

# TIMBER | MEMORANDUM OF SUPPORT

S.6421 (Skoufis) / A.7550 (McDonald)

## Nonprofit Employee Transparency

**Purpose:** This legislation amends the Executive Law to require 501(c)(3) and 501(c)(4) nonprofits to file an annual employment report electronically if state funds account for 25% or more of their total annual revenue. If the employment report is not filed with the state within 90 days of notification that the report is due, the nonprofit may be subjected to a civil penalty of up to \$1,000 per month until such report is filed. If the report is not submitted within 180 days of notification, the entity would be made ineligible for state funding for a minimum of two years.

**Background:** From 1992 to 2022, the percentage of New Yorkers employed by state or local government declined from 15.9% to 13.4% and their share of all wages in the state declined from 15.6% to 12.4%.<sup>1</sup> During that same time period, New York State's total population grew from 18.1 million to well over 19 million.<sup>2</sup> On the whole, New York has substantially fewer state and local employees serving many more residents while also earning significantly less pay.

Insofar as the erosion of our state and local government workforces has been mitigated by other sectors, it has been through not-for-profits. From 1992 to 2020, total revenue in the nonprofit sector has climbed from \$522 million to \$2.68 billion.<sup>3</sup> Having started at \$41 million in 1992, government contributions to nonprofits reached \$301 million in 2020, with half of that growth occurring in only the previous decade. The nonprofit sector is enormous, growing, and increasingly essential. In many key industries, 501(c)(3) nonprofits are not merely subsidized by government: they are replacing it. We do not expect that everybody would share our skepticism about outsourcing generally, but we do expect that everybody would want to ensure that, when we are forced to look beyond the public sector, we have the right tools to ensure that it is being done properly.

**Justification:** While we are generally sympathetic to nonprofits concerned about the burden of additional administrative overhead, we are cautiously optimistic that most NGOs already have a general sense of who they employ written down somewhere. It should not be a very heavy lift to ask that they share that information with the public, particularly when it is the public footing their bills. In several disturbing local events in the last few years, this very basic information would have been tremendously useful to constituents, clients, unions, and good government groups who wonder to this day both where their money went and to whom it was going.

**TIMBER is a public interest 501(c)(4) nonprofit for working people in Troy, New York. We strongly support this legislation.**

<sup>1</sup> <https://www.bls.gov/cew/downloadable-data-files.htm>

<sup>2</sup> <https://data.census.gov/table/ACSDP1Y2022.DP02?t=Ancestry&g=040XX00US36&tid=ACSDP5Y2022.DP02>

<sup>3</sup> <https://www.irs.gov/statistics/soi-tax-stats-charities-and-other-tax-exempt-organizations-statistics>



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