

Virginia's nonprofit and philanthropic community requests modifications to the CARES Act

To Members of Virginia's Congressional Delegation:

May 8, 2020

Thank you for all you are doing to sustain our communities through this COVID-19 pandemic. The swift action that Congress took to pass the CARES Act and other relief legislation will begin to help our communities and organizations provide sick and family leave, prevent layoffs, and offset significant revenue lost from COVID-19. These are important initial support efforts, but as the pandemic and economic consequences become more intense for the communities our sector serves, we know more significant, flexible and swift support is needed.

As you consider the next phase of COVID-19 response legislation, we hope that you will consider the following clarifications and provisions in your deliberations:

1. **Earmark emergency loan programs for nonprofits of all sizes.** The Paycheck Protection Program (PPP) offered through the Small Business Administration provides an essential resource for nonprofits to maintain their workforce and stay financially viable through the pandemic. Nearly one in 10 workers are employed by a nonprofit, making our industry not only an essential needs provider but an economic engine. To ensure that organizations dedicated to addressing the pandemic and ensuring community recovery are included in relief efforts, designate funding exclusively for nonprofits within the two principal loan programs, PPP and EIDL, in the CARES Act. In addition:

- **Paycheck Protection Program.** Provide incentives to private lenders to prioritize processing of applications for small nonprofits and expand the eligibility for nonprofits to participate by modifying the current 500-employee cap or by other means.
- **Mid-size Business Loan Program.** Adjust CARES Act Section 4003(c)(3)(D) to implement a program to support nonprofit employers with between 500 and 10,000 employees, including loan forgiveness and other provisions.

2. **Protect self-insured nonprofits.** Increase the federal unemployment insurance reimbursement for self-insured nonprofits to 100% of costs. As currently written Section 2103 of the CARES Act will subject many nonprofits that provide frontline support to crippling payments to their state unemployment systems later this year which may require them to end or curtail service, while other employers will likely experience little or no additional costs resulting from mass COVID-19 related layoffs.

3. **Strengthen charitable giving incentives.** The CARES Act expansion of the \$300 charitable deduction cap for 2020 is a step in the right direction. Still, more is needed to fill the gaps for nonprofits as they see revenue declining. Lifting the \$300/per person cap and enabling taxpayers making donations on and after March 13 and before July 16 to claim the deduction on 2019, 2020 and future taxes would go a long way in incentivizing charitable giving during this crisis and beyond.

4. Increase emergency funding. Through the work of funders, volunteers and nonprofits alike we know that frontline workers which include those working at food banks, homeless shelters, senior care facilities and child care centers, are putting their own personal safety at risk every day to serve on the front lines of the pandemic response. Increase emergency funds via state formula grants or other programs that can provide a rapid infusion of cash to nonprofit organizations that are partnering with state and local governments to protect vulnerable families and frontline responders to the COVID-19 crisis.

5. Bridge the digital divide. While the digital divide between urban and rural communities has narrowed, rural communities still maintain lower than average connectivity rates and income remains a factor in restricting broadband adoption and use.¹ An estimated 12 million students live in homes lacking broadband access with a disproportionate number of these students being children of color, low-income, and those who live in rural areas.² As work, resources and children's education move online, the internet is increasingly becoming a lifeline to which all households need access. Expanded broadband access also will allow the delivery of telehealth services.³ The CARES Act provided the USDA Rural Development with an additional \$25 million for the Distance Learning and Telemedicine grant program, more will be needed to ensure that students do not fall behind and that technology can be used to meet health care demands.

6. Additional funding for states and local governments. The CARES Act included \$150 billion in direct federal aid to states and populous cities and counties to meet current fiscal year costs connected to COVID-19. Virginia is expected to receive \$3.3 billion in total, with a little over \$3.1 billion going to the state and an estimated \$200 million allotted for local governments with more than 500,000 people.⁴ States and localities are incurring new costs as they work to contain the virus while also projecting sharp declines in state and local tax revenue. The nonprofit and philanthropic sector cannot fill this gap. We need an effective partner in government at all levels to respond to the impacts of COVID-19. Additional flexible resources coupled with temporary suspension of federal program matching requirements will allow states and local governments to respond to immediate budget shortfalls and emerging community needs.

Thank you again for your leadership in passing the CARES Act. It was an important first step. Our nonprofit and philanthropic community asks that the concerns and recommendations outlined above be at the center of any future relief packages. We stand ready to partner with you to make sure that nonprofits have the resources they need to continue to provide essential services, and that all Virginians receive the support they need to weather this crisis and thrive in recovery.

¹ <https://www.brookings.edu/blog/techtank/2020/03/17/what-the-coronavirus-reveals-about-the-digital-divide-between-schools-and-communities/>

² <https://www.insidephilanthropy.com/home/2020/4/1/the-pandemic-offers-ed-tech-philanthropists-a-chance-to-revisit-previous-failures>

³ <https://mhealthintelligence.com/news/fcc-expands-access-to-broadband-resources-for-telehealth-providers>

⁴ <https://www.cbpp.org/research/state-budget-and-tax/how-will-states-and-localities-divide-the-fiscal-relief-in-the>