



October 25, 2024

Testimony to the Minnesota Campaign Finance and Public Disclosure Board

Hello, my name is Marie Ellis and I am the public policy director at the Minnesota Council of Nonprofits (MCN). MCN is the largest statewide association of nonprofits in the country, representing over 2,000 member organizations across the state, most of which are 501(c)(3) nonprofits who also report their lobbying activity to the IRS. MCN's mission is to inform, promote, connect, and strengthen individual nonprofits and the nonprofit sector, and a large part of that work is done through our public policy advocacy and lobbying initiatives.

Thank you for this opportunity to provide testimony. While today's focus is on lobbying of local officials, my broader comments will be relevant to the conversation and hopefully helpful in guiding your decisions. MCN believes there can be a balance between ensuring transparency and simplifying the reporting obligations so that all nonprofits and individuals from historically marginalized communities can access their elected officials.

This balance must include clear practical guidance from the Campaign Finance Board as to what constitutes lobbying activity, and must offer support to nonprofits and others so that they can navigate compliance without the fear of unintended violations.

MCN appreciates the Campaign Finance Board's efforts to address significant challenges in lobbying reporting, and we urge you to consider innovative solutions to address these issues. Innovative thinking to find the right balance should include considering: higher thresholds for reporting for small organizations, aligning the state's definition of lobbying with the IRS's definition, removing some requirements for entities that already report lobbying activity to the IRS, and other ideas. To be clear, we are not advocating for any specific policies at this time, but rather for conversations that explore the ideas further.

Regional chapters in:

- Central Minnesota
- Northeast Minnesota
- Northwest Minnesota
- Southeast Minnesota
- South Central/Southwest Minnesota
- West Central Minnesota



Nonprofits support transparency and disclosure

The nonprofit sector strongly supports transparency of our own organizations, and the public's right to know who is being paid to lobby elected officials. In fact, 501(c)(3) charitable nonprofits, which make up the majority of nonprofits, already disclose information about our lobbying efforts to the IRS, and that information is free and easily accessible online. We support a strong democracy, which must include appropriate disclosures about who is being paid to lobby.

The challenges of Lobbying reporting deter some 501(c)(3) nonprofits from participating in the public debate

Reporting lobbying activity can genuinely be challenging for nonprofits, particularly small nonprofits, as well as individuals from communities that have historically been shut out of government decision-making spaces, which of course includes communities of color.

Complex and unclear lobby reporting rules can be a deterrent that keeps nonprofits from adding their valuable perspectives to the policy debate and keep them from participating in civic discourse.

One specific challenge nonprofits face in reporting compliance is that the IRS and Minnesota define lobbying differently and ask for different data. We must track lobbying time and expenses under both definitions, distinguishing between legislative, administrative, or local lobbying, and whether it is direct or grassroots.

There can be serious consequences for reporting incorrectly to the IRS, including loss of an organization's 501(c)(3) status, meaning they are no longer exempt from paying income tax, and donations to the organization would not be tax-deductible.

Regional chapters in:

- Central Minnesota
- Northeast Minnesota
- Northwest Minnesota
- Southeast Minnesota
- South Central/Southwest Minnesota
- West Central Minnesota



Over 70% of nonprofits in Minnesota have annual revenue of under \$1 million, relying on volunteers and limited staff who already juggle numerous responsibilities. These organizations do not have the resources to navigate lobbying reporting rules.

Given how high those stakes are, and the lack of practical guidance and support, it is no wonder many nonprofits steer clear of any kind of policy advocacy altogether.

Nonprofits provide critical information to decision-makers

Nonprofit organizations are vital advocates for policies that support a thriving state. We do not want the complexity of lobbying reporting to unintentionally discourage advocacy and silence the voices of those organizations.

This is not just a burden for nonprofits—it is a loss for the legislative process. These organizations provide valuable, on-the-ground insight into communities across Minnesota. Without their voices in the conversation, the policymaking process is less inclusive and critical perspectives are lost. This is particularly harmful to historically marginalized communities, whose perspectives are often misunderstood or overlooked in mainstream policy debates.

Practical guidance is missing

You might be wondering, “Is registering and reporting really that hard?” Yes, it is. The actual requirements are not the main barrier. The main barrier is the lack of practical guidance from the Campaign Finance Board or any other entity, which leads to confusion and misunderstanding.

A good example is what I’m doing right now. I’m sharing opinions with a government entity, which looks and feels like lobbying. But, I’m not discussing specific legislation or administrative rules. It’s not obvious whether this should be included in my lobbying time or not. Further, let’s say it is lobbying time. Do I



count only the 5 or 10 minutes I'm speaking with you? Or should I also count the time I spent preparing these remarks, and the time spent in conversations with many nonprofit advocates to ensure I was representing their concerns well?

Depending on what we count as lobbying, this testimony could be 10 minutes or 10 hours. I imagine there is specific guidance in a CFB Advisory Opinion, but we can't expect people to dive in that deep, especially if lobbying is not a main part of their job. We can't have a productive conversation about the \$3,000 threshold if we don't have clear understanding of what activities are included in that time.

People should not need to be legal experts on the ins and outs of lobbying rules to feel comfortable talking with their elected officials.

Possible solutions

We urge the Campaign Finance Board to think big, and engage nonprofit advocates in considering reforms that would simplify compliance for nonprofits and their advocates while maintaining robust transparency measures. The Minnesota Council of Nonprofits can be a partner in this effort, in convening nonprofits to participate in these conversations, sharing our experiences, and our expertise on federal reporting requirements for 501(c)(3) nonprofits.

As noted above, we understand and appreciate the importance of transparency in lobbying. It is crucial for the public to have access to information about who is advocating for policy changes and who is being compensated for that work.

Our goal is to ensure that Minnesota's legislative process remains open and accessible to all, and that the rules do not inadvertently create or perpetuate structural barriers to participation for smaller organizations and the communities they represent — communities that are often already underrepresented in our state's policymaking. This accessibility is critical to a healthy democracy.

Thank you again for the opportunity to provide input. We look forward to working with you to find solutions that enhance both transparency and equity in Minnesota's legislative process.

Regional chapters in:

- Central Minnesota
- Northeast Minnesota
- Northwest Minnesota
- Southeast Minnesota
- South Central/Southwest Minnesota
- West Central Minnesota



Marie Ellis
Public Policy Director
Minnesota Council of Nonprofits
(651) 757-3060
mellis@minnesotanonprofits.org

2314 University Avenue West, Suite 20, St. Paul, MN 55114
Phone: 651-642-1904 | Fax: 651-642-1517
www.minnesotanonprofits.org | info@minnesotanonprofits.org

Regional chapters in:

- Central Minnesota
- Northeast Minnesota
- Northwest Minnesota
- Southeast Minnesota
- South Central/Southwest Minnesota
- West Central Minnesota