



## Arizona Nonprofits + Grantmakers Policy Council

Friday, January 13, 2023 | 9 – 10:30 a.m. | Virtual

Zoom Link: <https://zoom.us/j/95516489083> Meeting ID: 955 1648 9083

### Integration Phase Mission

Alliance of Arizona Nonprofits + Arizona Grantmakers Forum are merging our collective resources for greater capacity, impact and advocacy.

### Integration Phase Vision

The merger will enable more impactful collaborations among philanthropic and nonprofit leaders. It will position the nonprofit sector as a necessary key partner with government and the business community to drive economic growth and build an equitable Arizona where all people thrive.

### Integration Phase Values

Collaboration | Inclusion | Inspiration | Leadership | Transparency

## AGENDA

### 1. Welcome (9 a.m.)

Penny Allee Taylor

- Introduction of New Members
- Agenda Overview
- December 9, 2022 Notes (for information) \*

### 2. Policy Issue Updates & Action Items (9:05 a.m.)

David Thompson | National Council of Nonprofits

- Federal Issues
  - Omnibus Spending Bill for FY 2023 \*
  - Nonprofit Priorities for 118<sup>th</sup> Congress
  - Other

Brandy Petrone | GSPA

- State Issues
  - Governor Hobbs' State of the State Address
  - FY 2024 Budget
  - Housing Supply Study Committee Report \*
  - ADOR Update – [QCO Tax Credits Draft Policy Guidelines](#)
  - Alliance QCO Guidelines Comment Letter\*
  - Other

**3. Board-Approved Public Policy Framework & 2023 Public Policy Agenda\* (9:40 a.m.)**

Laurie Liles

**4. Upcoming Advocacy-Related Events (9:50 a.m.)**

Laurie Liles

- Legislative Landscape – January 27, 2023
- Day of Advocacy – February 23, 2023
- Day of Advocacy Resource for Lawmakers: *Nonprofits + Grantmakers Partnering with Government*

**5. Member Updates (10 a.m.)**

\*Attachment

All

Adjourn

**Reminders & Upcoming Meetings:**

- Next Policy Council Meeting | February 10, 2023 | 9 – 10:30 a.m. | Zoom
- Legislative Landscape 2023 | January 27, 2023 | 1:30 – 3 p.m. | Zoom
- Day of Advocacy 2023 | February 23, 2023 | 10 a.m. – 2 p.m. (with lunch) | Arizona State Capitol



## Arizona Nonprofits + Grantmakers Policy Council Meeting Minutes

**Friday, December 9, 2022 | 9 – 10:30 a.m. | [Virtual](#)**

Zoom Link: <https://zoom.us/j/91781051417> Meeting ID: 917 8105 1417

<b>FACILITATOR</b>	Penny Allee Taylor
<b>NOTE TAKER</b>	Lilly Gonzalez
<b>ATTENDEES</b>	<p>Andrea Moreno (Salt River Project), Anne White (NSAL Arizona), Ashley St. Thomas (Arizona Food Bank Network), Betsy Wilson (Northland Pioneer College Friends &amp; Family), Brandy Petrone (Goodman and Schwartz), Bruce Burke (Marshall Foundation), Carrie Collins (Brain Injury Alliance of Arizona), Christina Cutshaw (United Way Tucson and So Arizona), Claire West (Individual Supporter), Colleen Holman (Alliance of Arizona Nonprofits + Arizona Grantmakers Forum), Connie Phillips (Lutheran Social Services of the Southwest), Cynthia Gattorna (A Stepping Stone Foundation), David Thompson (National Council of Nonprofits), Elise Nilles (Valley of the Sun YMCA), Erin Hart (Education Forward Arizona), Janice Palmer (Helios Education Foundation), Jenna Cooper (Valley of the Sun YMCA), Joan Abbey (Individual Supporter), Justin Owen (McDowell Sonoran Conservancy), Karen Johnson (New Pathways For Youth), Karen Wilson (Desert Survivors Inc), Kari Carlisle (Heritage Square Foundation), Karl Gentles (Back to School Clothing Drive), Kerrie Walker (Arizona Career Pathways), Kristen Merrifield (Alliance of Arizona Nonprofits + Arizona Grantmakers Forum), Laurie Liles (Alliance of Arizona Nonprofits + Arizona Grantmakers Forum), Lilly Gonzalez (Arizona Grantmakers Forum), Lisa Lumbard (Lumbard Consulting, LLC), Marcus Johnson (Vitalyst Health Foundation), Marcy Laront (Mission of Mercy), Michele Thorne (Care 4 the Caregivers), Michelle Coldwell (Arizona Council of Human Service Providers), Monica Nuvamsa (Hopi Foundation), Pam Betz (Consultant), Pat McWhortor (Lead for Change), Penny Allee Taylor (Alliance of Arizona Nonprofits + Arizona Grantmakers Forum), Rick Mitchell (Homeless ID Project), Sophie Etchart (Read Better Be Better)</p>

	Steve Carr (Kur Carr Group, Inc), Suzanne Pfister (Vitalyst Health Foundation), Wayne Hunter (CliftonLarsonAllen LLP), and Will Grove (Brain Injury Alliance of Arizona)
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## AGENDA TOPICS & ACTION ITEMS

DISCUSSION	<p><b>Welcome and Introduction</b></p> <p>Lisa Lumbard and Penny Allee Taylor welcomed all members, encouraged new members to introduce themselves and provided a brief overview of the agenda.</p> <ul style="list-style-type: none"> <li>The November 4, 2022 Notes were provided in the packet for information</li> </ul> <p><b>Policy Issue Updates &amp; Action Items</b></p> <p><b>Federal Issues</b> - David Thompson, National Council of Nonprofits</p> <ul style="list-style-type: none"> <li><b>Federal Midterm Elections Impact on Nonprofits</b> – David shared that because control of Congress will be divided with narrow margins for the next two years, it will be difficult for either party to pass major legislation.</li> <li><b>Lame-Duck Session</b> – Congress is likely to pass an omnibus spending bill to replace the continuing resolution that expires December 16. It is unclear whether Congress will pass legislation that would be a vehicle for nonprofit priorities including the expired charitable giving incentives. However, the National Council is trying multiple strategies including focusing on natural disaster relief for nonprofits. Priorities include: <ul style="list-style-type: none"> <li>Employee Retention Tax Credit</li> <li><a href="#">Nonprofit Policy Priorities and Natural Disaster Tax Relief</a></li> <li>Charitable Giving Incentives Letter</li> <li>Charitable Mileage Rate – <a href="#">House</a> and <a href="#">Senate</a> letters</li> </ul> </li> </ul> <p><b>State Issues</b> - Brandy Petrone, Goodman Schwartz Public Affairs</p> <ul style="list-style-type: none"> <li>State Midterm Elections Impact on Nonprofits – Brandy shared that because Republicans retained control of both chambers with narrow margins, passing a budget will be challenging. She and her colleagues expect the session to extend through June. Democratic Governor-elect Hobbs will have veto power over controversial GOP proposals, but it will take time before Republicans and Democrats learn how to work together to pass a bipartisan budget.</li> <li>Legislative Leadership – President-elect Petersen and Speaker-elect Toma recently announced:</li> </ul>
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- [Senate Committee Appointments](#)
- [House Committee Chairs](#)
- ADOR Update – [QCO Tax Credits Draft Policy Guidelines](#)
- Alliance Advocacy Alert on QCO Draft Policy Guidelines
  - The Arizona Department of Revenue held two listening sessions on the draft guidelines this week
  - Karen Johnson shared that during Session 1, she expressed concerns about what ADOR will count toward immediate basic needs and agreed with Brandy that changing this may require a statutory fix by removing the word “immediate.”
  - Laurie Liles shared that during Session 2, ADOR staff emphasized their desire to work with the charitable community to provide guidance and answer questions
  - Laurie also shared, in response to Karen’s comment, that in Session 2 ADOR staff noted that the legislative intent behind the statute appears not to include education, which is why school supplies are not currently covered
  - Comments are due December 19 and ADOR expects to publish the final guidelines early in the new year
  - The Alliance plans to submit comments, so members were asked to email Laurie Liles a copy of their comments when you file them so they can be included
  - Jenna Cooper asked about the eligible population language in the QCO Draft Policy Guidelines and if there was a threshold for the population served requirement to meet that category. Organizations like theirs do not generally measure the population served and what services they provide against the overall population served.
  - Brandy will investigate this question and agreed that is what the language suggests. Jenna responded that it would add to the administrative burden for nonprofits to start measuring that data. Brandy encouraged members who have concerns to inform ADOR for the final draft.
  - Lisa Lumbard also mentioned a concern that the financials section states that nonprofits cannot include in-kind donations, which causes them to be disqualified

## **DISCUSSION**

- Patrick McWhortor asked if there was a possibility for a special lame-duck session focused on lifting the education aggregate expenditure limit, since the next legislature will include so many new legislators. Brandy replied that there is a potential for a special session.

- Patrick also noted that Katie Hobbs will be the first governor from the nonprofit sector
- Laurie shared that she and Kristen Merrifield sent Governor-elect Hobbs a congratulatory letter on behalf of the Alliance
- Connie Phillips asked Brandy to clarify the governor's role with the agenda for a special session. Brandy responded that the governor sets the order of the agenda.
- Connie also asked if Governor Ducey wants the special session call to include legislation to increase the amount of empowerment scholarships for private schools. Brandy replied that the increase is one of his policies priorities and he sees the special session as an opportunity to address it.
- Brandy shared that Representative-elect John Gillette of District 30 was quoted in a Yellow Sheet article saying he is interested in legislation to charge a felony to a 501c (3) nonprofit that "induces a person to live in the country illegally and helps that person remain in the United States." The Alliance will need to respond to this legislation if it is introduced.
- Members expressed concern about what this will mean for them. Laurie will share the related Arizona Capitol Times story with members.
- Laurie and Brandy will monitor the situation and seek input from Policy Council members who work with immigrants and asylum seekers

#### **Draft Public Policy Framework & Revised Draft 2023 Public Policy Agenda**

- Marcus Johnson shared that the drafts of both documents were discussed during the November 4 meeting and members were asked to provide feedback to Laurie by November 30. Laurie did not receive any suggested changes and asked members for any final feedback before the drafts are presented to the board of directors for approval today. Members had no additional suggested changes.

#### **Upcoming Advocacy-Related Events**

- Legislative Landscape | January 27, 2023 | 1:30 – 3 p.m. | Zoom
- Day of Advocacy | February 23, 2023 | 10 a.m. – 2 p.m. (with lunch) | Arizona State Capitol

	<p><b>Member Updates</b></p> <ul style="list-style-type: none"> <li>• Patrick McWhortor shared that Arizona Citizens for the Arts will release a public announcement thanking Governor Ducey for his support of funding for arts organizations in 2022 and establishing a new baseline for 2023</li> <li>• Connie Phillips shared that ELSA created the Lutheran Advocacy Ministry Arizona, which will host an advocacy day at the state capitol in January</li> <li>• Maria Echeveste shared that the merger of the Alliance and Arizona Grantmakers has fostered collaboration and innovation that will enable the policy priorities the Policy Council is discussing to come alive through collective action</li> <li>• Marcus Johnson shared that Vitalyst Health Foundation has grants available for nonprofits that are prioritizing advocacy and public policy issues. Interested potential grantees can email him at <a href="mailto:mjohnson@vitalysthealth.org">mjohnson@vitalysthealth.org</a>.</li> </ul> <p><b>NEXT STEPS &amp; ACTION COMMITMENTS</b></p> <ul style="list-style-type: none"> <li>• Laurie Liles will share the Arizona Capitol Times story on Representative-elect Gillette’s legislation with members</li> <li>• Laurie and Brandy will monitor the legislation connect with Policy Council members who work with immigrants and asylum seekers</li> <li>• The Alliance plans to submit comments to ADOR by December 19, so members are asked to email Laurie a copy of their comments so Alliance staff can summarize them in the comment letter</li> </ul>
<b>ADJOURNMENT</b>	The meeting adjourned at 10:27 a.m.
<b>NEXT MEETING</b>	The next meeting is January 13, 2022   9 – 10:30 a.m.   Virtual

## The Omnibus Spending Bill for FY 2023

### A Charitable Nonprofit Perspective

Early on December 20, lawmakers released to the public the \$1.7 trillion Omnibus spending bill for fiscal year 2023. The legislation, called the Consolidated Appropriations Act, 2023, includes \$772.5 billion for non-defense discretionary programs and \$858 billion in defense funding. This summary focuses on broad priorities of the charitable nonprofit community, highlighting key provisions that were included in or omitted from the legislation.

### Selected Spending Provisions

- **Ukraine:** \$45 billion in emergency assistance to Ukraine and NATO allies. (Division M)
- **Disaster Response Spending:** At least \$38 billion in [disaster supplemental spending](#) to assist communities recovering from drought, hurricanes, flooding, wildfire, natural disasters and other matters. *The section of the bill does not provide tax relief sought by nonprofits.* (Division N) A Senate amendment permits state and local governments to devote up to \$10 million or 30% of their allocations of **American Rescue Plan Act fiscal recovery funds** to respond to natural disasters or support transportation and community development projects. Those ARPA funds, which can be invested in nonprofit relief and programming, were initially dedicated solely to pandemic relief and recovery.
- **Child Care:** \$8 billion, a 30% increase in funding for the **Child Care and Development Block Grant** program that provides financial assistance to low-income families to access child care. It also provides \$12 billion, an 8.6 percent increase, for Head Start. The charitable community advocated throughout 2022 for improved child care funding and access as solutions to the [nonprofit workforce shortages crisis](#).
- **Housing:** \$6.39 billion for the **Community Development Block Grant** formula program and related local economic and community development projects that benefit low- and moderate income areas and people, an increase of \$1.5 billion from FY 2022. \$3.6 billion for **Homeless Assistance Grants**, a \$420 million or 13 percent increase from FY 2022, to fund a wide variety of service and housing interventions.
- **Nonprofit Workforce Data:** \$9 million in additional funding for the Bureau of Labor Statistics and [report language](#) connected to the Omnibus encouraging BLS to break out nonprofit workforce as a distinct category in quarterly employment and wage reports. The failure of the government to provide accurate nonprofit employment data on a par with for-profit data has long hindered the ability of charitable organizations to demonstrate the effect of public policies on community impact.
- **Nutrition:** Supplemental Nutrition Assistance Program increased by \$13.4 billion. \$28.5 billion for child nutrition programs and \$6 billion for the Special Supplemental Nutrition Program for Women, Infants and Children.



- **Earmarks:** The Omnibus includes billions of dollars in earmarks, called “Congressionally Directed Spending” in the Senate and “Community Project Funding” in the House. More than 1,000 of the earmarks designate direct spending to specific projects and programs run by charitable nonprofits. Big winners include museums, domestic violence prevention, libraries, community foundations, historic preservation, and healthcare.

## Tax Provisions

The legislation includes a few tax-related provisions in **Division T, the SECURE 2.0 Act**, a package of dozens of retirement security reforms, including a hike from 72 to 75 the age at which individuals must start withdrawing from the retirement accounts, an increase in catch-up contributions for 401(k)s, and allow 403(b)s to participate in multiemployer and pooled employer plans. The Division also incorporates two bipartisan reforms long sought by charitable organizations:

- **Conservation Easements:** Clamps down on what are considered fraudulent tax breaks by automatically disallowing any deduction for investments in syndicated conservation easements that are 2.5 times more than what investors put into a partnership that is making the deals. Provides several exceptions. (Section 605, p. 2372)
- **Retirement Security:** Recognizes a scaled back **legacy IRA provision** that allows for payouts from IRAs to charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts, capped at \$50,000. (Section 307, p. 2237) Also permits designation of charitable nonprofits as remainder beneficiaries of special needs trusts. (Section 337, p. 2318)

## Priorities Not Included

- **Charitable Giving Tax Incentives:** The Omnibus does not restore three charitable giving incentives that expired at the end of 2021: the universal or non-itemizer deduction, the increase from 60% to 100% of Adjusted Gross Income in the amount individuals may deduct for charitable contributions, and the increase from 10% to 25% of income that corporations may deduct.
- **Child Tax Credit:** Negotiations came up short on a proposed deal to partially restore an enhanced refundable child tax credit that had been provided in 2021 via the American Rescue Plan Act. Democrats had hoped to pair the CTC provision with tax relief for business research depreciations.
- **Employee Retention Tax Credit:** The bill does not restore eligibility for the ERTC for the fourth quarter of 2021 that was retroactively repealed late that year. The Omnibus also fails to reinstate the ERTC in response to recent, ongoing, and future natural disasters.
- **Pandemic Supplemental Aid:** The bill does not include billions requested by the Biden Administration for pandemic aid, vaccines, and preparation.

## Legislative Materials

[Consolidated Appropriations Act, 2023](#) legislative text (4,155 pages)  
 Senate Appropriations Democratic [News Release](#), [Summary](#)  
 Senate Appropriations Republican [News Release](#), [Summary](#)  
 House Appropriations Democratic [News Release](#), [Democratic Wins](#)

# GOODMAN • SCHWARTZ

## PUBLIC AFFAIRS

TO: Alliance of Arizona Nonprofits  
FROM: Stuart Goodman  
DATE: December 28, 2022  
SUBJECT: Observations on the Arizona Political Landscape for 2023

### **Divided Arizona Government**

With the election of Governor-Elect Katie Hobbs (D), the first elected Democratic Executive since 2002, combined with a Republican controlled Legislature, Arizona is headed towards its first divided government in 14 years since the resignation of Governor Napolitano (D) in 2009.

Despite Democratic electoral gains in statewide races for the U.S. Senate and Arizona constitutional offices (Governor, Secretary of State and Attorney General), Republicans will continue to hold one-seat legislative majorities in both the House and the Senate, which replicates the margin they have had for the past two legislative sessions.

While the narrow majorities in the House and Senate remain the same, 31-29 and 16-14, respectively, the composition of the two chambers is significantly different than what has been experienced over the past two years. Nearly half of the membership of the Arizona House of Representatives will be freshman lawmakers in 2023, with only a small number having prior elected service or experience. In addition, legislative leadership is ushering in a new Speaker of the House and Senate President. Lastly, there is more of an ideological shift with increased representation of both progressive Democrats and ultra conservative-leaning Republicans. The unknown personalities of the new members, along with the erosion of political and civil decorum, will likely cause challenges for both of the Majority and Minority Leadership teams in their ability to manage unity within their respective caucuses.

In addition to the changes within the Arizona Legislature, the incoming Hobbs Administration will be undergoing the natural transition from the poetry of campaigns to the prose of governing. While Governor-Elect Hobbs is no stranger to public policy making, there are inherent differences and perspectives between the executive and legislative branches of Arizona government. As such, it is expected that the new administration will experience growing pains which are typically experienced by every new gubernatorial administration.

The anticipated gubernatorial policy team, while talented, has not governed before to the scale of the broad categories of which are presented to the Executive. This is not to suggest that the new administration will not rise to the occasion, as they undoubtedly will. That said, all new gubernatorial administrations experience a transition period in which hard learned wisdom is earned in both the day-to-day operations of state government as well as the simultaneous execution of political and policy strategies, particularly during a period of divided government.

State government will also need to contend with what is expected to be significant personnel changes in Cabinet-level state agencies by the incoming Hobbs Administration. Adjustments in leadership among state departments is always expected during a change in administration, especially when the election results in a different political party taking the helm of government. However, policy changes, under a new agency director, can trigger friction with impacted parties that can spill into legislative disputes. If not managed carefully, such situations can inadvertently cause the new administration to divert political capital away from unrelated policy priorities. In essence, concerned legislators will have the ability to complicate the Senate confirmation process for new agency heads or create legislative interference with the questioned policy itself, either way causing a political distraction for a new administration to manage.

Nevertheless, a new voice in the Governor's office can bring a welcomed change of scenery to the political landscape, as there is often political fatigue connected with the previous gubernatorial administration, especially after two full terms in office. That said, change will also bring legislative frustration as legislators experience the initial period of unpredictable tendencies from a new, largely untested, Executive with Governor-Elect Hobbs developing her own style of governing.

It is anticipated that governing in the first two or three months of 2023 will be, to be generous, somewhat clunky, as both the legislative and executive branches work to mark their respective political territories. But over time, perhaps as early as the latter part of March, a cadence will be established, as the extreme elements of both political parties will effectively sideline themselves by taking principled and otherwise unrelenting positions, thereby allowing for governance to occur within the middle two-thirds of both legislative chambers, similar to how former Governor Napolitano managed her gubernatorial experience.

Despite the political management challenges associated with divided government, the Republican controlled Legislature will have to ultimately recognize that a bipartisan approach to public policy is the only mechanism to accomplish anything of substance. Equally true, the Democratic Governor will have to appreciate the importance of being willing to sacrifice the ideal for what is achievable.

Complicating this delicate balance will be legislative Democrats looking to a Democratic Governor to be the backstop on all matters in which they are opposed. In short, this places additional pressure on how the Hobbs Administration will navigate the necessity of being able to use political barter on issues that may be annoying, but not necessarily intolerable. Governor-Elect Hobbs will need to be creative in her ability to appease the conflicting perspectives of the Republican and Democratic Caucuses, in order to enact her own policy priorities. In some respects, Governor-Elect Hobbs, from time to time, may actually feel more squeezed by her Democratic colleagues than by her Republican counterparts.

On a broader note, the legislative and executive branches have different responsibilities and, as a result, have different perspectives on public policy. Regardless of whether there is divided government or one-party rule, the two branches will eventually be at odds with each other. Case in point is when Governor Brewer (R) took over state government with the resignation of Governor Napolitano after leaving for the Obama Administration in 2009. Legislative leaders were genuinely relieved to have a Republican in the Governor's office after six years of divided government. The honeymoon period with Governor Brewer did not last much longer than six months.

In the modern era, the experience of the Brewer Administration was not that much different from what was observed during the previous two Republican administrations of Governors Symington and Hull or during Governor Ducey's current tenure. Governors and legislators simply will disagree, regardless of partisan affiliation.

Accordingly, Governor-Elect Hobbs will have public disputes with Republican and Democratic legislators, alike. The success of her administration, however, will be determined not by the material of the disputes themselves, but by how quickly and effectively such disagreements can be resolved before being allowed to fester into unreconcilable differences.

The next four years can be productive if all parties can learn to disagree without being disagreeable.

### **How Did We Get Here**

In order to appreciate the current political climate of Arizona state government, a quick review of the 2022 primary elections will be beneficial.

With respect to the Arizona Legislature, due to the low voter turnout of 35% in the primary election cycle, both Democratic and Republican primary election voters largely cleansed their elected ranks of the more moderate elements of their respective parties. Republicans largely selected candidates that embraced the narrative offered by former President Trump over incumbent legislators that were viewed as not being genuinely conservative. Likewise, Democrats generally preferred progressive candidates over business-friendly incumbents.

To give further context, 65 legislative incumbents were up for election in the 2022 primary election cycle of which 14 active legislators were defeated, including both incumbents seeking re-election in their existing chamber as well as incumbent members crossing chambers.

Historically, the average voter turnout for primary elections in Arizona is 27.60% (2000-2020). In the end, voter turnout for this primary election cycle exceeded the 20-year average but did not surpass the 36.44% experienced in 2020. By comparison, the average voter turnout for general elections in Arizona is 67.23% (2000-2020).

Turning to the statewide constitutional offices, a similar exercise occurred in the Republican primary elections as an entire slate of Trump endorsed Republican candidates were nominated over more traditional conservative candidates. Democratic primary elections for statewide constitutional offices were largely uneventful.

The nomination of ultra-conservative Republicans candidates that focused heavily on the outcome of the 2020 elections and other unconventional policy positions largely paved the way for Democrats to post one of the largest statewide electoral gains in modern memory with Governor-Elect Hobbs (D), Secretary of State-Elect Fontes (D) and Attorney General-Elect Mayes (D) prevailing over their Republican opponents.

In the case of the gubernatorial race in the general election, according to the *Washington Post*, exit polling revealed that nine percent of self-described Republicans voted for Governor-Elect Hobbs. Similarly, independent voters broke for Hobbs by seven percentage points. Former *Arizona Republic* columnist Robert Robb recently observed that while politicians want to be liked, sometimes being the best alternative is good enough.

Taking nothing away from the well-disciplined campaign run by the Hobbs team, the Governor-Elect unquestionably benefitted from the fortunate draw of a combative Republican opponent who never transitioned the rhetoric from what was appealing in a Republican primary election to a more politically appropriate and dignified tone needed to persuade general election voters, particularly with independent voters.

Overall voter turnout in the 2022 general election was 62.6%. While statewide voter turnout data is not yet available, we do know that for Maricopa County, 50% of registered independents voted in the general election. Among those voters affiliated with a specific political party, 75% of registered Republicans in Maricopa County voted, as compared to 69% of the registered Democrats in the county.

Looking towards the future, Republican voters comprised 41% of the Maricopa County vote in 2022, as compared to Democrats' 32% and Independents 27%. The combination of Democratic and Independent voters will likely be a critical factor in future general elections if Republican primary elections continue to turnout statewide candidates that are not appealing to the broader electoral dynamics associated with general election voters.

With respect to state legislative races, the majority of state legislative districts are not competitive, with perhaps the exception of approximately five districts, thus most legislative races were determined in the primary elections. These noncompetitive districts breed legislators that are only accountable to partisan primary election voters, as opposed to the broader district in which they are elected to represent.

For the general election cycle, in Arizona House of Representatives related races, both parties took advantage of the single-shot strategy in which the minority party in the district only placed one candidate on the ballot for two seats and then encouraged voters to only vote for one candidate, even though House races allow the voter to select no more than two candidates. The end result was 31-29 Republican majority, despite earlier predictions of Republicans expanding their majority in 2023.

With the exception of a high-profile match-up between two incumbent Senators redistricted into the same legislative district, resulting in the defeat of a long-time Republican incumbent, the Arizona State Senate had less general election turbulence. Overall, Republican and Democratic candidates ran true to form, each winning the seats that were expected.

That said, several Republican candidates in Republican leaning districts achieved much narrower victories than originally projected. These close districts, despite currently having Republican voter registration advantages, will likely continue to hold legislators accountable in future elections, especially with population shifts and the ever-increasing impact of independent voters in general elections.

### **Anticipated Public Policy Priorities for the 2023 Legislative Session**

As is the case with every legislative session, there will be a myriad of bills introduced in 2023 that will cover a wide range of topics from health care, judicial reform, big tech vilification, finance, insurance, water and natural resources, transportation, public safety, social services, elder abuse and neglect, tax policy and so on.

Issues will likely be labeled into separate or combined categories ranging from complicated, controversial or partisan and most will be relatively benign once the issues can be resolved by the impacted stakeholders.

While it is difficult to predict what will constitute the major legislation to be debated during a given legislative session, the topics below, will have a high likelihood of dominating the political landscape during the 2023 legislative session.

## State Budget

Arizona is anticipating a budget surplus at the end of the fiscal year on June 30, 2023, of approximately \$1.4 billion with a significant portion being scored as one-time funding.

The Executive Budget recommendations for the upcoming fiscal year will be released, based on state statute, on Friday, January 13<sup>th</sup>. Notwithstanding the irony of the date, this will be the incoming Hobbs Administration's first official statement on her specific budget priorities for state government. While Governor-Elect Hobbs will likely give insight into her budget related priorities during her first State of the State speech on Monday, January 9<sup>th</sup>, the Executive Budget Recommendations will reflect a comprehensive overview of her administration's priorities.

All things considered, this is a tight time frame in which the new administration, like all other newly elected Governors in Arizona, will have been afforded to complete a budget that is reflective of what Governor-Elect Hobbs views as the most urgent and pressing matters facing the state. That is, in addition to forming a government, including the recruitment of gubernatorial policy staff and other key personnel decisions, developing this first budget is likely to be a work in progress over the course of the legislative session. As such, it will be important to consider themes in the budget and not dwell too much on the specific details that will be outlined in January, especially with months of negotiations ahead for both the Governor and legislative leaders.

## Reproductive Rights

Governor-Elect Hobbs has publicly stated that among her first priorities is to repeal an 1864 territorial state law that effectively bans all abortions in Arizona, as there appears to be conflict between the territorial law and the 15-week abortion ban that was enacted during the 2022 legislative session.

The Governor-Elect has signaled an interest in a special legislative session to enact the repeal.

Reading between the lines, while there may be enough Republicans willing to repeal the 1864 statute, Democrats may likely have an interest in wanting to address the 15-week statutory ban as well. Such a political conundrum could cause a breakdown in the political will of Republicans to repeal the territorial state law for fear of repercussions during the 2024 Republican primary cycle.

It is difficult to identify a successful path relating to resolving the conflict between the two competing statutes within the political and ideological constraints of the Arizona Legislature. Ultimately, this conflict will either be determined through the judicial process or via a ballot initiative, most likely in 2024.

## Aggregate Expenditure Limit

Education funding is likely to continue to be a top priority of both Governor-Elect Hobbs and the incoming legislature. Among the most pressing issues will be the passage of the ability for schools to exceed the Aggregate Expenditure Limit (AEL). Briefly, the AEL is a constitutional provision enacted by the electorate in 1980, which created a spending limitation for all school districts based on the spending in aggregate of all public school districts, excluding charter schools.

With the March 1<sup>st</sup> deadline approaching, the Arizona Legislature, to date, has never failed to enact the necessary legislation related to the annual exercise of lifting the aggregate expenditure limit, though the issue has undoubtedly become more political and less certain over the last several years.

There have been serious discussions of eliminating the requirement altogether, but that solution has yet to materialize into anything substantive.

## Affordable Housing

Over the course of the 2022 interim period, Senator-Elect Steve Kaiser chaired the Housing Supply Study Committee that was enacted during the 2022 legislative session after his initial legislation received too much criticism from a wide spectrum of stakeholders.

Unlike most study committees, this committee has been highly inclusive for stakeholder presentations that included diverse perspectives and interests. Among the committee findings, legislation is expected to focus on zoning related reforms, as a common theme among the stakeholder presentations was that “zoning is the primary barrier to addressing the housing shortage.”

Recognizing that there are many factors that relate to affordable housing, spin-off legislation relating to the growing population of individuals experiencing homelessness, social services and public assistance reforms, and a host of related issues are likely to materialize from this policy discussion.

## Extension of the Existing Maricopa County Transportation Sales Tax

Unlike all other counties in Arizona, only Maricopa County must obtain legislative approval to place a proposition on the ballot to establish or otherwise continue an existing transportation sales tax. The original transportation sales tax for Maricopa County was adopted in 1985 (legislative approval did not exist at that time) for a 20 year-period and was reapproved by the electorate in 2004 (after receiving legislative approval).

As the current sales tax is set to expire in 2024, extension legislation was passed by the legislature during the 2022 session but was vetoed by Governor Ducey for what many believe was for the purely politically motivated optic of vetoing a perceived tax increase. The proposed extension was for 25 years, as opposed to the current 20-year program, thus opponents considered the additional five years as a new tax and not simply an extension of the previous two 20-year programs. Other considerations involving philosophical opposition to light rail were also likely factors in the veto decision.

With effectively one year remaining of the existing taxing authority there is significant concern that absent a solution, the gap in funding will cause a detrimental delay in transportation related infrastructure investments in one of the fastest growing counties in the country.

Unless a special legislative session is called by Governor Ducey before the end of the calendar year, which is highly unlikely, a second legislative effort will be a near certain exercise during the 2023 legislative session.

Politically, the successful enactment of the enabling extension legislation was difficult in 2022, which made the unexpected veto even more heart wrenching to the proponents.

As difficult as the Legislature was in 2022 on this policy debate, the composition of the incoming Arizona Legislature is considered to be significantly worse as it relates to this issue, particularly given the incoming conservative nature of the Senate Republican majority.

Leadership from the Hobbs Administration will be critical for success, but will likely come at the political cost of bartering on other policy priorities. While proponents have been willing to modify the proposed transportation plan from 25 years to 20, among other policy changes, strong ideological opposition to light rail and other components remain. This is a significant political challenge, and the road ahead is not clear (pun intended).

### Elections Integrity

Given the presence of successful Republican legislative candidates that ran on election integrity platforms, it is widely expected that election related legislation will continue to be pursued during the 2023 legislation.

While unproven allegations of fraud in the 2022 elections in Maricopa County are likely to continue to be dismissed by the courts, the presence of the litigation and expected appeals will fuel legislative interest in the discussion.

Furthering this prediction of legislative interest in election reform is the selection of the respective committee chairman in both the House and Senate that will have jurisdiction over such issues, as both have reputations regarding unproven allegations of the 2020 presidential election.

It is very unlikely that Governor-Elect Hobbs will support much, if any, election reform related legislation that could be construed, in any way, as making it more difficult for registered voters to cast their ballots.





December 16, 2022

VIA EMAIL to [algarcia@azdor.gov](mailto:algarcia@azdor.gov)

Alejandra Garcia

QCO Program Manager

Office of Economic Analysis & Research

Arizona Department of Revenue

RE: November 18, 2022 Updated Guidelines for Qualifying Charitable Organizations

Dear Ms. Garcia,

The Alliance of Arizona Nonprofits is pleased to provide comments on the Arizona Department of Revenue's draft guidelines published on November 18, 2022 for administering the income tax credit program for qualifying charitable organizations (QCOs) and the guidance statement that was included relating to English language acquisition. The Alliance thanks ADOR for its time in developing the draft guidelines and for holding two public forums to learn more about the proposal. We appreciate the department's collaboration on these efforts.

#### **Comments Related to Qualifying Services**

- Medical Care. The Alliance believes the language in the draft guidelines needs to be clarified to ensure all care by medical professionals is included. We recommend specifying that medical care includes services provided by health professionals licensed pursuant to A.R.S. Title 32 or Title 36.
  - See A.R.S. 32-3201, definition of "health professional"
  - This clarification would help resolve the confusion caused by referencing licensed therapists (e.g., does "therapy" include mental health therapy, physical therapy, speech therapy, and occupational therapy?)
  - ADOR may need to add to this list; for example, doulas have a voluntary licensing program, so not all doulas will be licensed but their care should still be included similar to midwives.
- Job Placement and Job Training Services. The Alliance continues to believe that the definition of job placement and job training services in the draft guidelines is too specific and excludes many opportunities that are generally accepted as basic needs toward employment. At a minimum, this should be expanded to include programs that support high school graduation. A high school diploma or GED is often needed as a basis to gain employment.
  - Please see the "work activities" definition in A.R.S. 46-101 for welfare programs, including the Temporary Assistance for Needy Families Jobs program. Work activities to continue to qualify for welfare programs include: unsubsidized employment; subsidized private or public employment; work experience; on-the-job training; job search and job readiness assistance; community service programs; vocational educational training; job skills training directly related to employment; education directly related to employment in the case of a recipient

who has not received a high school diploma or a certificate of high school equivalency; satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalency, in the case of a recipient who has not completed secondary school or received such a certificate.

#### **Comments Related to Verification of the Eligible Populations**

- Frequently, the nonprofit itself is not the entity that verifies that an individual is on TANF or is low-income. This is often done by a state agency like the Department of Economic Security. For example, a nonprofit may be contracted with DES to provide services to families that qualify for a child care subsidy. DES determines whether the family qualifies for the child care subsidy. What information should a nonprofit include in the narrative provided to ADOR that proves it is serving eligible populations? Can ADOR revise the guidelines to acknowledge that this verification can come from sources other than the nonprofit?

#### **Comments Related to Private Foundations and Pass-Through Services**

- The Alliance is aware that Delta Dental of Arizona Foundation—and possibly other organizations—submitted comments to ADOR outlining their concerns that the department may prohibit organizations that provide pass-through services from being certified as a QCO (see December 15, 2022 letter from Barb Kozuh, director of community benefit, Delta Dental of Arizona). The Alliance urges ADOR to carefully consider these concerns and the negative impact such a prohibition could have on the ability of DDAZF and similarly situated private foundations to solicit donations that qualify for the QCO tax credit and are provided to qualified nonprofits serving eligible recipients.

#### **Comments Related to Umbrella Organizations and Pass-Through Services**

- The Alliance is concerned about the impact on Arizona Gives of Section 3: Umbrella Charitable Organizations and, potentially, Section 4: Pass-through Services, both of which state additional information is forthcoming.
- Arizona Gives, administered by the Alliance of Arizona Nonprofits + Arizona Grantmakers Forum, is a statewide website that allows the public to make personal donations to multiple 501(c)(3) organizations in one convenient place. Annually, the Alliance vets and ensures all nonprofits are legitimate 501(c)(3) organizations according to the IRS, while at the same time verifying whether a nonprofit is or is not state tax credit-qualified.
- In 2017, the Alliance worked with ADOR to ensure Arizona Gives (AZGives.org) could provide a “one-stop shop” for the public to make donations to nonprofits and that those donations could qualify for tax credits if the nonprofit were approved. We worked with ADOR to make sure 1) nonprofits were properly marked as tax credit-qualified organizations based on the information provided on the ADOR website; 2) donors could search for organizations based on their tax credit qualifications; and 3) the language used and information provided in our donation e-receipts (sent via email) contained the proper information necessary for a donor to use when filing their state tax form regardless of whether the donor receives an acknowledgement letter directly from the organization.
- The Alliance also shared with ADOR how our administrative fees worked and there were no issues with these being a component of donations made on the website. We have been transparent about the administrative fees for both participating nonprofits and donors alike, explaining the

annual costs to run the program and the amount of funds raised outside of these fees to continue it. All of that information is available on our website.

- Each year, Arizona Gives sees a significant increase in donations on AZGives.org in December (year-end) and from February to early April (just before the annual tax filing deadline). Many of the donation amounts match the tax credit limits and are being specifically made for tax credit reasons. Taking this option away would be detrimental to the charitable-giving public that relies on Arizona Gives to find tax credit-qualified organizations to which they can give.
- If Section 3 or 4 were to pertain to Arizona Gives, the Alliance would need to significantly change how we administer the program, impacting not only our organization, but thousands of nonprofits across the state and tens of thousands of donors. In the worst-case scenario, we would not be able to continue the program that has raised more than \$36.4 million for Arizona nonprofits over 10 years (2013-2022). In 2020-2022 alone, AZGives.org raised \$19.2 million for thousands of Arizona nonprofits serving our communities during one of the most challenging times of our lives.

### **Comments Related to Financials**

- The Alliance requests that ADOR define what “high level” means in the first bullet point stating that “The organization engages in a high level of spending on advertising or fundraising.” Because many nonprofits rely on fundraising, this statement seems odd to the Alliance.
- Several nonprofit organizations rely on donated medical services or food, for example, which are considered in-kind donations and are required to be reported under Generally Accepted Accounting Principles but are not cash outlays. These in-kind contributions should count toward the 50% threshold, especially if this is a large part of a nonprofit’s mission. It is important to ensure they are not penalized for their mission to serve qualified individuals in this way.

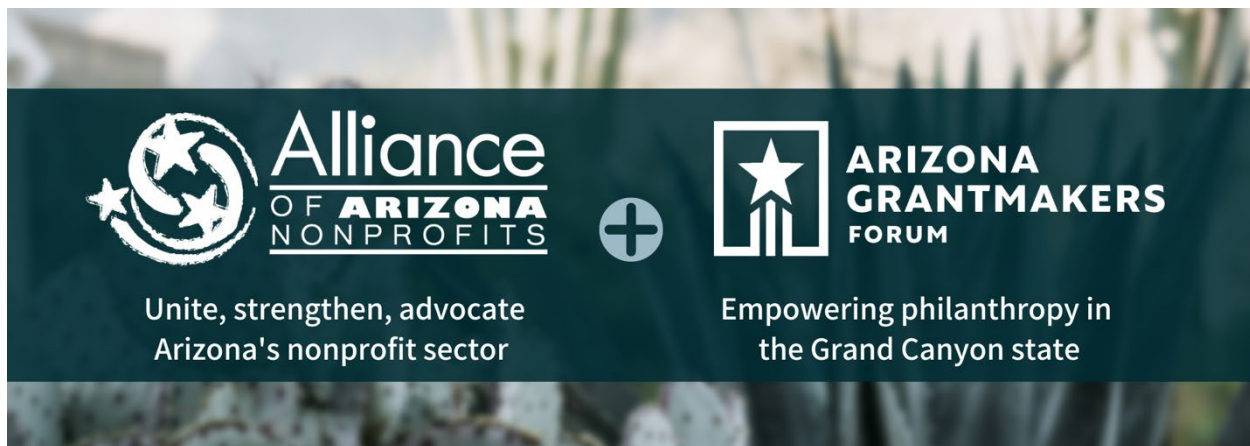
Thank you again for the opportunity to comment on the draft guidelines. If you have questions, please feel free to contact me at [lliles@azgrantmakers.org](mailto:lliles@azgrantmakers.org) or Brandy Petrone at [brandy@goodmanschwartz.com](mailto:brandy@goodmanschwartz.com).

Sincerely,



Laurie Liles  
Chief Public Policy Officer and Vice President, Arizona Grantmakers Forum  
Alliance of Arizona Nonprofits

cc: Kristen Merrifield, CEO, Alliance of Arizona Nonprofits  
Brandy Petrone, Senior Associate, Goodman Schwartz Public Affairs



## **PUBLIC POLICY FRAMEWORK**

The Alliance of Arizona Nonprofits and Arizona Grantmakers Forum merged in August 2022 to leverage the combined strengths of two statewide associations representing nonprofits and philanthropy, maximize value for members and benefit Arizona. The new Alliance advocates for public policy issues that advance the nonprofit and philanthropic sector and the people and communities it serves.

### **Criteria for Implementing Advocacy and Public Policy**

The Alliance of Arizona Nonprofits will be guided by its mission, vision and values in all public policy decision making. The Arizona Nonprofits + Grantmakers Policy Council will use the following criteria in developing the Alliance's annual public policy agenda, and in considering whether the Alliance should engage in policy advocacy on a particular issue:

#### **Impact**

Does the issue positively or negatively affect the interests of the nonprofit sector and the people and communities it serves? Does the issue complement, enhance or impair philanthropic giving?

#### **Support**

Is there, or do we reasonably anticipate there will be, broad support among Alliance members for the position to be taken?

#### **Standing**

Would the Alliance be perceived as a legitimately concerned and appropriate stakeholder for the position to be taken? Would Alliance members' collective experience, knowledge and voice inform the public policy discussion and foster constructive action?

#### **Equity and Inclusion**

Does the issue reflect the values and perspectives of a broad diversity of community members, particularly those who face historical underrepresentation or marginalization?

### **Statement of Policies and Procedures**

- I. The Alliance may take positions on legislative or other public policy issues that:
  1. Have statewide application or effect, or
  2. Have local or limited application but are determined to have statewide policy

significance, or are precedent-setting for the entire sector and the people and communities it serves, or that disproportionately impact a marginalized or underrepresented segment of the community;

**and**

1. Have general relevance to the creation, management, operation, administration and well-being of Arizona nonprofit organizations, or
  2. Are of broad, community-wide importance, and are likely to have such a significant impact on the people and causes nonprofits serve that it is appropriate for the nonprofit sector's voice to be represented in the policy debate.
- II. Except as noted in I. above, the Alliance should avoid taking positions on legislation or other public policy issues that are limited in application to a particular subsector (i.e., education, human services, arts, etc.) of the nonprofit sector.
  - III. Should the Alliance decide not to take a position on a particular issue, it may provide legislative monitoring and updates to members on the status of the issue.
  - IV. In cases where it appears there is not reasonable consensus among Alliance members on a policy position on a significant issue affecting nonprofits, the Alliance may play a role in providing information to both members and legislators on the various opinions within the sector.
  - V. The Alliance's role in supporting nonprofit organizations in their advocacy activities on particular subsector issues may include: providing technical assistance and consultation, training in generic voter engagement, lobbying and advocacy skills, training in lobbying laws and regulations, convening nonprofit organizations to discuss and strategize around issues of broad (but not sector-wide) significance, and creating opportunities for nonprofit organizations to discuss these issues with their legislators.

#### **Alliance Role in Advocacy and Public Policy:**

As the Alliance reviews public policy matters and determines whether to engage, it will determine how deeply to engage. In each case, the Alliance will evaluate whether it will:

- I. Lead the community in a public policy matter.
- II. Participate in coalitions with other entities or organizations to engage on a public policy matter.
- III. Remain neutral or take no position on a public policy matter.
- IV. Share information regarding public policy matters with members, partners and the public, but take no formal position on the matter.
- V. Monitor a public policy matter internally to be prepared to engage if necessary.

On federal policy issues, the Alliance will work to educate its members about issues relevant to the sector and collaborate as needed with national organizations including the National Council of

Nonprofits, United Philanthropy Forum, the Council on Foundations, Independent Sector and other organizations as appropriate.

### **Public Policy Review Process**

The Arizona Nonprofits + Grantmakers Policy Council will develop a proposed annual public policy agenda for review and approval by the board of directors. Public policy matters may be suggested for inclusion in the public policy agenda by the policy council, the Alliance board or staff, or Alliance members. When a public policy matter is proposed for discussion, the review process will generally proceed as follows:

- I. The policy council, chief public policy officer and staff will gather data and information, including from speakers or testimonials, and discuss the matter at a regular policy council meeting. If the council recommends the Alliance take a position on the matter, staff will prepare a draft position statement for the board. The council should also recommend the Alliance's level of engagement in advocating for that position.
- II. Alliance staff will present the policy council recommendation and position statement to the board for discussion and approval. The board will also determine the Alliance's level of engagement on the matter. During this conversation, the board will consider the organization's capacity to participate on the issue, including staff and volunteer time, expenses and political capital used.
- III. If the board approves a formal position statement, staff will share the final statement publicly and execute the plan for engagement. If the matter is a long-term issue, it will be included in the next annual public policy agenda.
- IV. Public policy matters already included in the approved public policy agenda are considered "pre-approved" and the chief public policy officer and CEO can act without additional approval but will report back to the policy council and board.
- V. It should be noted that some matters will not be included in the annual public policy agenda but may arise quickly and require an almost immediate response. In these cases, the chief public policy officer and CEO will work with the policy council chair and/or co-vice chairs, as well as the Alliance board chair, to develop a response and execute an appropriate strategy. In these cases, the policy council and/or board will receive information via email or reports at the next meeting(s).

Approved by the board of directors on December 14, 2022



## 2023 PUBLIC POLICY AGENDA

### About the Alliance of Arizona Nonprofits + Arizona Grantmakers Forum

The Alliance of Arizona Nonprofits is a trusted statewide resource and advocate for the state's nonprofit and philanthropy communities following the merger with Arizona Grantmakers Forum in August 2022. The merged organization (the Alliance) leverages the combined strengths of two important, credible and respected statewide associations to maximize value for members and advance the sector through more effective collaborations. The Alliance's mission is to unite, strengthen and advance Arizona's nonprofit and philanthropic sectors, and it is comprised of more than 1,100 members – both nonprofits and those in the community who support them – across the state. Learn more at [arizonanonprofits.org](https://arizonanonprofits.org) and [azgrantmakers.org](https://azgrantmakers.org).

### Our Role in Public Policy

The Alliance advocates for public policy that contributes to a sound economy, promotes economic well-being for all residents, protects vulnerable populations, preserves our unique natural environment, and advances our common efforts to solve public problems. The Alliance recognizes that each nonprofit and grantmaker (philanthropic organization) plays a role as not only a social advocate, but also as an employer and business. Those overarching public goals drive the work of Arizona's nonprofits and grantmakers, and the Alliance urges policymakers to engage nonprofits and grantmakers as partners in addressing public policy issues.

The Alliance makes the voice of Arizona nonprofits and grantmakers heard and ensures that we are at the table with our for-profit and government colleagues for critical conversations impacting our communities. We encourage the nonprofit and philanthropic community to engage in public policy advocacy for issues that affect individual segments of the community they serve. While it may not be appropriate for the Alliance to play a leadership role in those matters, the Alliance will make every effort to share information and provide opportunities for nonprofits to network and collaborate on subsector advocacy efforts. The Alliance will also provide and support training opportunities that encourage its members to engage in public policy advocacy efforts.

The Alliance recognizes that the rich and diverse experiences, perspectives and values of our entire community should be reflected in all aspects of our work, including the Alliance and social sector's public policy engagement. The Alliance will advocate for inclusive public policies and work to



advance internal and external processes that promote diverse voices in public policy development and implementation. These voices should include those groups and individuals who face historical underrepresentation or marginalization.

To that end, we and our members are guided by the following principles and stand behind the agenda items outlined on the following pages.

## **Guiding Principle: Nonprofits & Grantmakers Working with Government**

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### **Our Partnership with Government**

The Alliance recognizes that the partnership among government, nonprofits and philanthropy can be strengthened to promote innovation, collective models of impact, and streamlined processes, all of which serve the long-term interests of taxpayers and communities. The Alliance advocates to transform the way in which state agencies, philanthropy and nonprofits interact, with a long-term goal of maximizing collective impact for the people of Arizona. The Alliance serves as a representative of the nonprofit and philanthropic sector to government and a connection between the two sectors. In particular, the Alliance advocates for implementation of policies, rules, regulations and laws that ensure federal, state and local governments pay the full cost of providing services contracted to nonprofits.

The Alliance aims to create inclusive and open dialogue among government regulators and the nonprofit sector when new, or changes to existing, regulations are being considered and will serve as a representative of the nonprofit community. The Alliance will also advocate for adequate time for nonprofits to adapt to regulatory and fiscal changes. The Alliance advocates for the existence of appointed boards and commissions as a means of including the public's voice in public policy matters and supports the inclusion of nonprofit and philanthropic leaders on these boards and commissions. The Alliance opposes efforts to limit such civic engagement.

The Alliance actively educates the government sector on nonprofit and philanthropic operations and issues to strengthen the collaboration and understanding between both sectors.

### **State and Federal Fiscal Policy**

The Alliance advocates for a balanced approach to fiscal policy that:

- Provides adequate support for public programs
- Supports levels of resources for quality of life and public infrastructure necessary for the long-term economic growth and health of the nation and the state of Arizona
- Avoids undue hardships on the most vulnerable residents of our communities to achieve balanced government budgets
- Addresses the community's needs comprehensively and avoids pitting one policy or program against another in a competitive framework
- Permits the flexibility of policymakers to address changing and vital community needs, especially those that support nonprofits in their efforts to assist communities and contribute to Arizona's long-term economic development



- Standardizes the application and reporting procedures associated with funding processes to minimize the burden on nonprofits and encourage cooperation among agencies

The Alliance works with federal, state and local entities to identify instances when nonprofits are included or excluded from funding opportunities. When applicable, the Alliance works to ensure nonprofits are included in all funding opportunities.

### **Regulation of Nonprofits**

The Alliance opposes legislation that imposes unreasonable regulatory burdens on nonprofit and philanthropic organizations and stifles their ability to pursue and fulfill their missions. The Alliance advocates for regulatory reform that advances and protects the common interests of taxpayers, nonprofits and grantmakers.

The Alliance advocates for a transparent means to determine whether someone asking for a donation represents a nonprofit or cause that the donor can contact and vet, and that protects both contributors and legitimate nonprofits from disreputable and fraudulent fundraising.

### **Philanthropic Investments**

The Alliance recognizes that while Arizona grantmakers invest significant resources to improve their communities, their role is to supplement and not supplant federal, state and local funding for education and human services. In that spirit, the Alliance encourages policymakers to engage philanthropic leaders and grantmakers as partners in addressing public policy issues. The Alliance supports public policies that:

- Promote philanthropy and encourage charitable giving
- Enhance the ability of philanthropies to carry out their charitable activities
- Provide reasonable and effective public accountability of the philanthropic sector

## **Guiding Principle: Protecting the Underlying Purpose of a Nonprofit**

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The Alliance recognizes that the underlying purpose of nonprofit organizations is to build strong and resilient communities and that philanthropic investments are essential to many nonprofits' success.

### **Responsibility**

The Alliance understands that nonprofits succeed by earning and maintaining public trust. To that end, the Alliance advocates for laws, regulations and policies that maintain nonpartisanship, promote public transparency, and strike a proper balance between the independent activities of nonprofits and the need to protect and inform the public.

### **Tax Exemption**

The Alliance opposes changes to the underlying exemption of nonprofit organizations from corporate income and property taxes at federal, state and local levels of government. Furthermore, the Alliance opposes the imposition of taxes, fees or other costs on nonprofit organizations that

place undue burden on nonprofits, inhibit their ability to perform their work in the community, or have the effect of removing existing exemptions for nonprofit organizations.

### **Sustainability**

The Alliance recognizes nonprofits' need to generate a profit (revenue over expenses) to accumulate reserves for capacity building, economic downturns, drops in funding, major repair and maintenance projects and emergency demands for increased services, such as in pandemics and natural disasters.

The Alliance also recognizes that for a nonprofit organization to have strong financial controls and protect its assets, it must receive unrestricted funding to cover all necessary costs.

## **Guiding Principle: Promoting Community Support for Nonprofits**

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### **Charitable Giving and Tax Incentives**

The Alliance advocates for state and federal tax incentives, deductions and credits that encourage charitable giving by individuals, businesses and organizations. We will evaluate the impacts of proposed changes to these incentives, or creation of new incentives, in the context of other fiscal and social policies that address the critical needs of vulnerable populations nonprofits serve. We oppose efforts to change or eliminate such tax incentives in a way that could reduce the level of contributed income for nonprofit organizations.

### **Service and Volunteerism**

The Alliance advocates for funding and incentives for national, state, local and other community service programs and opposes measures that significantly reduce or eliminate funding and other incentives for such programs. The Alliance promotes protecting the safety of nonprofit volunteers.

### **Charitable Gaming**

The Alliance advocates for clear rules and policies that allow nonprofit organizations to utilize a variety of gaming options as fundraising tools consistent with applicable restrictions and regulations. The Alliance connects nonprofits to the appropriate government agencies to promote better understanding of and compliance with regulations.

## **Guiding Principle: Advancing Nonprofits & Grantmakers' Role in Advocacy**

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### **Advocacy and Lobbying Rights**

The Alliance encourages all nonprofits and grantmakers to engage in advocacy and public policy to support their missions while remaining nonpartisan. The Alliance advocates for protection of and education about the advocacy and lobbying rights of eligible nonprofit organizations and efforts to strengthen Arizona nonprofits and grantmakers' ability to engage in the public policy arena. The Alliance will serve as a connector to encourage collaborative advocacy and coalition building among nonprofits and grantmakers. The Alliance also advocates for laws and initiatives that promote and expand nonprofits and grantmakers' role in Arizonans' civic engagement. Specifically, the Alliance

supports policies that promote and expand the registration, education and participation of voters in the democratic process.

### **Social Welfare Organization (501c4) Reform**

The Alliance advocates for measures that clarify and foster public understanding of the proper role of 501(c)4 organizations in electoral politics; promote transparency and civic engagement; and create clear lines of differentiation between nonprofits permitted to engage in electoral activities and those that cannot.

## **Guiding Principle: Maximizing Nonprofit & Philanthropic Effectiveness**

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### **Nonprofit Capacity Building**

Governments at all levels rely on nonprofit organizations to provide critical services and programs to individuals and communities. Nonprofit capacity-building programs promote effectiveness and innovation in the delivery of services, improve a nonprofit organization's ability to achieve its mission, and help nonprofits sustain themselves over time. The Alliance advocates for federal and state laws that provide resources to support nonprofit capacity building. The Alliance advocates for the development of government contract and grant models that cover the full cost of delivering government services and to invest in evaluation, measurement, capacity building and innovation.

### **Employment & Unemployment Policies**

The Alliance believes that a nonprofit's ability to attract and retain top talent to solve complex community issues depends on its capacity to pay competitive salaries and benefits while maintaining proper accountability and transparency.

The Alliance advocates for a balanced approach to employment and unemployment policy revisions that allows nonprofits to cover any related increased costs.

### **Equity, Diversity, Inclusion, Access & Social Justice**

The Alliance acknowledges that systemic racism exists in public policies, institutions and individuals. Therefore, the Alliance will advocate for policies that identify and dismantle systemic racism and all forms of discrimination. The Alliance recognizes that the rich and diverse experiences, perspectives and values of our entire community should be reflected in all aspects of our work, including the Alliance and nonprofit sector's public policy engagement. The Alliance will advocate for inclusive public policies and work to advance internal and external processes that elevate equity and promote diverse voices in public policy development and implementation. These voices include those groups and individuals who face historical underrepresentation or marginalization.

### **Strengthening Communities**

The Alliance recognizes that as service providers and employers, nonprofit organizations not only help build strong communities, but they are also deeply impacted by the socio-economic pressures that demand public policy solutions. For that reason, the Alliance may support public policies and investments that promote:

- Affordable housing

- Safety-net programs that support low-income residents
- Quality housing and support services for people experiencing homelessness
- Workforce development
- Quality early childhood, K-12 and post-secondary education
- Improved community health

### **Special Section: COVID-19**

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The COVID-19 pandemic has created specific barriers to carrying out nonprofit missions. Social distancing protocol and virtual service delivery make it difficult to provide traditional programs, connect with the community, and fundraise effectively. Uncertainty in funding streams forces nonprofits either to support increased service demand or maintain current staff due to decreased service demand. Staff, volunteers and board members are also often distracted by personal stressors of the pandemic and financial strain.

The Alliance will continue to advocate for:

- Flexible financial relief and support for nonprofits of all types and sizes that allows nonprofits to effectively respond to community and organization needs
- Reasonable liability protections for nonprofits working diligently to protect their employees, volunteers and clients, allowing them to continue to safely provide services that are vital to Arizona's communities
- Inclusion of nonprofit leadership and voices on issues related to COVID communication, response and recovery
- Protection of nonprofits that self-insure for unemployment insurance, as well as mitigation of any future hardships related to unemployment costs for the nonprofit sector in general

Approved by the board of directors on December 14, 2022

## Appendix: Examples of Previous Alliance Actions

### Guiding Principle: Nonprofits and Grantmakers Working with Government

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*Examples of previous actions include:*

- *Advocated for implementation of federal Office of Management and Budget guidelines that call for full costs of services to be paid by state and federal agencies to nonprofit contractors. Alliance action has focused on training for nonprofits eligible to include full costs in their contract negotiations.*
- *Advocated for exploration of a nonprofit registration system that would allow consumers and donors to vet the legitimacy of nonprofits operating in the state*
- *Opposed sector- or organization-specific exclusions from the State Employees Charitable Campaign that could be precedent setting in allowing the state to select “winners and losers” in employees’ personal workplace giving choices*
- *Advocated for dedicated funding for education through both a temporary and permanent sales tax*
- *Coordinated and elevated the nonprofit voice on COVID-19 related issues with the Governor’s Office and related agencies*
- *Advocated for inclusion of nonprofits in federal, state, county and city COVID-19 relief packages*
- *Supported reasonable liability protections for nonprofits working diligently to protect their employees, volunteers and clients, allowing them to continue to safely provide services*
- *Collected Alliance member feedback regarding concerns and issues with Department of Revenue implementation of qualifying charitable organization audits for certification. Worked with DOR to implement changes to help nonprofits going through the process. Continuing to work with DOR to implement systemic changes to the process.*

### Guiding Principle: Protecting the Underlying Purpose of a Nonprofit

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*Examples of previous action include:*

- *Defended the Johnson Amendment, which protects nonprofit nonpartisanship and builds trust and respect for the nonprofit community*

### Guiding Principle: Promoting Community Support for Nonprofits

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*Examples of previous action include:*

- *Successfully advocated for continuation of Arizona Charitable Tax Credit (formerly Working Poor Tax Credit) program*
- *Shared information regarding efforts to increase the donation levels and extend the donation window for the Arizona Charitable Tax Credit. However, the Alliance did not take a position in support of or opposition to the expansion of the credit.*

- *Successfully lobbied for amendment of legislation for nonprofits involved with wine pulls and other liquor-related fundraising activities and provided training to nonprofits on related regulations*
- *Advocated for federal tax reform initiatives that make it easier for all Americans to utilize federal tax incentives for charitable giving*
- *Advocated for development of permanent, dedicated public funding sources for 2-1-1*
- *Successfully advocated for Arizona tax reform changes that allow Arizonans to continue to receive a tax benefit for their charitable giving whether they itemize or take the standard deduction on their state taxes. Successfully advocated for an inflationary increase to the cap.*
- *Successfully advocated for a universal charitable tax deduction at the federal level*
- *Advocated for support for AmeriCorps and other community service programs that benefit nonprofit organizations and develop nonprofit leadership*
- *Provided education and training on raffle regulations*
- *Successfully advocated for a change to the amount of time needed for a nonprofit to exist before the nonprofit can conduct a raffle.*

### **Guiding Principle: Advancing Nonprofits & Grantmakers' Role in Advocacy**

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*Examples of previous action include:*

- *Advocated for open primary elections*
- *Provided advocacy training to encourage nonprofit member engagement in public policy*
- *Hosted an annual "Day at the Capitol" to provide an opportunity for the nonprofit community to highlight their work and collective impact and to advocate for policies that support that work*
- *Monitored and reported on federal and state legislative activities that impact nonprofits*
- *Issued action alerts to encourage nonprofit engagement on specific issues of significance to the sector*
- *Defended the Johnson Amendment, which protects nonprofit nonpartisanship and builds trust and respect for the nonprofit community*
- *Convened nonprofit leaders around COVID-related issues and connected them to the media and their elected officials to tell their stories*
- *Performed and communicated results of nonprofit sector polls regarding impacts of COVID-19 on the nonprofit sector. Disseminated information to media and elected officials and their staff.*
- *Created online platform for Policy Council members to connect on advocacy issues*

### **Guiding Principle: Maximizing Nonprofit & Philanthropic Effectiveness**

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*Examples of previous action include:*

- *Monitored, reported and trained on proposed overtime regulation changes and the related impacts on nonprofits as community organizations and as employers*
- *Monitored, reported and trained on proposed minimum wage increases and the related impacts on nonprofits as community organizations and as employers*

- *Following passage of a minimum wage increase, advocated for changes to state contracts to ensure the wage increases were included in nonprofit contracts*
- *Successfully advocated for the protection of tribal gaming grants awarded to nonprofits, as well as education of the nonprofit sector regarding these gaming grants*
- *Provided training and outreach to nonprofits and government partners regarding Office of Management and Budget guidance that the full cost of contracted services (including “overhead”) should be funded by federal contracts, including contracts passed through states to nonprofit contractors*
- *Worked to ensure that the 2020 Census process was inclusive and did not create barriers to participation for residents*
- *Released a statement and support of Black Lives Matter*
- *Performed and communicated results of a nonprofit sector poll around Diversity, Equity and Inclusion practices and needed support*
- *Communicated, advocated and rallied support for overturning the 2020 Presidential Executive Order on restrictions related to diversity, equity and inclusion training*