nonprofit Management hosted an online discussion with Kate Barr of Nonprofits Assistance Fund, Jeanne Bell of CompassPoint Nonprofit Services, Robin Katcher of Management Assistance Group, the author of this article, and, as moderator,* NPQ*'s Ruth McCambridge. The topic was Nonprofit Capacity Building 2013: What Has Changed? The discussion inspired the author to think about the question as it extends to nonprofit branding, and the ensuing article originally appeared on the website of Creation In Common, on February 22; it was subsequently published on* NPQ*'s website, on February 25.*

So, Nonprofit Branding 2013: What Has Changed? Well. . . everything.

When I read Robert Putnam's *Bowling Alone: The Collapse and Revival of American Community* over ten years ago, I saw an opportunity for the nonprofit field to become a central force in rebuilding social capital in communities across the country. Unfortunately, the tools and resources as well as capability to take advantage of this opportunity were not fully in place back then.

First, we needed to see information technology not as a peripheral function within our organization but central to our mission pursuits. Second, we needed to see our identity less as an extension of our mission statement than as a link between the public perception of the impact we create and our higher calling to strengthen communities. Third, we needed to embrace social media fully and completely, as both a technology and a shift in expectations about messaging, engagement, participation, and loyalty.

Over the last ten years, we have addressed many facets of these needs within the field, yet we are no closer to positioning the nonprofit sector as a leading force in building social capital. This brings me to what has significantly changed about nonprofit branding: the ways in which our stakeholders want to participate and ultimately become engaged in our work.

The basic assumption we make about participation is that we can unilaterally dictate the terms of the engagement. Too many of us believe that if we clearly communicate what we are about and do it in a moving and impassioned way, we can incentivize participation. Thus we promote a message that implicitly says: "Our needs first." What we have overlooked is how potential stakeholders are now largely immune to finely worded messages, pitches, and canned elevator speeches. Stakeholders are building connections that plug them directly into networks they care about, where they can go hands on and be actively engaged. Here the nonprofit crafts council is supplanted by the knitting circle meeting at a local bar or the YWCA competing with a group of seventy-five Facebook friends who organize a weekly workout at a local park (by the way, I belong to this group, have made lots of friends, and lost a bunch of weight).

We have access to the tools and resources needed to build meaningful relationships with our stakeholders; what we lack are the capabilities to do it in a way that advances authenticity and mobilizes the public will. During the online discussion, Robin Katcher spoke of her organization's work in strengthening "networked leadership" and harnessing the power of "co-creation." This embraces the fact that real decisions that affect our communities are being made not within an individual nonprofit but out in the networks that stakeholders have forged. This requires us to "co-create" our brands—building a Cause, not just an identity. Here, we leverage the social cohesion needed to take action in order to advance the Cause. Whereas different stakeholders have different motivations, the Cause (when defined) becomes the shared space (a community in its own right) where collective ambitions can be focused and directed.

In order to do this, we need to make a few major systemic changes in how we go about our work. First, we must recognize the potential in our boards to be what Peter Dobkin Hall describes as "boundary-spanners"—making the connection between the needs and will of the community and the organization's sense of purpose. Second, we need to establish a sustainable dialogue with all our stakeholders about what we are together and how we can create doorways for others to influence the Cause. Third, we need to invest more deeply in our capabilities around "co-creation" and "networked leadership"; we need more creative spaces in which nonprofit leaders (both board and staff) can interact, share ideas, and sharpen skills.

I am afraid we are losing the opportunity to position our field as a primary catalyst for creating greater social capital. We are no longer competing against each other or even for-profit or government interests. We face something more powerful, the full realization of the self-empowered and networked stakeholder—at once an individual, but always an army. We can continue to try yelling our messages at them, or we can stop, pull up a chair, and listen.

Carlo Cuesta, MBA, is co-founder of Creation In Common, a Saint Paul, Minnesota–based consulting firm, and an adjunct professor at the University of Minnesota.

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Phil Anthrop, *continued from page 64*

is one thing to identify a problem, and it is quite another to home in on the exact method that will crush, despoil, flat-out ruin your adversaries, their houses, and their issues.

We wrote it down. That part may have taken an hour or so, but that hour could never have happened without the Seattle, Palm Springs, and Stamford huddles. By this time we Eleven had a perfect level of trust and a keen understanding of what we were up against and how to bring it down.

SEVEN POINTS

1. Induce Foundations To Constantly Alter Plans, Objectives, Focus, Methods.
2. Restrict Funding To Small Increments Of Time.
3. Focus Attention On Internal Meetings, Document Preparation, Obsessive Board Meeting Rehearsals, Cautious Public Communications.
4. Create Officious Online Application Processes With Oblique And Nonsensical Criteria; Restrict Public Interactions.
5. Adopt Progressively Narrower Interests.
6. Expend Increasing Resources On Consultants, Executive Compensation, And Self-Promotion.
7. Chase Sunshine, Rainbows, And Lollipops.

A prescription for disaster, we thought. Make every foundation head a Manchurian Candidate, undercutting and demoralizing each potential partner in every interaction, wearing them out and dragging them down so that every foundation initiative actually sets their issue back further than when they started. And at the same time create a self-reinforcing bureaucracy that firmly believes in its own effectiveness, either closing off meaningful feedback or channeling it in such a way that all of its actions can only be interpreted as raising important issues, showing promising results, and breaking new ground.

This comfortable cloister—which we Eleven jokingly refer to as "The Center for Ineffective Philanthropy"—would be surrounded by awards and recognition, supported by earnest affinities and calls to action, and fed with thank-you letters and requests for advice. With the right level of resources, the SEVEN POINTS would keep these foundations in neutral forever.

It took eight months, but we finally got "Swift Boat" Simmons, the Koch brothers, Sheldon Adelson, and four others into the same suite at the Venetian Resort Hotel Casino to lay out the SEVEN POINTS—and to request 120 Really Big Ones.

You can imagine my shock when Charles G. Koch laughed, and said, "Oh good grief, Phil, we funded that project thirty years ago—works like a charm to this day!"

So now, after all that pointless scheming, I can see how effectively foundations were made ineffective years ago. Except you, George. You really are a contrarian in a field that reprograms contrarians. I guess that's what I admire about you. That, and your enormous wealth. And, I suppose, your willingness to look at the attached, very different proposal. . . .

Warm regards,
Phil Anthrop

Phil Anthrop is a consultant for foundations in the G8 countries.

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Introducing the Center for Ineffective Philanthropy

by Phil Anthrop

What is the secret to undermining institutional philanthropy? Phil Anthrop's SEVEN POINTS to effectively render foundations ineffective are a tour de force of cunning, collusion, and commitment to bringing the enemy down by whatever means necessary.

CONFIDENTIAL
TO: George Soros

I'M NOT REALLY SURE WHY I'M WRITING THIS to you, but after all the anguish and pain I've been through I knew I had to tell someone, and as weird as it must seem to you, you may be the only person on earth who would understand this.

So, where this all started: a quite odd interview in New York, which at first seemed absurd on the face of it.

I was discreetly vetted and then invited to an extraordinarily private meeting to create what was made crystal clear to be an absolutely confidential campaign to undermine institutional philanthropy. This was not a hard sell for me, since the cause was compelling and I knew it to be urgent: America's foundations were a clear and present danger to democracy, personal liberty, the sanctity of marriage, and the free market economy. Foundations had to be stopped by whatever means necessary. (I know that probably sounds weird to you since you seem to devote your fortune to just these pursuits, but please read on.) Anyway, the only real question we had was the choice of weapons.

That first intensive meeting of eleven patriots at the Amelia Island Ritz Carlton was memorable for its laser focus on the foundation crisis and excellent service by the concierge and her staff. (The filet Provençal was sublime, by the way.) We had more ideas than we knew what to do with; that wasn't the problem. The problem was how to take on an enemy—these xxx foundations with $xx billion in wasted assets—that used every guile and artifice to worm its way into the collective consciousness of a sadly dupable American public, even to the very children and grandchildren of The Eleven (we now called ourselves The Eleven). And it was perfectly obvious that, like the jiu-jitsu principle of using force against force, we had to use our enemy's tactics of stealth and manipulation against them, and that would take money—big money, and lots of it.

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We weren't born yesterday. We knew where the money was: Texas billionaire and top GOP moneyman Harold "Swift Boat" Simmons; the billionaire Koch brothers; casino magnate Sheldon Adelson. You know the type. But we knew these weren't mere true believers who would contribute money because they believed in the cause. Hell, anyone can believe in the cause and be perfectly sincere and absolutely ineffective—that was the point. These giants think like generals, not patrons. They are data people at heart, who have to be shown deliverable, quantifiable, tell-me-how-my-money-will-tip-the-balance outcomes.

We needed a plot, not a plan.

I won't go into all the ways we figured out the SEVEN POINTS—what it would take to undermine all the supposed good works by these self-important foundation hacks—but by the time we did, there was not a dry eye among The Eleven. It

Continued on page 63 ↺

"I appreciate the environment of collaborative discourse—the expectation that there is more than one point of view, and the degree to which the diversity contributes to growth and understanding."
—An NPQ *reader*

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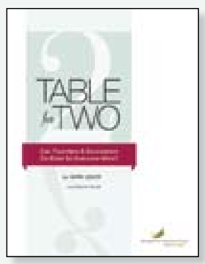
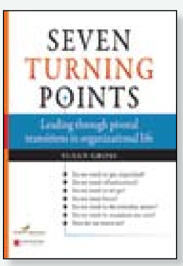


Table for Two explores the conditions under which a founder stays on under new executive leadership after stepping down as CEO for the overall success of the nonprofit.



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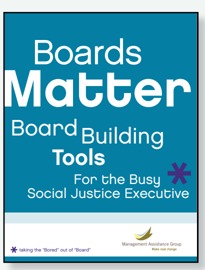

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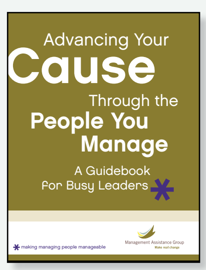

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