

The Nonprofit Sector in North Carolina: Trends and Key Public Policy Challenges

by Ran Coble

North Carolina has more than 25,000 tax-exempt organizations, 14,252 of which are the 501(c)(3) charitable groups that most people think of as nonprofits. These nonprofits—which include religious, educational, charitable, scientific, literary, and cultural groups—face a number of challenges and opportunities in their intersections with the government and business sectors. The challenges include: ripple effects from government cutbacks; government proposals to tax or further regulate nonprofits; scandals affecting a few organizations or their leaders; public perceptions about the tax-exempt status of nonprofits; criticisms from businesses that resent perceived competition from nonprofits; and efforts to limit nonprofits' right to lobby and advocate for their causes. But the future also holds a number of opportunities for nonprofits, including: increased clout by nonprofits acting together as a sector; greater recognition by North Carolina's governor and chief executives in other states; legislative measures to increase charitable giving and reduce red tape; new technologies that could improve communication, efficiency, and fundraising efforts; growing research efforts dealing with the nonprofit sector; new sources of funding for nonprofits; and a reservoir of public trust in nonprofits.

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In the 14th century, William Langland wrote a poem, "The Vision of Piers Plowman," which included a list of charitable deeds that a wealthy merchant might make to serve his soul:

... and therewith repair hospitals
help sick people
mend bad roads
build up bridges that had been
broken down
help maidens to marry or make
them nuns
find food for prisoners and
poor people
put scholars to school or some
other crafts
help religious orders, and
ameliorate rents or taxes.¹

Six centuries later, Langland's list of charitable purposes holds up well—resembling the reasons outlined today in federal and state laws for granting tax exemptions to nonprofit organizations. In North Carolina, one can find nonprofits like Greensboro's Moses Cone Memorial Hospital and Winston-Salem's Samaritan Clinic providing free health care to sick people; Charlotte's Catholic Social Services ministering to prisoners; Raleigh's Food Bank feeding the poor; Wilmington's Salvation Army providing shelter for the poor; Durham's Duke University educating scholars; the Southern Baptist Convention helping our state's most prominent "religious order"; and the Raleigh-based N.C. Low-Income Housing Coalition working to ease rents and increase access to housing.

The U.S. Internal Revenue Code lists 21 different categories of tax-exempt organizations, or nonprofits. (See Table 1 on pp. 70–71.) In 1990, there were more than 1 million tax-exempt groups in the United States, according to Independent Sector, a Washington-based group that represents the nonprofit sector nationally.² Of those groups, 48 percent qualified—in the language of the tax code—as 501(c)(3) groups, which are the organizations that most people think of when they envision nonprofits. Such 501(c)(3) groups must have religious, educational, charitable, scientific, literary, or cultural purposes. (See Table 2 on p. 72 for a nationwide breakdown of 501(c)(3) groups by type, number, and revenues.)

In North Carolina, 25,064 organizations qualified as tax-exempt groups in 1995. Of those groups, 14,252 organizations (57 percent) were 501(c)(3) nonprofits. That list includes more than 2,000 local arts groups, 1,000 Parent-Teacher Associations (PTAs), and 865 grantmaking foundations such as the Z. Smith Reynolds Foundation



Mike McLaughlin

The Samaritan Medical Clinic in Winston-Salem is a nonprofit providing free health care to the poor.

or the Triangle Community Foundation. Likewise, most of the state's churches, synagogues, temples, and mosques are 501(c)(3) nonprofits, as are the 74 United Ways and 80 local hospices for the terminally ill. (See Table 3 on p. 74.)

Most of these 501(c)(3) nonprofits are small organizations. More than 86 percent of them have total budgets under \$100,000 and half have budgets under \$25,000. Only 14 percent have budgets over \$100,000.³ According to Independent Sector, North Carolina—the 10th most populous state—ranks 12th among the states in the number of 501(c)(3) organizations.⁴

Despite the limited size of most nonprofits, the sector makes a substantial contribution to the nation's economy—although smaller than the business and government sectors. (See Table 4 on p. 77.) Nonprofits generated \$387.4 billion in income in 1994, or about 7 percent of the total income for all three sectors in United States. But nonprofit groups accounted for a higher percentage of the nation's workforce and earnings than did government and business. In 1994, nonprofits employed 16.4 million people (of which more than 6 million were volunteers), or 11.4 percent of the total employment in the nation. The earnings of nonprofit employees totaled \$336.6 billion, or 8.6 percent of the total earnings for all workers.⁵

I. Intersections Between Government and the Nonprofit Sector

This article looks at trends in the nonprofit community and key developments in the relationships between the nonprofit sector, the government sector, and the business sector. These concepts are discussed using two images: highway intersections and the wind. The image of intersections conveys the places where the nonprofit, government, and business sectors meet. The image of wind tries to capture what changes and trends will be affecting these sectors over the coming years.

A. *The Intersection of Money: A Key Meeting Point for Nonprofits and Government*

One of the first places where nonprofits and government intersect is at the budget level. Historically, government has been a major source of revenue for many nonprofits. Nonprofits earn that public support by delivering services at the grassroots level—often in situations where the government and business sectors are unable or unwilling to help.

***“Americans of all ages, all conditions and all dispositions, constantly form associations . . . The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; they found in this manner hospitals ... and schools.... I have often admired the extreme skill with which the inhabitants of the United States succeed in proposing a common object to the exertions of a great many men, and in inducing them voluntarily to pursue it.*”**

“Nothing in my opinion, is more deserving of our attention than the intellectual and moral associations in America. The political and industrial associations of that country strike us forcibly; but the others elude our observation.... In democratic countries, the science of association is the mother of science; the progress of all the rest depends upon the progress it has made. Amongst the laws which rule human societies there is one which seems to be more precise and clear than all the others. If men are to remain civilized or to become so, the art of associating together must grow and improve in the same ratio in which the equality of condition is increased.”

— ALEXIS DE TOCQUEVILLE,
DEMOCRACY IN AMERICA



Nonprofit foundations play a key role in funding and supporting other nonprofits. Shown here (L to R) are Donna Chavis of Native Americans in Philanthropy, Mary Mountcastle of the Z. Smith Reynolds Foundation, and Marilyn Foote-Hudson of the Glaxo Wellcome Foundation, all participating in an October 1995 conference sponsored by the N.C. Center for Nonprofits.

Independent Sector says that charities nationwide receive about 29 percent of their revenues from government sources, 19 percent from private contributors, and 52 percent from dues, fees, and other charges.⁶ In North Carolina, a 1991 survey by the Triangle Community Foundation found that nonprofits in the Raleigh-Durham-Chapel Hill area (excluding hospitals and colleges) depend on government for nearly half (45 percent) of their revenues.⁷ This might be expected in nonprofits close to the state capital, but it also may indicate a lack of independence among some groups in the sector. (See the related article, "State Funding for Most Nonprofits Small, Unpredictable," on pp. 86-88.)

This is a large intersection—much like the place where Tryon Street meets Trade Street in Charlotte. What is in the winds at this intersection? Chaos, because somebody stole the stoplight. And, as in the movie "Speed," there are some big buses coming over the hill with their accelerator pedals jammed to the floor. Here are a few trends concerning this financial intersection between government and nonprofits.

1. Budget Cuts

Congressional leaders already have enacted major federal budget reductions and plan even more—with the U.S. House having proposed \$1.3 trillion in cuts and the Senate \$958 million in cuts in 1995. Although Congress and President Bill Clinton have been at a stalemate over the total federal budget, many cuts already have been enacted. For example, Congress cut funding for the National Endowment for the Arts by 39 percent in FY 1996 alone, following five years of steadily dwindling support. In North Carolina, NEA grants dropped from \$2.8 million in 1990 to \$1.3 million in 1995, a decline of 54 percent. Nonprofits such as the N.C. Dance Theater in Charlotte, the Greensboro Symphony Society, Reynolda House in Winston-Salem, and the N.C. Symphony Society in Raleigh had substantial declines in NEA grants during that period.⁸ (See the article, "Arts Funding in North Carolina: Trends in Public and Private Support," starting on p. 2 of this issue.)

Federal spending in North Carolina totaled
—continues on page 72

Table 1. Categories of Nonprofit Tax-Exempt Organizations by Type

Section of the U.S. Internal Revenue Code	Description	Number of Groups in North Carolina
501(c)(1)	Corporations originated under Act of Congress, including Federal Credit Unions. These are considered instrumentalities of the United States.	0
501(c)(2)	Title-holding corporation for a tax-exempt organization.	40
501(c)(3)	Religious, educational, charitable, scientific, and literary organizations, and those testing for public safety, fostering certain national or international sports competitions, or working to prevent cruelty to children or animals. Includes private foundations.	14,252
501(c)(4)	Civic leagues, social welfare organizations, local associations of employees. These are organizations promoting community welfare, charitable, educational, or recreational activities.	3,430
501(c)(5)	Labor, agricultural, horticultural organizations. These are educational or instructive groups whose purposes include improving conditions of work, products, and efficiency.	919
501(c)(6)	Business leagues, chambers of commerce, real estate boards, etc., formed to improve conditions in one or more lines of business.	1,674
501(c)(7)	Social and recreational clubs which provide pleasure, recreation, and social activities.	1,356
501(c)(8)	Fraternal beneficiary societies and associations, with lodges providing for payment of life, sickness, accident, or other benefits to members.	1,806
501(c)(9)	Voluntary employees' beneficiary associations — including federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10) — providing payment of life, sickness, accident, or other benefits to members.	261
501(c)(10)	Domestic fraternal societies and associations—lodges devoting their net earnings to charitable, fraternal, and other specified purposes. No life, sickness, or accident benefits to members.	225

Table 1, continued

Section of the U.S. Internal Revenue Code	Description	Number of Groups in North Carolina
501(c)(11)	Teachers' retirement fund associations.	0
501(c)(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, etc. These are groups with activities similar to those implied by the descriptions of class of organizations beneficial to members.	85
501(c)(13)	Cemetery companies, providing burial and incidental activities for members.	129
501(c)(14)	State-chartered credit unions, mutual reserve funds, offering loans to members. (Exemption for building and loan associations and cooperative banks repealed by Revenue Act of 1951, affecting all years thereafter.)	143
501(c)(15)	Mutual insurance companies or associations, providing insurance to members substantially at cost (limited to organizations with gross income of \$150,000 or less.)	187
501(c)(16)	Cooperative organizations to finance crop operations, in conjunction with activities of marketing or purchasing associations.	0
501(c)(17)	Supplemental unemployment benefit trusts, providing payments of supplemental unemployment compensation benefits.	3
501(c)(18)	Employee-funded pension trusts, providing benefits under a pension plan funded by employees, created before June 25, 1959.	0
501(c)(19)	Post or organization of war veterans.	554
501(c)(20)	Trusts for prepaid group legal services, as part of a qualified group legal service plan or plans. Applicable to taxable years beginning after December 31, 1977.	0
501(c)(21)	Black lung trusts, satisfying claims for compensation under Black Lung Acts.	0

Source: National Center for Charitable Statistics, Washington, D.C., from IRS Exempt Organizations Business Master File, September 1995.

Table 2. Number of Nonprofits and Sources of Revenue by Type in the United States, circa 1992 (Revenues in Millions of Dollars)

Type of 501(c)(3) Nonprofit Group	Number of Groups	Percent of Total	Total Revenue	Private Donations	Government Grants	Other Income
Arts, Culture, Humanities	17,047	10.7%	\$10,728.4	\$4,151.6	\$1,123.1	\$5,453.7
Education	23,552	14.8	89,221.0	11,842.3	9,813.1	67,565.6
Environment, Animals	4,393	2.8	4,166.4	1,258.6	268.8	2,639.0
Health	28,290	17.8	294,801.4	9,695.0	6,893.4	278,213.0
Human Services	54,783	34.3	53,813.7	10,286.4	13,148.9	30,378.4
International, Foreign Affairs	1,515	1.0	3,490.5	2,035.1	928.7	526.7
Public, Societal Benefit	10,514	6.6	20,164.4	7,747.3	3,325.6	9,091.5
Religion-Related	6,716	4.2	2,366.9	1,344.5	53.6	968.8
Mutual, Membership	323	0.2	726.7	78.7	2.1	645.9
Unknown or Unclassified	12,178	7.6	4,138.5	1,052.4	861.7	2,224.4
TOTAL	159,311	100.0%	\$483,618.0	\$49,491.9	\$36,419.0	\$397,707.1

Source: Virginia Hodgkinson and Murray Weitzman, *Nonprofit Almanac, 1996-97*, Independent Sector, Jossey-Bass Publishers, San Francisco, 1996, Table 5.7, pp. 247-251, and Table 5.11, p. 257. Table includes only 501(c)(3) groups that file 990 tax forms with the Internal Revenue Service. Thus it excludes groups with annual budgets smaller than \$25,000 because they are not required to file. To avoid double-counting, table excludes foundations and other nonprofits that generally fund other groups included in the table. The table also underestimates the religion category because most churches are not required to file 990 forms.

Notes: Health includes general health, mental health, disease and disorder-related, and medical research groups. Human Services includes crime and legal-related, job-related, food and agriculture, housing, public safety, recreation and sports, youth development, and multipurpose groups. Public and Societal Benefit includes civil rights, community improvement, philanthropy, science, social science, and public affairs groups.

— continued from page 69

\$28.9 billion in 1994, including \$4.86 billion in federal grants to state and local governments. Federal budget cuts are likely to affect areas such as Medicare, Medicaid, food stamps, and public assistance programs—if the plan to balance the federal budget by the year 2002 continues. According to Dan Gerlach of the N.C. Budget and Tax Center, three groups of nonprofits are most likely to be affected by federal budget cuts: (1) those that are direct recipients of federal funds, such as hospitals and other health care institutions that depend heavily on Medicaid, housing and homeless assistance programs, nutrition programs, and programs dealing with teenage pregnancy; (2) nonprofits whose service levels or client loads are affected by

federal cutbacks, such as substance abuse programs, domestic violence centers, child care agencies, and housing groups such as Habitat for Humanity; and (3) foundations, which will see increased grant applications from nonprofits seeking to offset government cutbacks.⁹ Jane Kendall, president of the N.C. Center for Nonprofits, adds that all nonprofits will experience greater competition for resources—even if they don't currently receive government funds.¹⁰

Yet the size of the philanthropic discretionary grant pool is smaller than the total federal cutbacks projected for North Carolina. The total assets of all foundations in North Carolina were \$18.3 billion in 1992.¹¹ Those foundations gave away about \$220 million that year. (See Table 5 on p. 78 for a list of

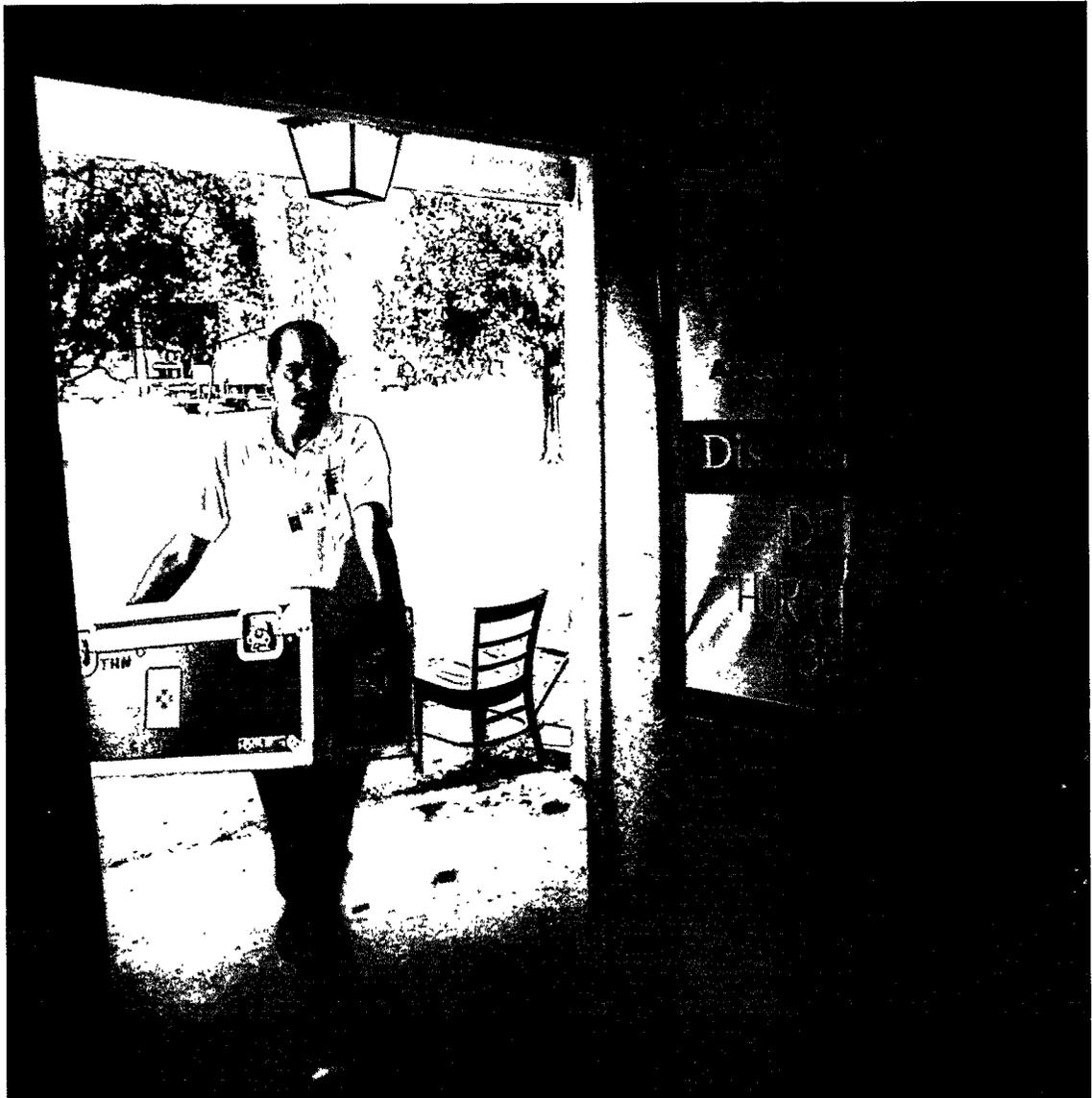
some of North Carolina's largest nonprofits.) Much of that grantmaking is not discretionary, however, because it is earmarked for specific recipients by the foundations' legal charters. For example, The Duke Endowment is the largest foundation in North Carolina, but its grants are earmarked for specific institutions of higher education such as Davidson College and Duke, Furman, and Johnson C. Smith universities or for specific hospitals, churches, or child-care programs.

However, the state will lose about \$297 million per year in Medicaid payments alone by 1999, the Center on Budget and Policy Priorities estimates.¹²

The final impact will depend on Congress. But even if all the foundation grants in North Carolina were discretionary, and they totally shifted to offset federal cuts, they still are likely to be short. Additional cutbacks could come from legislation that would provide federal assistance in the form of block grants, welfare-reform programs, scaled back job-training programs, and increased postal rates for nonprofits.

Federal budget cuts are likely to reduce revenues for some nonprofits while increasing funds for others, according to Steven Rathgeb Smith, a professor in the Graduate School of Public Affairs

Nonprofits such as the American Red Cross provide aid to victims of natural disasters, such as Hurricanes Bertha and Fran that struck North Carolina in 1996.



John Rottet, The News & Observer

at the University of Washington in Seattle. "The new welfare reform legislation has the potential to drastically cut revenues for many agencies, especially community organizations serving the poor and large health-care institutions such as hospitals," Smith says. "Many nonprofits could gain sizable new contracts, however. The new block grants will give states hundreds of millions of dollars for services to the poor. Many nonprofits, especially programs emphasizing self-help and work, will be expected or encouraged to provide these services under government contract. Many for-profit social welfare agencies will compete with nonprofits for these contracts." The loss of federal funds also will force many nonprofits to generate more income through service fees, Smith says, and will encourage the development of more partnerships between nonprofits and private businesses.

Legislators at the state level also have engaged in budget-cutting that affects nonprofits. In the 1995-1996 session, the N.C. General Assembly passed budgets that cut funding for nonprofits such

as Legal Services of North Carolina and Project Uplift.¹³

The ripple effect continues at the local level as well. In Mecklenburg County, the board of county commissioners has recommended that it should appropriate no more money to local nonprofit organizations by the turn of the century.¹⁴ In Durham, county commissioner Ed DeVito says nonprofits have no business being funded with taxpayers' money. Fellow commissioner Tommy Hunt also favors eliminating the \$1.34 million that Durham County gives to various nonprofits, such as the Community Shelter for HOPE, the Council for Senior Citizens, and the Durham Day Care Council.¹⁵ Durham County's grants to local nonprofits represent less than 0.5 percent of its budget, which totaled \$300 million in FY 1995-96. Becky Auman, executive director of the Orange/Durham Coalition for Battered Women, has objected to such proposals, saying, "It really doesn't make sense to cut the nonprofit sector, because we know how to do more with less."¹⁶

Table 3. Percentage of Nonprofit Tax-Exempt Organizations in North Carolina, by Type

57% Charitable: religious, educational, scientific or literary organizations; foundations

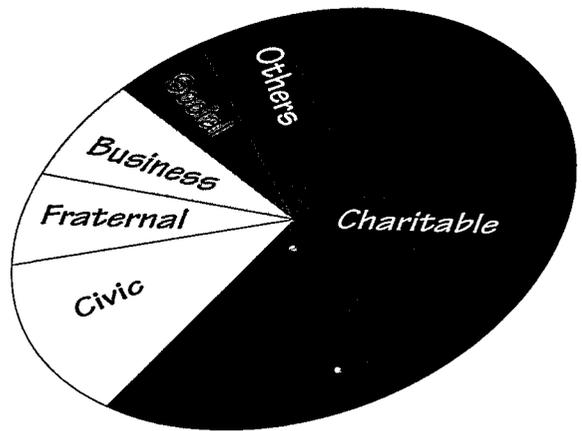
14% Civic: civic leagues, social welfare organizations, local associations of employees

7% Fraternal Beneficiary: societies and associations paying sickness, accident or other benefits to members

7% Business: business leagues, chambers of commerce, real estate boards, etc.

5% Social/Recreational

10% All Others



Source: Internal Revenue Service Exempt Organizations Business Master File as of Sept. 22, 1995; adapted by Tim Rickard, *News & Record*, Greensboro, N.C.

2. Efforts To Tax Nonprofits Gain Steam

In addition to such budget-cutting efforts, some state and local governments that are strapped for funds are starting to look at nonprofits as potential sources of new revenue. In a November 1996 ballot initiative, Colorado voters will decide if the state should force churches and most nonprofits to pay property taxes. The initiative would raise up to \$100 million. Some legislators in other states also are starting to question whether nonprofits are keeping their side of the bargain on their tax-exempt status. In theory, tax-exempt status is a trade—government gives tax exemptions to nonprofits in exchange for such groups providing some benefit or service to the public. In that sense, government support for nonprofits can be viewed as preventive medicine that helps resolve problems that otherwise might grow into crises that require large commitments of resources from the state.

Nevertheless, at least 13 states have considered changes in the tax-exempt status of nonprofit hospitals because they were not providing significant amounts of free health care to the poor. The N.C. Center for Public Policy Research, in a 1989 study comparing the performance of for-profit and nonprofit hospitals in North Carolina, found that some nonprofit hospitals in Iredell and Wake counties were providing no more free care to indigent patients than for-profit hospitals in the same counties.¹⁷ If the nonprofit sector doesn't keep up its side of the bargain, there probably will be efforts in North Carolina to limit the tax-exempt status of certain nonprofits, with hospitals and well-endowed private colleges and universities facing the first line of questioning.

At the local level, some tax assessors and county attorneys in North Carolina are making a distinction between federal and local tax exemptions. Nonprofits often assume that with a 501(c)(3) letter from the IRS, they're automatically exempt from local property and sales taxes. That's not necessarily true. Some local tax assessors say a nonprofit has to prove that it meets the state's legal criteria for being tax-exempt. Thus assessors in some counties, like Wake County, are trying to collect taxes from nonprofits.

In Pennsylvania, two-thirds of the counties have tried to push nonprofits off the tax-exempt rolls or force them into making payments in lieu of taxes over the past decade. Armed with a state Supreme Court decision, county officials have pressured nonprofits into paying certain taxes. In order to maintain its tax exemption there, a nonprofit

***There are heroes whose names we
never hear***

A dedicated army of quiet volunteers

Reaching out to feed the hungry

Reaching out to save the land

Reaching out to help their fellow man.

***There are dreamers who are making
dreams come true***

Taking time to teach the children

There's nothing they can't do

Giving shelter to the homeless

Giving hope to those without

Isn't that what this land's all about

All it takes is a point of light

A ray of hope in the darkest night

If you see what's wrong

And you try to make it right

You will be a point of light

—“POINT OF LIGHT”

WRITTEN BY DON SCHLITZ

AND THOM SCHUYLER,

SUNG BY RANDY TRAVIS

has to: (1) advance a charitable purpose; (2) give away a substantial portion of its services; (3) benefit people who are legitimate subjects of charity; (4) relieve government of some of its burden; and (5) operate entirely free of profit motives.¹⁸

The National Council of Nonprofit Associations calls this trend “a shakedown.” The revenue that local governments obtain from nonprofits is minimal, according to the council, which says such tin-cup taxation is too small to affect government budgets. “The people running those cities ... view nonprofits as sitting ducks,” says Janne Gallagher, an attorney who follows tax issues for the council. But a survey of local officials in Pennsylvania found they believe that “many nonprofits are not serving the poor, are abusing the system or are paying their executives too much money.”¹⁹

Some of the harshest examples of such attitudes can be found in the cities of North Chicago, Ill., and Hartford, Conn. In North Chicago, the city council



Governor Jim Hunt addresses participants at the first-ever Governor's Nonprofit Summit, held January 14, 1993.

passed a resolution aimed at keeping groups exempt from property taxes from moving into the city. The IRS said no city has such power.²⁰ The Hartford city council voted to bar the opening of any new homeless shelters, health clinics, or other social service groups in the city from November 1995 to September 1996. City councilman Art Feldman says Hartford can no longer afford to be a haven for nonprofit groups. "A city that's composed strictly or largely of needy people can't support itself," he says.²¹

Now at this funding intersection, some leaders in Congress, the state legislature, and the county boards of commissioners are giving mixed signals to nonprofits. It's like watching a stop light suddenly turn from green to red while one is driving through an intersection. First, these government officials say, "We've got to balance the budget. So we're cutting back and you've got to take your share of the cuts." Then they say, "Well, government is cutting back, so the business and nonprofit sectors need to do more." Meanwhile, they forget that nearly a third of the nonprofits' revenue comes from

government, so they can't do *more with less*. They also fail to consider the relative sizes of the two sectors. Just to offset the loss of proposed cuts at the federal level would require a 247-percent increase in private giving from 1996 to 2002, when the *average* annual increase was only 2.4 percent from 1963 to 1993.²²

Government officials convey another mixed message when they say, "We want to privatize, we want to shift services from the public to the private sectors, and you nonprofits can just raise your fees to handle this influx of new clients." This attitude fails to recognize who the clients are for many nonprofits. They're the homeless at the Salvation Army, the hurricane victims at the Red Cross, the battered women at the domestic violence center, the youths at the drug-treatment clinic, and the elderly on walkers coming to the door to get their Meal on Wheels. For nonprofits serving these clients, it's a cruel joke to ask them to expand their services and raise their fees for people who can't pay them anything anyway. So, the red light at the intersection flashes "fewer dollars," while the green light flashes

“greater human need.” Like a stalled car, nonprofits find themselves stuck in an intersection of conflicting messages.

The government exhortation to “charge more fees” also is a mixed message. As soon as nonprofits begin charging fees for goods or services, the business sector—especially small businesses—accuses nonprofits of unfair competition. Business critics say nonprofits can charge lower prices because the taxpayers are subsidizing part of their costs. Thus nonprofits are caught between what the government and the for-profit business sectors want them to do.

B. Legal Intersections Between Government and Nonprofits

A second intersection where government and nonprofits meet is in the law. Nonprofits are subject to many laws in North Carolina—such as those dealing with taxes, lobbying, nonprofit incorporation, and solicitation licensing. (See Table 6 on pp. 82–83.) What is now blowing in the legal winds is a questioning of what should qualify as a nonprofit. This movement is fed partly by a few scandals in the nonprofit sector and partly by those who believe that nonprofits shouldn’t be allowed to lobby. One might think of this legal intersection as similar to the place where an interstate divides as it enters a city. The road is under construction, so no-

body is certain which way to go, and those in the left lane are being sent on a detour.

1. Dealing with Nonprofit Bad Apples

One of the toughest issues ahead for the nonprofit community involves dealing with the few bad apples and imposters who are hurting the sector’s efforts to be accountable to the public. The public’s faith in the nonprofit sector has seldom been more shaken by scandals than it has in recent years.

First, a 1992 scandal at the national United Way eventually resulted in the conviction of its former president, William Aramony, on 25 counts of fraud, tax evasion, conspiracy, and money laundering. Aramony used about \$600,000 in United Way funds—the public’s funds—for a mistress and flights on the Concorde to Europe.²³

Second, even religious nonprofits have been involved in some well-publicized scandals. Several television evangelists—notably Jim Bakker and his PTL (Praise The Lord) Club here in the Carolinas and Jimmy Swaggart—were caught in fraud schemes and sent to prison. There also were allegations of molestation of young boys at the Covenant House in New York, and the treasurer of the national Episcopal Church was caught embezzling \$2.2 million.²⁴

Third, both the board chairman and the direc-

Table 4. Income, Employment, and Earnings in the Nonprofit, Business, and Government Sectors in the United States, 1994

Sector	National Income (In Billions)	Percent of Total Income	Estimated Employment (In Thousands)	Percent of Total Employment	Total Worker Earnings (In Billions)	Percent of Total Earnings
Business	\$4,361.7	78.0%	101,290	70.8%	\$2,940.8	74.9%
Government	842.2	15.1	25,443	17.8	646.4	16.5
Nonprofit	387.4	6.9	16,375*	11.4	336.6	8.6
TOTAL	\$5,591.3	100.0%	143,108.0	100.0%	\$3,923.8	100.0%

Source: Virginia Hodgkinson and Murray Weitzman, *Nonprofit Almanac, 1996–1997*, Independent Sector, Jossey-Bass Publishers, San Francisco, Table 1.4 on p. 40, Table 1.6 on p. 44, and Table 1.7 on p. 45.

* Note: Of the 16.4 million nonprofit employees, 6.0 million are volunteers.

Table 5. Selected Large Tax-Exempt Organizations in North Carolina

Organization and Location

Duke University, Durham
Duke Endowment, Charlotte
Wake Forest University, Winston-Salem
Wake County Hospital System, Raleigh
Forsyth Memorial Hospital, Winston-Salem
N.C. Baptist Hospital, Winston-Salem
Presbyterian Hospital, Charlotte
Smith Richardson Foundation, Greensboro
Moses H. Cone Memorial Hospital, Greensboro
Carolina Medicorp Inc., Winston-Salem

Source: Bill Krueger and Ruth Sheehan, "Non-profit groups proliferate," *The News & Observer*, Raleigh, N.C., January 10, 1996, pp. 1A and 8A.

tor of the national NAACP faced questions over *personal* use of *nonprofit* funds. The group's former executive director, Ben Chavis, agreed to pay more than \$332,000 in NAACP funds to a former employee to settle a personal sexual harassment claim.²⁵

Fourth, the Foundation for New Era Philanthropy falsely promised more than 300 museums, universities, and Christian charities across the country that it would double their money in six months with matching donations from anonymous benefactors. That hoax left hundreds of charities with losses totaling more than \$225 million. The foundation agreed to liquidate its assets in May 1995.²⁶

North Carolina also has had its share of nonprofit scandals:

- The Albemarle Area United Way's director was charged in 1995 with embezzling \$102,000, writing 118 checks for his personal use, and falsifying audits to state regulators in 1995.²⁷
- The N.C. Children's Dreams Come True Foundation raised \$204,731 from 1990 to 1993,

but served only eight children, according to an investigation by *The News & Observer* of Raleigh. The group's founder allegedly pocketed all but \$8,031, and its pending request for tax-exempt status was denied by the IRS.²⁸

- The state considered revoking in 1994 the license of Telecom Telemarketing Services, the fundraiser for the N.C. Police Benevolent Association, based on charges that it lied and used strong-arm tactics to raise more than \$3 million in North Carolina, three-fourths of which didn't go to the police charity.²⁹ Under a court-approved settlement, the firm kept its license but agreed to limit its fundraising activities.³⁰

Most professional solicitors and nonprofits that raise more than \$25,000 are required to get licenses from the Solicitation Licensing Branch in the N.C. Department of Human Resources.³¹ In 1993, these regulators moved to revoke the licenses of 15 fundraising companies working for nonprofits. The agency's 1994 report shows that of the \$26.4 million collected by professional fundraisers, only 40 percent went to charities while 60 percent went to the fundraisers. Some charities got as little as 4 percent of the proceeds.³² Those are some of the bad apples in the nonprofit barrel, and the nonprofit sector should work with government to sort them out.

This is particularly true for deceptive or fraudulent telephone solicitors. Based on interviews with state regulators, *The Chronicle of Philanthropy* says two complaints regularly surface: "Sometimes, solicitors hired by legitimate charities mislead or lie to potential donors about how their money will be used. Other times, solicitors use the names of legitimate charities to raise money without their knowledge, or raise money for charities that exist only on paper, or don't exist at all."³³

2. Dealing With Nonprofits That Have Mixed Public and Private Purposes

In addition to reacting to the bad apples, the public also may be confused about what a nonprofit is. It is doubtful that most people think of the following organizations as nonprofits: the Professional Golfers Association Tour; Major League Baseball Players Association; Mutual of America Life Insurance Co.; the American Bankers Association; the Motion Picture Association of America; or the Newspaper Association of America. Yet all of these groups legally qualify as tax-exempt nonprofits.³⁴

Similarly, in North Carolina the roster of nonprofits includes organizations such as the Atlantic Coast Conference, Old Salem, many trade associations, and more than 100 country clubs. These groups all fall under some tax-exempt section of the federal income tax laws, and many of them also are free from state income and franchise taxes (although not necessarily from local property taxes). *The News & Observer* of Raleigh reports that the ACC collected almost \$21 million in television revenue alone in 1992, and that Carmel Country Club in Charlotte had gross income of \$7.3 million in 1994. As reporters Bill Krueger and Ruth Sheehan put it, "Many of those organizations, though, do not fit most people's image of a nonprofit. They are not schools, churches, or hospitals, nor are they charities that use money to help those in need."³⁵

Ed Lilly, president of Carolina Country Club in Raleigh, defended the club's tax-exempt status to the newspaper, saying, "It's a group of people who enjoy socializing together, playing tennis, playing golf. We're all getting together to pool our resources to do something we enjoy. That's not a profit-making enterprise." By contrast, Pete Rodda, Forsyth County tax assessor argued, "I don't see the humane or philanthropic purposes of a country club. Coun-

try clubs tend to serve a closed membership, a fairly affluent membership. I don't see what's charitable about it."³⁶

Yale Law Professor Henry Hansmann goes so far as to argue that mainline charities should consider advocating changes that remove the tax exemption for what he calls "the commercial independent sector," including most nonprofit hospitals, health maintenance organizations, medical testing labs, nursing homes, health insurance companies, day-care centers, and fitness centers. At a 1988 research forum sponsored by Independent Sector and the United Way Institute, Hansmann argued that it "may be in the interest of the first independent sector—the philanthropic nonprofits—to protect themselves by, as it were, throwing the second independent sector to the wolves. . . . The traditional philanthropies may wish to lobby for the creation of a clear line between these nonprofits that will continue to benefit from special preferences, such as tax exemption, and those that will not, and to place the [commercial] nonprofit sector on the far side of the line. The alternative could be that ultimately preferences will be lost for all nonprofits, including the philanthropic ones."³⁷

That might be going too far. But the public has

Guests enjoy a Thanksgiving meal provided by the Raleigh Salvation Army, one of the many nonprofits that help the needy.



John Rottel, The News & Observer



Nonprofits such as the Open Door Clinic in Raleigh provide health and dental care to people who otherwise could not afford such services.

a legitimate right to question the mix of public purposes vs. the private industry benefit in these groups. These are tough calls, and there's no simple answer. However, nonprofits should earn their tax-exempt status by providing some benefit or service to the public. They also need to be more diligent in explaining nonprofit status when there is a legitimate *public* purpose and tightening up the sector when there's too much *private* purpose.

3. Small Businesses Fear Competition From Nonprofit Sector

There's another car in this already crowded legal intersection, and this car drives down the middle lane between the nonprofit and business sectors. It's a car full of people who look at nonprofits as unfair competition for small businesses. This issue is another one where nonprofits have both sinned and been sinned against. For years, government and the media have urged nonprofits to charge more for their services and to seek clients who could afford to pay for such services. That's why some nonprofits have created side ventures such as insurance, financial services, car rentals, pharmaceutical products, and

credit cards. But many people feel uncomfortable when they see the Arthritis Foundation selling pain-relief medicine in a prime-time TV ad—while touting its nonprofit status. That may be one reason why Congress has been cracking down on the unrelated business income of nonprofits.

At a 1996 meeting in Research Triangle Park, tax assessors from across North Carolina discussed situations where they perceived nonprofits to be competing with for-profit enterprises: "hospitals buying hotels, universities running conference centers, and hospitals operating day care centers."³⁸ In Pennsylvania, the state legislature is considering a bill that would forbid nonprofits from offering goods and services or running a commercial business—if the same goods or services were available from for-profit businesses in the area. This ban could include day care, family counseling, and live theater performances, for example. Another provision would forbid nonprofits from offering goods or services unrelated to the groups' missions and in direct competition with an existing small business in the community.³⁹

At the federal level, Sen. Alan Simpson (R-Wyo.) is going after the nonprofit American As-

sociation of Retired Persons on similar grounds. Simpson says the AARP is abusing its tax-exempt status by competing unfairly with taxable, for-profit businesses. The AARP received about 38 percent of its \$382 million in revenue in 1994 from business programs like insurance fees.⁴⁰ In April 1996, the AARP announced that it will begin licensing its name to health maintenance organizations across the country.⁴¹

4. Critics Attempt To Curb Advocacy and Lobbying By Nonprofits

The last car into this now gridlocked legal intersection among nonprofits, government, and business is perhaps most worrisome — the so-called “thought police.” In a democratic society that protects free speech, it’s disturbing to see a Congressional move to curb advocacy and lobbying activities in the nonprofit sector. Yet Congress has enacted or is considering a number of proposals.

- The U.S. House passed a measure in 1995 called the Istook Amendment (named after U.S. Rep. Ernest Istook, R-Okla.) that would bar any nonprofit that receives federal government money from using more than 5 percent of its budget for advocacy work and public interest litigation—even if the lobbying is done with *private* money, not *federal* money. So far, the U.S. Senate has not agreed with this measure. Current law allows lobbying by nonprofits, with some restrictions. For example, groups with budgets of \$500,000 or less can spend up to 20 percent on lobbying, and that percentage gradually decreases for groups with larger budgets.⁴²
- On the U.S. Senate side, Senators Pete Domenici (R-N.M.) and Sam Nunn (D-Ga.) introduced legislation that would deny nonprofit status to any organization that devotes a substantial part of its budget and activities to educating Congress or the general public about public policy issues, conducting seminars, and other similar programs.⁴³ Under current law, nonpartisan studies, analyses, and research to educate Congress or the general public are not considered lobbying.
- In 1995, Congress actually passed a bill sponsored by Sen.

Simpson that prohibits 501(c)(4) groups from receiving *any* federal grants. Nonprofits with 501(c)(4) status—which include civic leagues, social welfare groups, and local employee associations—formerly could do unlimited lobbying in exchange for not being eligible to receive tax-deductible contributions.⁴⁴

- Finally, another U.S. House proposal would bar nonprofit advocacy groups from receiving funds from the Combined Federal Campaign.⁴⁵ The campaign is a payroll deduction program, similar to the United Way, for federal workers.

Conservatives in the U.S. House are clear about their intent in all this. They call it defunding the left. But many observers—in both parties—feel the Istook Amendment and similar proposals are unconstitutional infringements of free speech. That is, such proposals ask nonprofits to renounce their First Amendment right to free speech in exchange for receiving federal funds. Another way the Istook Amendment infringes on free speech is by attempting to control how nonprofits can use funds they receive from sources outside of government. The bill also indicates a fundamental misunderstanding of the fact that nonprofits have service, social, representational, and advocacy functions. This latest effort to muzzle nonprofits strikes hardest at the people who nonprofits represent—such as the poor, disabled, and elderly. Nonprofits often are in the position of having to bite a hand that feeds them. They may evaluate and criticize the government’s performance, yet also may seek government financial support to deliver services.⁴⁶ The Istook Amendment and similar legislative efforts strike at the heart of the nonprofit

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**'Cause like a winner at the
startin' gate**

The music got it and gone.

It moved from over the tracks

Into the society shacks

It was wonderful and deductible

From the income tax

—“AT THE JAZZ BAND BALL,”

WRITTEN BY D.J. LARocca AND LARRY Shields,

SUNG BY LOUIS ARMSTRONG & BING CROSBY

Table 6. Selected Laws That Govern Nonprofits in North Carolina

Federal Laws:	Accountable to:	Actions and reports required of nonprofits:
Internal Revenue Code	U.S. Internal Revenue Service Service	<p>Submit application to become a tax-exempt organization. For charitable nonprofits, this means completing and filing the long Form 1023, responding to the IRS investigation, and paying a fee. If initial exemption is granted, the nonprofit must prove after five years that it has attained a defined level of general public support in order to be granted exemption past this five-year "advanced ruling period."</p> <p>File form 990 (or 990PF for private foundations) each year with extensive reporting of all revenue sources and amounts, expenditures, and activities. Must pass "public support test" as part of 990 form.</p> <p>Obtain Federal Employer ID number. File regular Federal Tax Deposits. (Required reporting schedule varies by size of payroll.) Also must file the Employer's Quarterly Federal Tax Return and collect a W-4 Form for each employee.</p> <p>Provide receipts, notices of items of value given to donors, and other required communications to donors.</p>
Social Security Act	U.S. Social Security Administration	Complete W-2 and W-3 Forms for Social Security's annual reconciliation
Immigration Reform and Control Act	U.S. Immigration and Naturalization Service	Complete and maintain an I-9 Form for each employee.
Other employment-related laws/acts: Age Discrimination Act, Americans with Disabilities Act, Fair Labor Standards Act, Family and Medical Leave Act, Pregnancy Discrimination Act, Title VII of Civil Rights Act of 1964	U.S. Department of Labor, Equal Employment Opportunity Commission, and others	Comply with these and other employment-related laws.
N.C. Nonprofit Corporation Act (N.C. General Statutes, Chapter 55A)	N.C. Secretary of State	File articles of incorporation, bylaws, application to be a nonprofit corporation; pay fee; establish registered agent. Comply with laws on articles, bylaws, boards, members, records, directors' and officers' liability.
N.C. Charitable Solicitations Act (NCGS Chapter 131F)	N.C. Department of Human Resources, Solicitation Licensing Branch	File the initial and annual Application for License for Charitable Solicitation, and pay an annual fee. This is required for any nonprofit raising \$25,000 or more, or using the services of a professional solicitor.

Table 6, continued

State Laws:	Accountable to:	Actions and reports required of nonprofits:
N.C. Occupational Safety and Health Act (NCGS 95-126, -160.5)	N.C. Department of Labor	Post information in the workplace. Comply with all provisions of the law.
Unemployment Compensation (NCGS Chapter 96)	N.C. Employment Security Commission	Post information in the workplace. A 501(c)(3) nonprofit owes this tax when it has at least 4 full- or part-time employees during 20 weeks in one calendar year. Must apply for Unemployment Tax Number and then file Employer's Quarterly Tax and Wage Report.
Wage Protection Act (NCGS 95-25.13, -25.7, -25.10, -28.8)	N.C. Department of Labor, Wage and Hour Division	Comply with state laws governing pay-days, sick and annual leave, and deductions from wages.
Income Taxes Withheld	N.C. Department of Revenue	Obtain State Withholding Identification number. File monthly State Withholding Report and the Employer's Annual Reconciliation Report.
Sales and Use Tax	N.C. Department of Revenue, Sales and Use Tax Unit	Submit quarterly report of sales taxes collected with payment enclosed. File semi-annual report of all eligible taxes paid, with refund request.
State Franchise and Income Tax (NCGS 105-125, -130-11[3])	N.C. Department of Revenue	Apply for exemption from state income and franchise taxes.
Raffles (NCGS 14-309.15)	N.C. Attorney General's Office	Comply with all provisions of the raffle-related laws for nonprofits.
Worker's Compensation (NCGS Chapter 97)	N.C. Industrial Commission	Provide worker's compensation coverage if have three or more employees.
Accountability for Expenditure of State Funds	N.C. Department of the State Auditor; state agency issuing the grant or contract	Provide full accounting to relevant state agency; arrange for and pay for special additional audit requirements for nonprofits receiving \$100,000 or more in state funds or federal funds passed through the state.

Other state laws with which nonprofit employers must comply: Blacklisting (NCGS 14-355), Communicable Disease Law (130A-143, -148), Drug Testing (95-230 to 232), Handicapped Protection (168A-1 to 12), Medical Examinations (14-357.1), Retaliatory Employment Discrimination (95-240 to 244), Separate Facilities (95-48 to 53), Sickle Cell Trait (95-28.1), Use of Lawful Products (95-28.2).

County and Municipal

Government Laws:	Accountable to:	Actions and reports required of nonprofits:
Local Ordinances	County, City, or Town	Comply with laws.
Property Taxes	County Tax Assessor	File annual business property statement. Can apply for local property tax exemption.

Source: N.C. Center for Nonprofits, Raleigh, N.C., (919) 571-0811

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sector's most important asset—its independence.

Congressional efforts to gag nonprofit advocacy have not gone unnoticed by state lawmakers. The Illinois legislature, for example, in 1996 briefly considered new restrictions on the kinds of lobbying that can be done by charities that receive state aid. The proposal was similar to the Istook Amendment under consideration in Congress.⁴⁷

II. Opportunities for the Nonprofit Sector in North Carolina

Thus, the winds of change are carrying proposals for budget cuts, efforts to tax nonprofits, news of scandals, curbs on advocacy, and mixed messages about whether charging fees for goods and services is a good way to generate revenue or amounts to unfair competition to businesses. These trends are viewed as crises by most nonprofits. But perhaps they should consider the Chinese word for crisis, which conveys the concept of opportunity as well as danger. There are at least

seven opportunities that nonprofits can catch in their sails.

A. *Nonprofits Must Increase Their Awareness of Being in a Sector*

The first opportunity for nonprofits is exemplified by the presence of more than 600 people at an October 1996 conference of the N.C. Center for Nonprofits, its 30th statewide event since it began providing services in 1992. The center, created with grassroots input from more than 2,000 nonprofit leaders in all of North Carolina's 100 counties, is one of 30 state and regional groups across the country that make up the National Council of Nonprofit Associations.

For the first time, nonprofits are recognizing that they *are a sector* like the government or the business community. Nonprofits no longer think of their peers solely as other day-care centers, hospices, United Ways, and Salvation Armies. Their peers are all other nonprofits. This strength in numbers gives nonprofits a voice in all of the

Table 7. Top 10 Nonprofit Recipients of State Funds in FY 1994

Name of Nonprofit	State Funding in FY 1994
1. Microelectronics Center of N.C.	\$21,296,000
2. N.C. Rural Economic Development Center	9,045,000
3. N.C. Biotechnology Center	9,014,396
4. Bowman Gray School of Medicine	7,713,036
5. Duke University	5,582,967
6. Mountain Area Health Education Foundation, Inc.	3,655,169
7. Campbell University	3,389,230
8. College Foundation, Inc.	3,225,394
9. Eastern Area Health Education Center, Inc.	2,856,696
10. United Day Care Services	2,802,871
Total for Top 10 Recipients	\$68,580,759
Total for ALL state money going to nonprofits	\$82,300,000
[Total for top 10 equals 83.3 percent of all state money going to nonprofits.]	

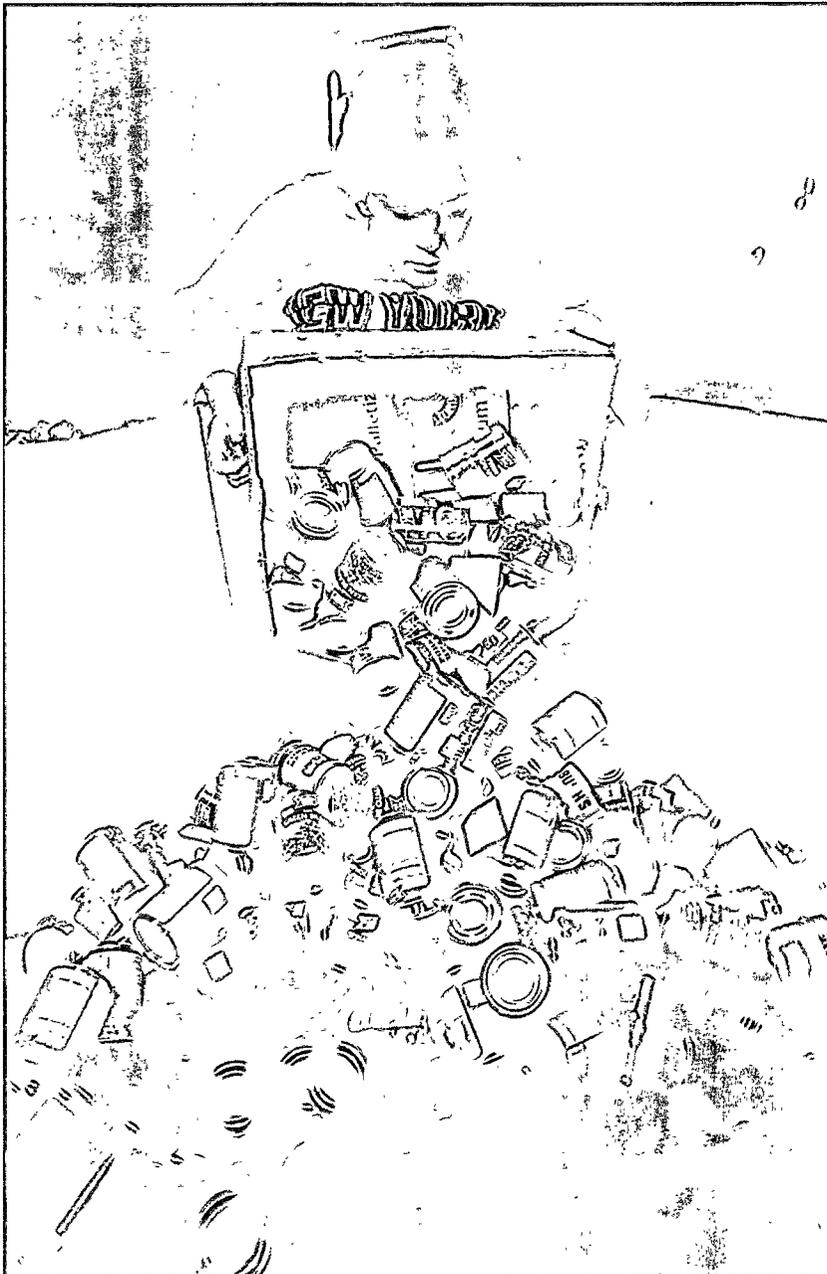
Source: Memorandum from Richard Bostic, a senior fiscal analyst for the General Assembly's Fiscal Research Division, to the N.C. House Select Committee on Nonprofits, March 7, 1996.

state's counties, with every legislator and every county commissioner. It gives them the power to ask for nonprofit representatives on state and local boards and commissions in the same way that the business sector is represented. The nonprofit community owes a great debt to the N.C. Center for Nonprofits for helping build that sector awareness. Other key factors in developing that awareness are the presence of a statewide newspaper about nonprofits, the *Philanthropy Journal of North Carolina*, and efforts to sponsor sector-wide gatherings and seminars by several foundations—notably the

Z. Smith Reynolds, Mary Reynolds Babcock, A. J. Fletcher, and Glaxo Wellcome foundations.

B. A Governor Who Has Taken the Lead Nationally in Working With Nonprofits

The second opportunity is in building on the initiatives of Gov. James B. Hunt. Regardless of one's politics, Governor Hunt should be credited for his leadership in recognizing and working with the nonprofit sector. For example, Hunt was the nation's first governor to call a summit with the



Janice Bowles empties a box of canned food collected by the Food Bank of North Carolina, a Raleigh-based nonprofit that distributes food to the needy.

State Funding for Most Nonprofits Small, Unpredictable

THE STATE PAID more than \$82 million in grants to nonprofits—known as 501(c)(3) groups in the tax code—in fiscal year 1994, according to data prepared by the State Auditor for the N.C. House Select Committee on Nonprofits in March 1996.¹ That *sounds* like a lot of state money going to nonprofits. But is it?

Upon closer examination, the Auditor's report has several weaknesses. First, the data include *federal* funds that pass through *state* coffers on the way to such nonprofits as private colleges or the fundraising arms of various Area Health Education Centers (AHEC). Second, the Auditor's study is about "private organizations" receiving state funds—thus it lumps nonprofits in with private businesses such as for-profit day-care centers and even some out-of-state companies, such as Oregon's Freightliner Corp. Finally, just 10 groups accounted for more than 83 percent of the total state funding for nonprofits in FY 1994. (See Table 7 on p. 84.) Of these top groups, at least two are state-created nonprofits, the Microelectronics Center of N.C. and the N.C. Biotechnology Center; two are private universities, Duke and Campbell; and another two are the fundraising foundations associated with AHECs.

A distinction also must be made between nonprofits that receive government funding as grants, with few strings attached, and those that receive money for services they provide on a contract basis with the state. For example, the Pub-

lic School Forum of North Carolina received \$420,000 from the state for FY 1997, but all of that money was earmarked for the "Teaching Fellows Commission" that the Raleigh-based group administers for the state. "This is one of the largest teacher scholarship programs in the nation," says the forum's executive director, John Dornan. The forum uses the state money to screen applicants, evaluate campus programs, conduct training and leadership conferences, and administer paperwork for the teaching program.

For most nonprofits, the amount of state funding is small and unpredictable. This is partly because they usually are not automatically included in the Base Budget the way state agencies are. Nonprofits typically receive their funds in the annual budget bill passed by the legislature, so they don't know what to expect in state funding from year to year. Depending on when a nonprofit's fiscal year begins, this can make budget planning a real guessing game. For example, the Center for Community Self-Help in Durham saw its state funding increase from \$2.5 million in FY 1994 to \$5 million in FY 1995, then decrease to \$1 million in FY 1996, and increase again to \$3 million in FY 1997. (See Table 8 on p. 87.)

Changes in the party control and power structure of the N.C. General Assembly that resulted from the 1994 elections have further complicated matters for nonprofits. Thus, com-

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nonprofit sector, held just six days after his inauguration in January 1993.⁴⁸ After that summit with 300 nonprofit leaders, Hunt appointed liaisons with the nonprofit sector in all nine departments under the governor's control and named nonprofit leaders to some state boards and commissions. In addition, Hunt's former legal counsel, Brad Wilson, briefed nonprofits on the governor's legislative package prior to the 1995 session of the General Assembly and asked for their input.

Finally, Hunt has moved to establish significant partnerships between government and nonprofits in at least four areas. These include the child-care initiative called Smart Start, the flagship program of the Hunt administration; Support Our Students, a crime prevention and school safety program; the Rural Initiative, an economic development effort in rural counties; and the state Information Highway, an effort to establish a statewide computer network.

**Table 8. Selected Nonprofits Receiving State Funds,
FY 1992 to FY 1997 (Thousands of Dollars)**

Name of Nonprofit	Fiscal Year					
	1992	1993	1994	1995	1996	1997
Center for Community Self-Help	0	\$2,000	\$2,500	\$5,000	\$1,000	\$3,000
Legal Services of N.C.	\$1,000	\$1,000	\$1,250	\$1,250	\$1,000	\$1,000
Summit House	\$165	\$250	\$550	\$900	\$903.5	\$1,103.8
Land Loss Prevention Project (2 sources)	\$300	\$300	\$300	\$300	\$275	\$275
N.C. Child Advocacy Institute	0	0	0	0	0	\$250
Autism Society of N.C.	\$745.0	\$745.0	\$745.0	\$1,109.0	\$1,109.0	\$1,269.0
N.C. Assn. of Community Development Corps.		\$150	\$200	\$200	\$150	\$150
N.C. Community Development Initiative	didn't exist	didn't exist	\$2,000	\$2,000	\$1,800	\$1,800
Coalition of Farm & Rural Families	\$250	\$250	\$250	\$250	\$245	\$145
UPLIFT					\$300	\$100
Alzheimers Association				\$100	\$100	\$100
Communities in Schools of N.C.	0	0	\$200	\$200	\$200	\$700
N.C. Legal Education Assistance Foundation	0	0	\$25	\$25	\$50	\$50
N.C. Equity	0	\$65	0		0	0
Albemarle Dispute Settlement Center					0	\$32.0
Cabarrus County Dispute Settlement Center					0	\$25
Polk Dispute Settlement Center					\$3.9	\$23.9

Sources: Richard Bostic, N.C. General Assembly, Fiscal Research Division, memorandum to the House Select Committee on Nonprofits, March 7, 1996. Also, Institute of Government, University of North Carolina at Chapel Hill, *Daily Bulletin*, editions from 1992 to 1996; and the author's telephone interviews with selected nonprofits.

Note: Table includes *direct* legislative appropriations to nonprofit groups. It does not include state money paid to groups through contracts with state agencies in the *executive* branch.

Many nonprofits say they do not feel like equal partners in these programs. For example, nonprofits in the criminal justice area felt left out of Hunt's initiatives for the special session on crime in February and March of 1994 because the governor ignored alternative punishments in favor of a prison-oriented approach. Still, nonprofits should give the Governor credit where it's due while continuing to push to make their voices heard. But the Governor should involve nonprofit leaders in the same way he does

business leaders in seeking advice and developing programs, and he also should activate, train, and support the nonprofit liaisons in the departments under his control.

Some states now are rivaling North Carolina in their efforts to recognize and work with nonprofits. For example, Gov. George Voinovich of Ohio asked nonprofits for advice on how the state should administer and distribute new federal block grants. Jennifer Baxendell, the governor's special assistant,

State Funding, continued from p. 86

paring the year-to-year funding that nonprofits receive from the state can be like walking through the fun-house at the State Fair—up one minute, down the next, and then sideways to another chamber. The fortunes of some nonprofits rise while others fall.

Some nonprofits gained ground in the most recent state budget bill for FY 1997.² For example, Communities in Schools of North Carolina received \$700,000 in the new budget bill, up from \$200,000 in FY 1996. The N.C. Child Advocacy Institute received its first legislative appropriation ever, a one-time grant of \$250,000, in the FY 1997 budget bill—although the group previously has received state money through contracts with state agencies in the executive branch. Governor Jim Hunt's child-care initiative called Smart Start, inaugurated during his third term as governor (1993-97), received an additional \$10 million for *the last half of FY 1997*—much of which will go to local nonprofit child-care agencies. With these additions, Smart Start's annualized budget will total \$75.1 million and the program will fund agencies in 43 counties.³ Similarly, the governor's Support Our Students (SOS) after-school program received an additional \$1 million for FY 1997, most of which will go to local nonprofits.

Other nonprofits weren't so fortunate. Some groups took steep dives on the funding roller coaster in the state legislature's new era of split-party control, with Republicans holding a 68-52 majority in the House and Democrats holding a 26-24 majority in the Senate. A non-

profit with one of the largest declines in state funding was Legal Services of North Carolina, which had received funds through an appropriation to the N.C. State Bar. Legal Services got \$1 million from the state in both the 1996 and 1997 fiscal years, after receiving \$1.25 million in FY 1995. That cut was in addition to a \$2.5-million cut in federal funding, after the U.S. Congress reduced its support for the national Legal Services Corporation from \$410 million in 1995 to \$278 million in 1996. Similarly, UPLIFT—the forerunner of Smart Start and formerly directed by Robin Britt, Hunt's Secretary of Human Resources—saw its state support plunge from \$300,000 to \$100,000 over the same period. For nonprofits that seek state funding, it's good to remember Newton's law of physics: "What goes up, must come down."

—Ran Coble

FOOTNOTES

¹ The Office of the State Auditor released its 141-page "Report on Private Organizations Receiving State Funds," for the Fiscal Years Ended June 10, 1992 through 1994, on September 18, 1995. The legislature's Fiscal Research Division analyzed these raw data for the House Select Committee on Nonprofits in a memorandum from Richard Bostic dated March 7, 1996. Fiscal Research found that 946 organizations with 501(c)(3) nonprofit status received a total of \$82.3 million in state funds in FY 1993-94.

² Chapter 18 (House Bill 53) of the 1996 Session Laws (Second Extra Session 1996).

³ Personal communication with Bobby Woodard of the Governor's Office of State Budget and Management.

met twice monthly with a coalition of charities, including the Ohio Association of Nonprofit Organizations, United Way, Hunger Task Force, and Family Service Council. "They've been a wonderful resource, especially for bringing potential areas of concern to our attention," Baxendell says.⁴⁹

Some cities as well have taken initiatives to help nonprofits, by increasing the number of people served and helping organizations cut their costs. For example, New York City leaders have created a

Citywide Central Insurance Program (CCIP) to address the needs of more than 2,000 nonprofit vendors and their 62,000 employees. CCIP provides insurance coverage for almost 600 day care centers, 600 youth agency programs, and home health agencies that serve more than 32,000 homebound clients. Liability costs have been cut in half, despite an increase in the number of covered employees. A 1993 study by a private consultant concluded that New York City saves \$9.5 million a year by utilizing

CCIP and "frees nonprofit providers to focus on the mission, not the money."⁵⁰

C. Legislature Enacts Measures to Increase Charitable Giving and Cut Red Tape

A third opportunity for nonprofits arises from the work of a legislative study commission created by the 1995 General Assembly to study "the facilitation of greater cooperation between the public and nonprofit sectors and the fostering of growth of the nonprofit sector, including but not limited to, a review of government funding of nonprofits through State agencies, allowing local governments to take measures to encourage philanthropy within their communities and the feasibility of privatization of services and programs through nonprofit organizations."⁵¹ The House Select Committee on Nonprofits was comprised of six legislators and four public representatives appointed by the Speaker of the House.

Nonprofits initially feared that this panel would become a state-level proponent for an Istook-like Amendment, or a vehicle for cutting off state funds for nonprofits. (See related article, "State Funding for Most Nonprofits Small, Unpredictable," on pp. 86-88.) Instead, the study committee recommended measures that again put North Carolina among the national leaders in relations between nonprofits and state government. In response to proposals by the N.C. Center for Nonprofits and the leadership of Chairman Ed McMahan (R-Mecklenburg), the committee's recommendations⁵² were incorporated into three bills enacted by the General Assembly in 1996.

House Bill 18 hopes to increase charitable giving in North Carolina by creating a 2.75-percent income tax credit for charitable contributions by residents who do not itemize on their federal tax returns.⁵³ To encourage giving and remain affordable for the state, the bill offers the tax credit only to those who contribute more than 2 percent of their taxable income—the average amount currently contributed by North Carolinians. The legislative staff estimated this would cost the state \$5 million a year in foregone tax revenue. But this represents an investment by the state because it is likely to generate an estimated \$180 million in contributions to nonprofits from non-itemizers, according to the N.C. Center for Nonprofits. The credit, although modest, would give nonprofits a new tool to encourage giving, and it would affect the greatest number of potential donors because most taxpayers (71 percent) are non-itemizers.

Senate Bill 6 eliminates the sales and use tax for merchandise donated to charitable nonprofits by businesses. This creates an incentive for businesses to donate goods to nonprofits.⁵⁴

House Bill 1166 cuts government red tape for nonprofits by eliminating the need to submit the same information twice when applying for a license to raise funds under the state's Charitable Solicitations Act.⁵⁵ The bill also modifies the reporting requirements for nonprofits receiving state grants. This should reduce paperwork and expenses for nonprofits and state government while maintaining or expanding accountability for nonprofits.⁵⁶

With the passage of these three bills, North Carolina nonprofits have new ways to encourage charitable giving in the state while easing their regulatory burden. "We're trying to encourage greater citizen support for nonprofits by creating incentives for giving of both more money and time," said McMahan, chairman of the study commission on nonprofits and principal sponsor of the bills.⁵⁷ The passage of these bills demonstrates the political clout of the state's nonprofit sector.

The legislature also considered, but did not pass, legislation that would have increased the state income-tax deduction for businesses' charitable contributions from 5 percent of their taxable incomes to match the federal limit of 10 percent. It also would have adopted a federal provision allowing businesses to carry forward to future years any contributions that exceed the 10-percent federal limit. This bill not only would have made the state's tax law consistent with federal law, but it would have helped small businesses because they often contribute higher percentages of their incomes than do large companies.⁵⁸

D. New Technology Provides Opportunities for Nonprofits

A fourth opportunity for nonprofits arises from the potential of new technology. Nonprofits now have unprecedented ways for communicating and obtaining information through electronic mail, fax machines, and computer networks such as the Internet, HandsNet, NCexChange, Nando.net, Charlotte's Web, and the state's Information Highway. It always has been difficult for nonprofits to communicate with each other and gain equal access to information about government. New computer networks give nonprofits a relatively inexpensive way to surmount those barriers.

The Internet began in 1969 as a project to link computers for purposes of federal defense research.

When restrictions on joining the Internet were relaxed in 1990, use of the Internet by the general public mushroomed. Now, more than 20 million computer users are connected in this network of networks. Of particular interest to nonprofits are the following:

- **Commercial Networks:** Commercial networks such as CompuServe and America Online offer electronic mail, access to forums, and software for a fee. HandsNet is a nonprofit network specifically aimed at nonprofit groups. It delivers news, legislative analyses, research summaries, funding notices, and other information to more than 5,000 advocacy and human service organizations in the United States. It also has a free World-Wide Web site with updates on legislative issues and advocacy efforts.
- **Community Networks:** Community networks provide free access to electronic mail and information resources in certain geographic areas. For example, Charlotte's Web connects users through the public library system in Charlotte and Mecklenburg County.
- **Electronic Databases:** Electronic databases offer information for a fee, and users simply download the information. Unlike the networks, there is no communication between users. For example, Lexis/Nexis offers access to a database for statutes, court opinions, and other legal research.

- **Electronic Bulletin Boards:** Just like standard cork bulletin boards in offices and schools, electronic bulletin boards provide news, information, and support, and discussions on an array of topics.⁵⁹

The N.C. Center for Public Policy Research recently set up its own home page within Nando.net. This is a good example of how technology can benefit nonprofits. Citizens who wonder whether the Center has done any research on a particular topic can now find out by accessing the home page. There they can find news summaries of the Center's latest studies—such as its legislative effectiveness rankings, evaluation of state pesticide programs, or study of issues affecting the health of minorities. If they want to order a publication, that's possible too. Plus, soon they will be able to find an index to every article, report, or magazine the Center has ever published. Center staff are using the new technology in other ways as well. They can check the Nando.net's *Insider* to get a daily schedule of actions by the N.C. General Assembly. And, the staff might want to click on to the N.C. Department of Labor and see what its home page is showing. The staff can send and receive messages to and from other citizens or nonprofits. It's faster than the mail and less expensive than a telephone call.

Such developments open up new vistas for nonprofits around the world. The nonprofit sector is service-oriented and labor-intensive. Thus, technology that can save time holds particular promise

The American Red Cross is one of the many nonprofits that provide health-related services, such as this blood drive in Chapel Hill.



Jim Bounds, The News & Observer

for the "people sector." Consider these examples:

- At least 86 foundations now have World-Wide Web sites that include information on their grant-making guidelines, annual reports, accomplishments, and their funding interests.⁶⁰ The Council on Foundations, an association of more than 1,300 foundations, also has a site. Information on corporate givers is now available as well, including proxy statements and profiles of executives.⁶¹
- Charity watchdog groups such as the National Charities Information Bureau and the Council of Better Business Bureau's Philanthropic Advisory Service provide information on nonprofits to help donors make informed choices about their gifts.⁶²
- Networks are being used to survey computer users about their giving and volunteering, which could lead to new linkages with donors or volunteers. For example, some 1,000 respondents completed an electronic survey on the World-Wide Web in 1995, with more than 75 percent saying they would volunteer more often if they could find information about how to do so online. More than 40 percent said they would attend charity events if they could register and get information about them on line.⁶³

E. Research Capacity Rising in the Nonprofit Sector

A fifth opportunity for nonprofits is the development of research capacity within the sector. In North Carolina alone, at least six colleges and universities—including UNC-Chapel Hill, Duke, UNC-Greensboro, UNC-Charlotte, Meredith College, and Salem College—have established programs on nonprofit management, administration, or leadership. Nationally, there are about 75 graduate-level academic programs that focus on nonprofits and at least 40 undergraduate programs.⁶⁴

It may take a while for universities to conduct research that is useful for nonprofits. But if nonprofits communicate their needs and interests clearly, and if academic institutions listen, it will come. An initial step in that direction has recently been taken by the N.C. Center for Nonprofits and School of Social Work at UNC-Chapel Hill. In 1995, the two groups launched a joint project to identify the information and research needs of nonprofits for their work in advocacy and accountability. The results, expected in early 1997, could cre-

ate the basis for a research agenda for the state's nonprofit sector.

More research clearly is needed on the size and scope of the nonprofit sector in North Carolina and other states. Current information derived from federal tax data often is incomplete or inaccurate. Directors of nonprofits also need state-level research comparing salaries and positions by types of nonprofits—a task that the N.C. Center for Nonprofits is tackling with the first sector-wide study of compensation and benefits among 501(c)(3) groups in the state. (The study is scheduled for completion by the end of 1996.) Nonprofits within a field in the sector—such as all United Ways, hospices, or arts councils—might welcome data comparing their service levels or spending patterns. Or, research on the effectiveness of nonprofit boards of directors might be welcomed.⁶⁵

Such opportunities might be wasted, however, if universities involved in nonprofit management or leadership courses assume they know how nonprofits work—without hiring faculty experienced in the nonprofit world. Many faculty equate the nonprofit sector with the business or government sectors (thus housing their nonprofit programs within business schools or public administration programs) while failing to recognize the differences. Some academics also assume—without thoroughly analyzing the situation—that nonprofits generally are poorly managed, inefficient, or too numerous.

Overall, universities need to think carefully about what they can do well in this field. They are most likely to make a contribution by: (a) conducting research on the nonprofit sector's size, scope, and other issues identified with input from nonprofits; (b) offering free or low-cost technical assistance in continuing-education courses such as evaluation, financial management, strategic planning, legal compliance, or computer literacy; and (c) developing useful courses for students who want to enter the nonprofit field.

Many universities, particularly those that do not use faculty who are experienced in the nonprofit sector, are less qualified to: (a) run nonprofit leadership programs; (b) conduct certification programs in nonprofit management; and (c) advise nonprofits on management issues, such as fundraising or dealing with boards of directors and the media. Faculty without substantial, up-to-date experience in the sector are unlikely to offer much help to nonprofits. Nonprofits also may resent it if universities start competing with them for scarce foundation grants or corporate gifts while saying they're trying to help nonprofits. Nevertheless, there are opportunities for



Volunteers with Habitat for Humanity, a nonprofit that provides shelter for the needy, help construct a home in Durham.

research, educational programs, and other types of collaboration that could benefit the nonprofit sector.

F. New Sources of Money for Nonprofits

A sixth opportunity for nonprofits is perhaps a surprising one—new sources of money. The first source that's developing is workplace giving, through new programs comparable to United Way campaigns. United Ways have long held a monopoly on workplace giving in North Carolina. But, if they're smart, they will increase donor choices and widen the circle of nonprofits eligible for their funds.⁶⁶ Studies at Yale University and elsewhere show that United Way giving doesn't drop with more donor choices; instead, the total pie of donated money gets larger.⁶⁷

If United Way doesn't increase donor choices, there are alternative workplace-giving campaigns that are growing in North Carolina. These alternatives include at least 10 united arts campaigns in places like Charlotte, Raleigh, and Winston-Salem. Other alternatives include the Environmental Federation of North Carolina, representing environmental groups; N.C. Community Shares, representing social-change nonprofits; and the Combined Health

Appeal, representing the March of Dimes and other health nonprofits that are not affiliated with the United Way. In addition, the State Employees Combined Campaign (SECC) is now open to alternative federations.

A second new source of money is alternative public foundations, such as the Atlanta-based Fund for Southern Communities, which supports causes in North Carolina and other southern states. Most alternative foundations have been established by children of wealthy donors. These wealthy young people either resist traditional giving patterns or feel there is too little community involvement in giving decisions. As a result, they usually invite community participation on their governing boards, as well as donor involvement in grantmaking and policy matters. For example, the Haymarket People's Fund finances grassroots and social-change groups in New England. It has given to AIDS projects, environmental causes, civil rights groups, and prison reform efforts—issues that it thought traditional foundations were neglecting.⁶⁸ Community foundations, such as the Foundation For The Carolinas in Charlotte and the Community Foundation of Western North Carolina in Asheville, also invite community involvement on their boards.

A third new source of money is just starting to occur—the largest generational transfer of wealth in the nation's history. According to a 1993 study by two economics professors at Cornell University, this unprecedented transfer of wealth began in 1990 and will continue for 50 years. Most of the money will change hands from the years 2000 to 2035.⁶⁹ By the year 2040, more than \$10 trillion will have passed from the hands of elderly Americans to their children and grandchildren.

Some of this new wealth will lead to *new* foundations. In North Carolina, the number of foundations grew from 589 in 1983, to 749 in 1991, and 865 in 1994.⁷⁰ Some examples of new funds include the Cemala Foundation and the Joseph M. Bryan Foundation, both in Greensboro, and the Harris Foundation in Charlotte. This transfer of wealth also should increase the assets of *existing* foundations. This trend should be magnified by the migration of retirees to the Sunbelt states. North Carolina is now the fifth most popular retirement state in the country, according to Wake Forest University professor Charles Longino. Thus, the state's 19 community foundations should benefit from this new source of wealth moving into many Tar Heel communities—particularly the Sandhills, the mountains, and the coast.

Individual donors also present opportunities for nonprofits. Consider the inspirational story of Osceola McCarty, an 87-year-old Mississippi woman. McCarty donated her entire life savings—\$150,000—that she earned from washing wealthier people's clothes. She gave the money to fund scholarships for African-American students at the University of Southern Mississippi.⁷¹

Some observers, however, are less optimistic about the nonprofit sector's potential to find new sources of funding. For example, Steven Rathgeb Smith, a professor of public affairs at the University of Washington in Seattle, says that offering more choices in work-place giving programs "often simply redistributes money among local agencies" rather than substantially increasing the total contributions to nonprofits. "Nationwide, charitable giving is rising very slowly despite aggressive fundraising campaigns," Smith says. "In some policy areas such as human services, charitable donations have actually declined in real terms."

G. Nonprofits Have an Opportunity to Build Public Trust in the Sector

A final opportunity for nonprofits is the challenge to solidify and build the public's trust in the

sector. Despite recent scandals at the United Way, NAACP, the New Era Foundation, and other groups, the public's trust and belief in nonprofits is amazingly high. Compared to the government and business sectors, the nonprofit community has a deep reservoir of trust with the public.

In 1995, some of the first polls ever about public attitudes toward nonprofits in North Carolina were done by two groups: the Carolina Poll at UNC-Chapel Hill's School of Journalism on behalf of the N.C. Center for Nonprofits, and a survey by FGI of Chapel Hill for the *Philanthropy Journal of North Carolina*. These polls show strong public support for nonprofits in the state.

A key indicator of this support is shown by answers to the following question in the Carolina Poll: "On the whole, how confident are you that donations made to most charitable, not-for-profit organizations are put to proper use? Would you say you are very confident, somewhat confident, not particularly confident, or not confident at all?" More than half of the respondents expressed confidence in the nonprofit sector, with 11.3 percent answering "very confident" and 44.6 percent "somewhat confident." It's also worth noting that more than a third had little confidence in nonprofits—28.9 percent answered "not particularly confident" and 9.7 percent "not confident at all"—so nonprofits can't afford to rest on their laurels.⁷² Public trust is a fragile flower that nonprofits must water every day by showing the public purpose and benefits from their work.

The poll also asked, "How important a role do you think private, not-for-profit organizations play in making our communities better places to live?" Most respondents answered either "very important" (50.5 percent) or "somewhat important" (36.5 percent).⁷³ Any governor or corporate executive would love to have approval ratings like that.

In addition to such favorable attitudes, North Carolinians also *give more dollars* and *volunteer more time* than the national average. In the Carolina Poll, 79 percent of the respondents said they had made a voluntary contribution of money, property or other items to a private, not-for-profit organization in the previous 12 months. This is higher than the national giving rate of 73 percent. In addition, 53 percent of the Carolina Poll respondents said they had volunteered in the last 12 months. Nationally, 48 percent had volunteered, according to a Gallup Poll commissioned by Independent Sector in October 1994. Both polls found that those who volunteered also were more likely to give.⁷⁴

These poll responses are backed up by an analy-

sis of federal tax returns from all 50 states by *The Chronicle of Philanthropy*. The *Chronicle's* data show that from 1991 to 1992, North Carolinians increased their: charitable deductions by 7.6 percent (compared to the national average of 5.5 percent); contributions per capita by 6.3 percent (compared to 4.3 percent nationally); contributions per itemized return by 6.7 percent (compared to 5.7 percent nationally); and contributions per charitable return by 6.3 percent (compared to 5.4 percent nationally). Perhaps most importantly, Tar Heels' per capita contribution as a percentage of their 1995 per capita income was the ninth highest among the states.⁷⁵

Prospects for the future, however, are less clear. For example, when the Carolina Poll asked, "Do you plan to give more, less, or about the same to private, not-for-profit organizations in 1995 as you did in 1994?" 69 percent of the respondents said "about the same" and only 18 percent said "more." In response to a similar question in the *Philanthropy Journal of North Carolina* poll, 59.7 percent of those

surveyed said their 1995 giving was likely to "remain the same."⁷⁶

More important for the long term is a downward trend in giving and volunteering nationally. Household giving declined 10 percent in current dollars, from \$978 in 1989 to \$880 in 1993. Volunteering was down from 54 percent in 1989 to 48 percent in 1993.⁷⁷ The main reason for that decline appears to be people's increasing concern about the economy. A survey by Independent Sector found that the portion of respondents who said they did not worry about having enough money in the future fell steadily from 40 percent in 1988 to 26 percent in 1994.⁷⁸

On the flip side of those trends, Americans also express confidence in many types of charitable institutions. Various types of nonprofits trail only small businesses and the military in surveys gauging the public's level of confidence in various types of institutions. The public has more confidence in such nonprofits than in the news media, organized

The N.C. Center for Nonprofits has sponsored a number of seminars, such as this one on Nonprofit Telecommunications at a statewide conference for nonprofits in October 1995. Shown here (L to R) are Steve Snow of Charlotte's Web, Terry Grunwald of NCexChange, and Polly Guthrie of the Triangle Community Foundation.



Rob Amberg

labor, major corporations, Congress, and local, state, and federal governments.⁷⁹

In Greek mythology, Aeolus was the god of the Winds. In the *Odyssey*, he aided Odysseus in his homeward voyage by placing unfavorable winds into a leather bag. Aeolus entrusted the bag to Odysseus' keeping, with a warning not to open it. But Odysseus' crew thought he was hiding treasure for himself in the bag. They opened it, and their ship was blown back to its starting point. Like Odysseus, nonprofits are unlikely to sail only under favorable winds. However, if nonprofits take advantage of these opportunities, they are much more likely to retain and build the public's trust, increase charitable giving and volunteering, and fulfill the public purposes of their missions. □ ◡ □

FOOTNOTES

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⁵¹ Chapter 542 (HB 898) of the 1995 Session Laws, Section 3.2(b).

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⁵³ Chapter 13 (House Bill 18) of the 1996 Session Laws (Second Extra Session), Section 7.1.

⁵⁴ Chapter 14 (Senate Bill 6) of the 1996 Session Laws (Second Extra Session), Section 15.

⁵⁵ Chapter 748 (House Bill 1166) of the 1995 Session Laws (1996 Short Session), Sections 1.1-1.3.

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⁷⁴ "North Carolinians Value Nonprofits ... but they're not as confident about us as we'd like," N.C. Center for Nonprofits, *Common Ground*, Vol. IV, No. 3 (May/June 1995), pp. 1 and 7.

⁷⁵ Elizabeth Greene, "To Find The State of Philanthropy, Try Utah," *The Chronicle of Philanthropy*, July 26, 1994, pp. 10-11. Note that this analysis is based on data from federal tax returns on which people itemized their deductions. It does not take into account gifts made by taxpayers who do not itemize their deductions—mostly people with relatively lower incomes and those who do not own homes. It is this group of non-itemizers that the North Carolina legislature is trying to target to give incentives for increasing their charitable giving.

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⁷⁷ "Why Are Americans Giving and Volunteering Less?," *Nonprofit World*, Vol. 13, No. 2 (March/April 1995), p. 62.

⁷⁸ *Ibid.*

⁷⁹ Table on "Levels of Confidence in Institutions," *The Chronicle of Philanthropy*, Oct. 18, 1994, p. 12. Small businesses led the list with 52.9 percent expressing either "a great deal" or "quite a lot" of confidence, followed by religious organizations (which are nonprofits) at 49.6 percent, and the military at 48.6 percent. Other categories that are predominantly nonprofits included private colleges or universities (48.3 percent), federated charitable appeals such as United Way (37.4 percent), and private and community foundations (30.5 percent). Local government evoked the most confidence among levels of government at 23.2 percent, with major corporations at 22.3 percent, and Congress at 15.2 percent.