

## **Nonprofit Organizations -- Helping Those in Need --**

The nonprofit industry in the United States contributed \$751.2 billion of the nation's output, or 5.2% of the Gross Domestic Product (GDP) in 2008. According to the 2014 Annual Report on Philanthropy, charitable giving in the United States for Year 2013 was an estimated \$335.2 billion. Former Montana Senator Max Baucus succinctly explained the importance of human and financial contributions: "Serving others has always been an important part of what makes America shine, and in large part, it is charities that help make this happen. Many have seen their lives improve because of the tireless work of charities."

In California alone, volunteers contributed more than 938 million hours of service to their communities in 2012. This is equivalent to 450,000 full-time workers. Taxpayers subsidize nonprofits because of their tax exempt status. Governments' interference in the economy is justified because the free market provides too few of these type of public goods, and the quantity of public goods is increased. As Congress and the public debate on the overhaul of an antiquated tax system, opponents of subsidization will call for the elimination or reduction of charitable giving by individuals on their tax returns. Supporters for continued subsidization will argue for continuation because neither the government nor the private sector will provide adequate support for the many programs run by nonprofit organizations.



One week after being sworn in as the 43<sup>rd</sup> President of the United States in January 2001, George W. Bush initiated a strategy to partner with community organizations to help those in need. He launched the Faith-Based and Community Initiative program that would assist the homeless, substance abuse users, vulnerable youths, veterans, former prisoners, and others. The President wanted to level the playing field so that faith-based organizations would be eligible to compete for Federal funds without violating the First Amendment's Establishment Clause, meaning that direct public aid must be limited to secular use. The Lemon test refers to the Supreme Court's decision, *Lemon v. Kurtzman* 403 U.S. 602 (1971): "First, the statute must have a secular legislative purpose; second, its principal or primary effect must be one that neither advances nor inhibits religion...; finally, the statute must not foster "an excessive entanglement with religion." Rules and procedures were revised to specifically state that "a religious organization cannot discriminate against a beneficiary or potential beneficiary on the basis of religion or religious belief." Today, most Executive-branch agencies have an office that supports the program in the form of grants to partnering community-based organizations.

Delancey Street, led by Mimi Silbert since 1971, has provided rehabilitation services and training to more than 18,000 people who were former convicts, prostitutes, and substance abusers. Dr. Silbert lives in the same building, located on the San Francisco waterfront, among those whom she helps. She takes no salary and receives no funding from the government. Participants are required to obtain a high school equivalency degree, and learn three marketable skills. Revenue is realized through operations of the Delancey Restaurant, a national moving company, and other ventures. She has expanded the organization that has centers in New York, Massachusetts, New Mexico, North Carolina, and Los Angeles.

Over the past 25 years, DC Central Kitchen has prepared 27 million meals for low-income and at-risk people. Robert Egger was a young night club manager when he began as a volunteer with DC Central Kitchen in 1989. He became frustrated with inefficient and ineffective programs to feed those in need. Those frustrations led Egger to create solutions that would help eradicate people from poverty. Two initiatives that created better efficiencies and allowed for expansion were the Culinary Job Training (CJT) program, and The Campus Kitchens Project. In 2013, the estimated revenue was \$12 million. Graduates of CJT find full-time jobs within three months of graduation. Mr. Egger moved to Los Angeles in 2012 and formed another nonprofit called LA Kitchen. You can read more about Mr. Egger's approach to combating hunger in his 2014 book, *The Food Fighters: DC Central Kitchen's First Twenty-Five Years on the Front Lines of Hunger and Poverty*.

The United Way was founded in Denver, Colorado in 1887 by a woman, a priest, two ministers, and a rabbi to assist with the city's welfare problems. Those compassionate souls were Frances Wisebart Jacobs, the Rev. Myron W. Reed, Msgr. William J. O'Ryan, Dean H. Martyn Hart and Rabbi William S. Friedman. In the first year, \$21,700 was raised and used to make emergency assistance grants. More than 100 years later, its mission remains unchanged – focusing on the common good to create a better quality of life for individuals and families. In 2012, there were 1,800 community-based United Way organizations located in 41 countries.

St. Jude Hospital in Memphis, Tennessee is internationally recognized for treating children who have cancer, at no cost to their families. Well-known actor Danny Thomas had a vision of creating a unique research hospital devoted to curing catastrophic diseases in children. He asked a group of businessmen in 1955 to support him in realizing his vision. Mr. Thomas asked his fellow Americans of Arabic-speaking heritage for assistance. He thought that as a group, they should thank the United States for the gifts of freedom given their parents. The American Lebanese Syrian Associated Charities (ALSAC) was formed to raise funds in support of the St. Jude Children's Research Hospital. Opened in 1962, the hospital is now recognized as one of the world's premier centers for study and treatment of catastrophic diseases in children. Children from all 50 states and from more than 70 foreign countries have been treated, regardless of their ability to pay. Since the hospital's opening, treatments invented there have increased overall childhood survival rate from 20 percent to more than 80 percent. Today, more than 67,000 patients visit St. Jude each year.

These and similar-type nonprofit organizations provide public goods that help those in need. Without them there would be an increase in demand for more government spending on social welfare programs. In the words of President Bush: "Government has a solemn responsibility to help meet the need of poor Americans and distressed neighborhoods, but it does not have the monopoly on compassion. America is richly blessed by the diversity and vigor of neighborhood healers: civic, social, charitable, and religious groups. These quiet heroes lift people's lives in ways that are beyond government's know-how, usually on shoestring budgets, and they heal our Nation's ills one heart and one act of kindness at a time."

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