



Looking Inward but Ready to Fight

Many nonprofits prepare for the resistance even as they confront their own role in Trump's victory.

By BEN GOSE

THE 2024 ELECTION may be remembered as a time when some longstanding challenges facing philanthropy and nonprofits finally came home to roost. The charitable sector, often overlooked on the national stage, is finally getting some attention — but perhaps not the type it wanted.

Many prominent pundits, from Maureen Dowd to Ezra Klein, have blamed the sector for pushing Kamala Harris to commit to progressive stances that were out of step with the public and contributed to her stinging loss to President-elect Donald Trump. The outcome leaves many in the nonprofit world bracing for familiar assaults on issues such as immigration, the environment, and reproductive rights — but also mulling their own role in Trump's victory.

LEADING

Continued on Page 8

JOAN WONG FOR THE CHRONICLE / GETTY IMAGES / ISTOCK

THE TOP LINE

- The election outcome leaves many in the nonprofit world bracing for policy fights but also mulling their own role in Trump's victory.
- Congress may target the nation's largest foundations, universities, and hospitals as lawmakers look to offset the cost of extending the 2017 tax cuts.
- Organizations will need to be prepared for various contingencies, including federal spending cuts that could threaten their finances.

Continued from Page 7

What this means for progressive charities isn't clear. Progressive groups have sprinted ahead of the broader public — and ultimately blazed the path forward — on a number of crucial issues, including civil rights and gay marriage. For some nonprofit experts, the hand-wringing this year — did the left push too hard on issues like transgender rights and decriminalizing border crossings? — is likely just one more example for the history books.

"Standing up for people's basic human rights is not something we need to compromise to win elections," says Jennifer Mosley, a professor in the Crown Family School of Social Work, Policy, and Practice at the University of Chicago.

But even within the nonprofit sector, many experts argue that charities need to do the same sort of soul-searching that the Democratic Party is undertaking.

Benjamin Soskis, a senior research associate in the Center on Nonprofits and Philanthropy at the Urban Institute, says charities need to do two important things on different time frames: Energize their employees and supporters for the impending fight against specific Trump policies, and take a long, slow look at what they can do to better connect with a broader swath of the population.

Soskis says critiques of Democratic Party failures in the 2024 election have some "direct parallels" in the nonprofit sector — the top-down operational focus, the heavy reliance on data rather than community building, the overly professionalized consulting class.

There could be an election parallel, too: When it comes to nonprofits, Americans are voting with their feet. Fewer than half of Americans say they trust nonprofits, and the share of the population that gives to charity and volunteers is down sharply over the past two decades.

"There's a deep-seated suspicion of elite institutions that seem out of touch with the concerns of a broad-based public," Soskis says. "The election itself is a call for nonprofits and philanthropy to reinterrogate how they fit into that critique. What was looming on the horizon is now very much front and center."

One of the less discussed aspects of the country's polarization is how it has driven the left to embrace a homogeneous platform centered on social justice, says Nicholas Jacobs, a political scientist at Colby College.

"Everything is packaged together, and the package is the same whether you're an organization that's focused on housing or on refugee resettlement or on helping your local community get grant dollars for renewable energy," Jacobs says. "It's mission creep — we're going to do this, but we also need to hit these progressive objectives."

Plotting the Resistance

Nonprofits will have to juggle any soul-searching over these issues with many leaders' desire to prepare for a second Trump resistance. Two weeks after the election, nonprofits quickly came together to oppose a bill that would allow the Trump administration to revoke the charitable status of nonprofits it suspects of supporting terrorism.

That effort is just a prelude to the kind of sustained response that may be pursued once Trump assumes office. Charities say they're better prepared than in 2016 — for example, many immigration-rights charities have been meeting for nearly a year to plot a response to Trump's immigration agenda, which includes mass deportations. But whether it's the shock of Trump's clear-cut victory or soul-searching about their role in it, progressive groups seem to have less post-election fire than in 2016.

"The energy right now is introspective as people try to make sense of what happened and why we are in this place," says Stevie O'Hanlon, communications director and co-founder of Sunrise Movement, an organization focused on climate and racial equity.

But she says it's a mistake to think that progressive organizations will struggle to muster a response in 2025. O'Hanlon was in college during Trump's first term; many of Sunrise's members were in high school or middle school. A Sunrise Zoom call the day after the election to plot walk-outs at high schools and colleges drew 1,600 participants, O'Hanlon says, and more recent meetings around the country are drawing hundreds of people.

"There is a lot of energy among Gen Z and younger people to be fighting back," she says.

The trifecta control in Washington — Republicans also control both houses of Congress — means Elon Musk and his Department of Government Efficiency may not be the only source of cuts. Congress will soon look to whittle spending as it works to extend the 2017 tax cuts that expire at the end of 2025. Even now, the Republican majority on the House Appropriations Committee has recommended spending cuts that could hurt low-income people and underserved communities.

Populist sentiment in both chambers of Congress also leaves the nation's largest foundations, universities, and hospitals firmly in the crosshairs. Veteran lobbyists say the odds of new legislation with a big impact on philanthropy are higher than at any time in the past two decades.

Anxiety about what a Republican trifecta could unleash needs to be tempered by the realities of the election cycle, says Drew Altman, president of KFF, a charity focused on health policy. Trump's first presidential victory was the last time Republicans enjoyed a trifecta; anger at Republican efforts to repeal the Affordable Care Act helped Democrats win significant victories two years later, in 2018.

"The Republicans are not going to want to do big things which are unpopular and which will hand Democrats a hammer to hit them over the head," Altman says.

Altman doesn't think Republicans will go after the entire ACA again, but he thinks they might try to eliminate enhanced subsidies that have been around since 2021, a move that would send health-care premiums soaring for 20 million Americans.

Coming Out Stronger

The nonprofit world is diverse, and most charity leaders aren't going to be soul-searching, resisting, or lobbying in 2025 — they will have their

Continued on Page 10



OUT IN THE COLD
Greg Silverman, CEO of the West Side Campaign Against Hunger, worries that the nonprofit is too dependent on wealthy donors and foundations.

WEST SIDE CAMPAIGN AGAINST HUNGER



TRUE CHARITY

A NEW APPROACH
James Whitford, the founder of True Charity, supports what he sees as President-elect Trump's plans to rely on civil society rather than government to provide a social safety net.

Nonprofits should develop plans for how to respond to scenarios that jeopardize their stability, without alarming employees.

Continued from Page 8

heads down trying to improve their communities. Nevertheless, the small charities that make up the bulk of the sector will need to be prepared for various contingencies, including federal spending cuts that could threaten their finances. Already the sector is showing signs of strain as pandemic-era supports end and inflation pushes up costs.

Sara Gibson, co-founder and CEO of 20 Degrees, a consulting firm focused on the nonprofit sector, says charities will need the same “organized flexibility” that helped many groups weather the pandemic.

Nonprofits may need to find funding — or programming opportunities — in new areas. Gibson works with Joe’s Movement Emporium, a Maryland arts organization that provides after-school programming. When schools closed in the first year of the pandemic, the charity found another way to earn revenue — pivoting to serve children of essential workers, Gibson says. At \$4 million, the charity’s budget is now nearly twice as big as at the beginning of the pandemic, she says.

“I’m not optimistic that things will stay the same,” she says. “But I am optimistic that we will come out as a stronger sector after this.”

Isaac MacDonald, director of planning and impact at Trepwise, a consulting firm in New Orleans, suggests CEOs spend a day or two with their executive team to identify scenarios that would jeopardize the organization’s ability to carry out

its mission. Write up one-page plans for each scenario, then put them in a notebook and get back to running the charity, he recommends. Involving a broader group would just create additional anxiety for workers who might already be worried about their jobs or the impact of the Trump administration, he says.

“You don’t need to talk to everyone about what’s going to happen if we lose half our funding,” MacDonald says.

Some nonprofit leaders are already grappling with trends that they expect will worsen under the Trump administration. At West Side Campaign Against Hunger, an emergency food provider in New York City, inflation is taking a toll not only on the charity’s low-income clients but also on middle-income donors.

The result is a surge in demand for food — the charity is serving 700 families a week, up from about 400 a week during the pandemic — and a narrowing base of support. Ninety percent of the charity’s budget comes from philanthropy, and increasingly the charity relies on a few wealthy donors and foundations.

Trump’s tax proposals would likely provide a boost to the charity’s wealthy donors, even as programs like food stamps and Medicaid face cuts.

“My worry is about diversification,” says Greg Silverman, the charity’s CEO. “We want to have a diverse set of funding mechanisms because you just never know what can happen.”

Even conservative charity leaders who are excited about the Trump administration expect the transition to be accompanied by some chaos. Trump’s stated goal to winnow the federal workforce — coupled with potential spending cuts on social-service programs in Congress — could create turmoil for local providers addressing food insecurity and homelessness, acknowledges James Whitford, the founder of True Charity, a network of 200 nonprofits and churches focused on poverty reduction.

For Whitford, that tradeoff is worth it if the long-term outcome is a move away from federal “handouts” that he believes create long-term dependency.

“Things might actually feel a little bit messier at first as we try to reorient to seeing civil society as the primary actor again on solving issues of poverty,” Whitford says. “But I think it will be for the better.”

Mosley, the University of Chicago professor, says it’s naïve to believe that deep cuts to federal spending on programs related to aging, drug addiction, homelessness, and food insecurity would be anything short of a disaster. Philanthropy doesn’t have the resources — or the desire — to fill the gap, Mosley says.

“A privately funded safety net looks a lot like the Middle Ages,” Mosley says.

‘They Want to Be Trump’

The soul-searching among progressive leaders stems in part from frustration — they believe that their programs will do far more to help low-income Americans than policies put forward by Trump or detailed in Project 2025, the Heritage Foundation playbook for what the new administration can accomplish. Yet many low-income voters cast votes for Trump anyway.

One leader who was not surprised is Sulma Arias, executive director of the People’s Action Institute, an organizing group that works in 41 states. Arias immigrated from El Salvador as a 13-year-old after her mother died, and she made it into the United States with the help of a sympathetic border officer.

Arias understands why immigrants want to come to the United States, and the fact that 54 percent of Latino men voted for Trump did not surprise her. Most came to this country seeking a better life for their families. Trump embodies what many of them still hope to accomplish.

“They want to be Trump,” Arias says. “They want that kind of power. They want prosperity.”

She doesn’t believe Trump’s policies will help them get there. But instead of blaming the voters, Arias says nonprofits must work on making better connections with low-income people.

“Even if only part of Project 2025 is implemented, I happen to believe that some people who voted for Trump are going to be waking up to a reality that is not what they thought would happen,” she says.

People’s Action, the institute’s 501(c)(4) advocacy arm, reached out to 4 million voters this year and had conversations with 500,000 of them.

For foundations and donors, the takeaway is that they need to support even more engagement



PEOPLE'S ACTION INSTITUTE

on the ground, Arias and many other nonprofit leaders say.

On health issues, Altman says foundation support will be essential to combat misinformation about scientific evidence. Robert F. Kennedy Jr., Trump’s nominee to be secretary of the Department of Health and Human Services, is a noted vaccine skeptic.

Donors and foundations focused on climate may back away from supporting grassroots organizing out of a belief that it will be hard to sway Trump administration policies.

That would be a mistake, says Aaron Dorfman, president of the National Committee for Responsive Philanthropy. Living donors, especially, tend to prefer “technocratic” solutions like carbon capture that haven’t proven their effectiveness, Dorfman says. He would prefer to see that money go into organizing.

“They’re already giving crumbs to frontline climate-justice organizations,” Dorfman says. “Politics has to be a key part of the solution on climate.”

Most philanthropic support for environmental issues goes to the biggest groups, which tend to focus more on policy than organizing, says Eva Hernandez, executive director of Mosaic, an environmental grant maker.

More than 30,000 charities focus on the environment, yet funding remains highly concentrated. Of the almost 7,000 grantees recorded by the Environmental Grantmakers Association, the top 200 take in more than half the money.

Mosaic, an intermediary sponsored by the Tides Foundation, was created in 2021 to get more funds out to charities working collaboratively to build a more diverse field. Mosaic’s grant making includes support for broad networks that are working to get unlikely allies — including nurses and veterans — to take action on climate issues.

“If we’re serious about building our influence, it means that we have to do the work to bridge across ideological, political, and geographical differences,” Hernandez says.

“We’re good at policy,” she says of environmental nonprofits, “but without influence, it’s all for naught.”

CHAMPION FOR ORGANIZING
Nonprofits must work on making better connections with low-income people, says Sulma Arias (front row, second from left), executive director of the People’s Action Institute, an organizing group.



Threats — and an Opportunity

A new incentive for giving is one bright spot on a congressional slate filled with peril for philanthropy.

By **BEN GOSE**

THE POPULIST LOATHING for big philanthropy could have a silver lining: Congress might provide an incentive for small donors.

The 2025 legislative session is filled with peril for the nonprofit world — including threats to foundations, big endowments, donor-advised funds, and charities with close counterparts in the for-profit sector, such as hospitals.

One bright spot is the increasing support in Congress for a new tax incentive aimed at encouraging all Americans to give.

The charitable tax deduction has been around for more than 100 years, but its significance has waned since Congress expanded the standard deduction in 2017. Today, only about one in 10 taxpayers have enough itemized deductions, including charitable deductions, to exceed the standard deduction. As a result, most tax incentives for giving go to the small group that itemizes — typically the wealthy.

“The charitable deduction as it exists is almost to the point of being seen as a handout to the rich,” says Republican Sen. James Lankford of Oklahoma.

Lankford, who spent 15 years as director of a nonprofit Christian youth camp before joining Congress, says he and Democratic Sen. Chris Coons of Delaware have been working to build bipartisan support for a charitable deduction for non-itemizers. Incoming Senate Majority Leader John Thune of South Dakota is also a strong supporter of the charitable deduction.

Even as lawmakers look for areas to trim spending to help pay for the expected extension of the 2017 tax cuts, Lankford believes they’ll be willing to absorb the cost of an expanded charitable deduction to help get people back in the habit of giving. Fewer than half of Americans give to charities, down from nearly two-thirds in 2008.

“A lot of folks who didn’t work in the nonprofit sector don’t understand the impact of small-dollar donations to nonprofits,” Lankford says. “It’s

not just the dollars they bring, but also the volunteer connections.”

Caps on the proposed non-itemized deduction are likely to be set at \$5,000 for individuals and \$10,000 for couples, says Brian Flahaven, chairman of the Charitable Giving Coalition, which has been working to defend and expand the charitable deduction since 2009.

“We’re not big fans of caps, but if you’re giving over \$10,000 to charity, you’re probably already an itemizer,” says Flahaven, who is also vice president of strategic partnerships for the Council for Advancement and Support of Education.

LAWS & REGULATION

Inviting Target

That’s the hopeful news. But at the same time, lawmakers may pursue multiple angles to strip money from nonprofits and foundations. Congress needs to find revenue to pay for the expected extension of the tax cuts, and some corners of philanthropy present an inviting target. And some Republicans — notably Vice President-elect JD Vance — are highly critical of big foundations and endowments that they see as too progressive.

“The threat to the sector right now is probably the greatest and the most existential since 2000,” says Sandra Swirski, a lobbyist who works for foundations and nonprofits.

Here are some ways Congress may look to rein in the nonprofit world and generate revenue:

Revoking the tax-exempt status of business-like charities. Two recent reports from conservative think tanks — the Cato Institute and the Tax Foundation — call on Congress to revoke the tax-exempt status of business-like charities that work in the same areas as for-profits. The Tax Foundation report, written by Scott Hodge, calls out insurance companies, hospitals, universities, professional athletic associations, and consulting firms, among others, as “business-like” in

Continued on Page 14



CHARLES KRUPA/AP

SOURCE OF REVENUE?

As Congress looks to pay for the expected extension of the 2017 tax cuts, it may raise the excise tax on big college endowments, like that of Harvard University.



GRAEME SLOAN/SIPA USA VIA AP

INCENTIVE TO GIVE

Republican Sen. James Lankford of Oklahoma says he and Democratic Sen. Chris Coons of Delaware have been working to build bipartisan support for a charitable deduction for non-itemizers.

Continued from Page 13

function. “Many of these organizations use their tax-exempt status to compete with taxpaying for-profit firms,” Hodge writes.

Sara Barba, who works with Swirski at the lobbying firm Integer, says their concern is that the reports are now “on the public shelf” and might be used by lawmakers in legislation. While hospitals and other big institutions are most at risk, “smaller organizations that fall within the same categories or do similar work could also get caught up in the shuffle,” Barba says.

Higher taxes on endowment and foundation income. Congress took a small step in this direction in 2017, establishing an excise tax (1.4 percent) on investment income at colleges and universities with endowments worth at least \$500,000 per student. The criticism of elite universities by members of Congress has accelerated sharply since then. A year ago, Vance introduced legislation that would have raised the excise tax on investment income at big college endowments to 35 percent.

On a post-election webinar held in November by DonorsTrust, former Trump economic adviser Stephen Moore, now a fellow at the Heritage Foundation, said he expects Congress to look at increasing taxes on the big endowments. “You’ve got a conservative Congress that’s extremely angry at the left-wing practices on campuses, and there’s a revolt against that,” Moore said.

“Nonprofits and philanthropy should not underestimate the extent to which those in political power hold them in deep contempt,” says Benjamin Soskis, a senior research associate in the Center on Nonprofits and Philanthropy at the Urban Institute. “Alarm bells should be going off across all sorts of institutions, and they should be planning for an effective defense.”

Critics of big institutions may find common ground with those looking to pay for tax cuts — or underwrite the cost of an expanded charitable deduction. Howard Husock, a senior fellow at the American Enterprise Institute, suggests a steep increase in the excise tax on net foundation investment income — from 1.39 percent to 20 percent. Congress could use the proceeds to help pay for

the expanded charitable deduction, he says.

“This is a way to shift the needle back toward the everyday donor, rather than have the growth curve be on the foundation side,” Husock said in an interview with the *Chronicle*.

More scrutiny of donor-advised funds. The Internal Revenue Service held hearings last spring on proposed regulations governing donor-advised funds, which allow donors to take an upfront tax deduction when they set aside funds for charity, even if that money isn’t transferred to the actual beneficiaries for many years. The proposed regulations’ status is unclear: The regulations could be made final as the Biden administration winds down — or not. Although aspects that addressed the compensation of financial advisers to donor-advised funds were controversial, the proposed regulations were relatively minor compared with bigger changes that may be on the horizon.

On the DonorsTrust webinar, Christie Herrera, president of the Philanthropy Roundtable, said she worries that components of the 2021 Accelerating Charitable Efforts Act might resurface in tax legislation in 2025. That bill, which failed to gain traction amid intense opposition by DAF providers, would have set a 15-year payout requirement on DAFs and prohibited private foundations from counting DAF gifts toward their own minimum payout requirements.

“We have to make sure these bad ideas don’t take root,” Herrera said on the webinar.

Not everyone agrees. Even some DAF providers now say they’re open to the notion of a payout requirement. Ron Ransom, CEO of the American Endowment Foundation, a large provider of DAFs, says he’s far more concerned about aspects of the proposed IRS regulations that might discourage financial advisers from recommending that their clients start donor-advised funds.

“I think we should have minimum granting; there’s no reason that we shouldn’t,” he says.

Brian Mittendorf, a professor at Ohio State University who specializes in nonprofit accounting, says that preventing private foundations from counting DAF gifts toward their payout requirements would help on two fronts: It would get more money to working charities, and it would provide more transparency about where private-foundation money is going.

“I think that’s the lowest-hanging fruit,” Mittendorf says.

For a sector that likes to talk about the advantages of self-regulation, now may be the time. In November, two former leaders of state-based groups for nonprofits — Jan Masaoka and Jon Pratt — announced the Philanthropy Project, a reform effort focused on the lack of transparency at foundations and donor-advised funds.

Separately, Indiana University’s Lilly Family School of Philanthropy is starting a new project to convene philanthropic leaders and use design principles to envision the ideal regulatory structure for the nonprofit and philanthropic sectors.

Amir Pasic, the school’s dean, says it makes sense for philanthropy to explore solutions before Congress comes up with its own.

“With every election, there’s always the potential for opening up the conversation more deeply and radically,” Pasic says. “You have to wonder when and if the time will come for some of these larger reconsiderations.” ■