



SAME BILL AND POSITION AS HOUSE BILL 1014

March 13, 2007

To: Chairman and Members of the Senate Finance Committee

From: Henry Bogdan, Public Policy Director

Re: Senate Bill – 689 – Maryland Nonprofit Development Center Program

Position: **SUPPORT**

The Maryland Association of Nonprofit Organizations is a statewide organization comprised of over 1600 member nonprofit agencies, associations and institutions, and our purpose is to support and enhance the effectiveness of the State's more than 24,000 nonprofit groups in carrying out their missions of public and community service.

Experience and studies show that many nonprofit managers and boards recognize that they need assistance in improving their management capabilities and practices, and a ready source of 'on the job' technical assistance and advice with questions and issues that arise in the everyday business of leading their organizations and providing services.

But the current programs for supporting small businesses in Maryland, through the Governor's Office of Business Advocacy and Assistance and the Small Business Development Center (SBDC) program are not equipped to assist the development or management issues that face nonprofit organizations, and usually refer requests for assistance to the Maryland Association of Nonprofit Organizations. Nonprofits account for more than 11% of all private employment in the state, have steadily grown as a part of the state's economy, and are a significant part of the system for delivery of state services to people and communities.

Senate Bill 689 establishes a new Maryland Nonprofit Development Center Program within the Department of Business and Economic Development, to provide training and technical assistance to the state's more than 24,000 nonprofit organizations.

The range of services and supports to be provided in the program are specified and described in detail in the bill, and include information, individual consultation and direct technical assistance with all aspects of nonprofit management, such as budgeting and financial management, board development, fundraising, applicable federal state and local laws, and volunteer and personnel management.

To provide funding for these services, a new Maryland Nonprofit Development Center Program Fund would be created within DBED, to provide a source of funds for grants to service providers to implement the program. Fee increases dedicated to the Fund include a \$100 increase in the one-time fee for filing articles of incorporation for a non-stock corporation, and approximately 40% increases (ranging from \$20 to \$80 annually) for charitable registration with the Secretary of State.

The Department will be required to designate at least one nonprofit entity to receive grants and implement the program, and criteria for selecting a designee are provided, included demonstrated experience and providing matching funds.

Over the last 15 years the nonprofit sector in Maryland has been a steadily growing portion of the economy and employment base – continuing to add numbers throughout that period even when recession slowed or stopped growth in other economic sectors. For eight of the last ten years, its growth rate has equaled or exceeded that of the for-profit sector.

At the end of 2004, Maryland's nonprofit sector accounted for 232,536 jobs. This represents over 11 percent of total *private* employment in the state (or 1 out of every 9 *private* jobs), well above the U.S. average. Maryland nonprofit organizations thus employed more than four and a half times as many workers as the state's information industry (including telecommunications and information services); two times as many workers as the state's entire banking, finance, and insurance industry; and almost a third more workers than the state's construction industry.

The Baltimore and Washington suburbs together continue to account for the bulk (52 percent) of nonprofit jobs in the state, compared to 35 percent in Baltimore City. The remaining 13 percent of nonprofit employment is located in Western Maryland and the Eastern Shore. Even though over half of the state's nonprofit employment is located in suburban areas, nonprofit organizations actually account for a larger proportion of total private jobs in Baltimore City and rural areas of the state. Nonprofits account for almost 30% of all private jobs in Baltimore City.

Given the limited resources of, and seemingly unlimited demands placed upon most nonprofit managers and boards, in our experience many if not most realize that they should be doing more to improve their management and organizational effectiveness.

Providing easier access to technical assistance, training, and additional information, to explain, clarify, and provide sample policies, is essential to assist organizations to improve overall management and performance, and to strive to achieve 'best practice' standards. Without such assistance, nonprofit organizations often find themselves frustrated and unable to develop the internal capacity to implement improved governance and management on their own.

The management capacity and proficiency of the nonprofit sector is now a significant factor in the efficiency and effectiveness of government programs and services. Over the last thirty years nonprofit organizations have played an increasingly significant role in the delivery of government programs and services, nationally and in Maryland, creating a compelling state interest in the effective management and performance of these service providers. Organizational failures lead to erosion of public confidence, both in charities and often in government services they are delivering.

Yet these organizations are essentially excluded from numerous state programs that serve for profit businesses, such as programs to assist government contract financing, and the direct assistance provided by the Small Business Development Center network. Along with the Secretary of State's office and the State Department of Assessments and Taxation, the SBDC network refers nonprofits to our organization for help that it provides to other businesses.

In the last several years, issues arising from inappropriate nonprofit management have drawn attention at both the state and federal level. Since 2004 the U.S. Senate Finance Committee, and the U.S. House Ways and Means Committee have been questioning nonprofit management practices and proposing possible reforms. The Finance Committee's staff paper recommended new public investment to support 'an education presence in each state' to assist tax exempt organizations to improve management and achieve 'best practice' standards.

Just last year concern with governance and management of group homes sparked efforts to legislate standards for their board and management practices in the General Assembly.

In conclusion, the nonprofit sector represents a significant portion of the states economic activity and employment, is a critical component in the delivery of government programs and services, and is severely challenged by the lack of adequate support for its governance and management capacity. We believe that the Nonprofit Management Development Center program, extending to nonprofits the type of assistance already supported for the for profit small business sector, is essential to assure effective delivery of state services, and for public confidence in both charitable and state programs.

We urge you to give Senate Bill 689 a favorable report.