

**TESTIMONY BEFORE THE OHIO SENATE FINANCE COMMITTEE
REGARDING SUB. HOUSE BILL 110**

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Thank you for the opportunity to address you today.

I am Dr. Kristine Severyn, from Dayton, Ohio, who comes before you as a researcher concerned with our state budget process.

As the Ohio General Assembly prepares the 2022-2023 state budget, Ohio taxpayers depend on you to properly scrutinize groups soliciting their piece of the budget pie.

I believe more scrutiny should be paid to the secretive financial disclosure practices of Groundwork Ohio, led by Executive Director and lobbyist Shannon Jones, a former member of the Ohio General Assembly, and currently a Warren County commissioner. Groundwork Ohio lobbies state lawmakers for hundreds of millions of state preschool tax dollars during state budget cycles.

Regardless of one's opinion on government-funded preschool, should state lawmakers so readily accept advice from preschool lobbyists and "charities" which lack public financial accountability?

Ohio taxpayers and state lawmakers should be concerned about Groundwork's lack of financial transparency and end run around IRS reporting requirements for nonprofit organizations.

Groundwork Ohio is not a tax-exempt charity. It does not have its own 501(c)(3) designation from the IRS. Instead, it uses the tax-exempt status of California-based fiscal sponsor Community Initiatives to accept tax-exempt donations from Ohioans and to hide IRS-prohibited activities of lobbying and influencing legislation. This dubious arrangement enables Groundwork to avoid filing its own IRS Form 990, normally required of other 501(c)(3) nonprofits. Thus, Groundwork intentionally shields its lobbying expenditures from Ohioans and the IRS. *The Wall Street Journal* describes such arrangements as "black holes."

Fiscal sponsorship is an IRS loophole whereby a non-tax-exempt entity, e.g. Groundwork Ohio, circumvents tax law by using the tax-exempt status of a 501(c)(3) organization as a pass-through entity (conduit) for donations, a form of money laundering. While fiscal sponsorship was initially intended for new or temporary projects, Groundwork reportedly has contracted with three fiscal sponsors for approximately sixteen years.

Under this murky scheme, both Groundwork Ohio and its California fiscal sponsor refuse to release Groundwork's financial records to the public, clearly violating the fiscal integrity guidelines of the National Network of Fiscal Sponsors, of which Community Initiatives is a Steering Committee member.

While Groundwork Ohio solicited funds from Ohioans and lobbied state lawmakers since at least 2004, the organization may have violated Ohio law by not registering until 2018 with the Ohio Attorney General, and then only as a “Doing Business As” under the Community Initiatives listing. Unlike other Ohio registered charities, Groundwork Ohio files no financial reports with the OAG.

Not until August 5, 2019, nearly one year after this so-called “charity’s” suspicious business practices were exposed in my August 26, 2018 letter to *The Columbus Dispatch*, did Community Initiatives finally register with the Ohio Secretary of State. And not until August 25, 2020 did Groundwork Ohio eventually register under its own name with the Secretary of State, then only as a “Fictitious Name.”

Based on its 2018 IRS Form 990, Groundwork’s fiscal sponsor, Community Initiatives, collected nearly \$37 million to manage the finances for nonprofits, mainly in the San Francisco Bay area, under its 501(c)(3) umbrella. Community Initiatives acts as sole decision-maker whether sponsored organizations qualify for sponsorship and follow IRS rules, while collecting its ten-percent cut from each group it sponsors, an inherent conflict of interest.

After operating for sixteen years, and now with twelve lobbyists and rented office space in Columbus, Groundwork Ohio has outgrown the purpose for an out-of-state fiscal sponsor which conceals Groundwork’s finances and lobbying expenses from the public. The Ohio legislature should question Groundwork Ohio when it plans to become its own corporate entity, with its own 501(c)(3) IRS designation, and file its own IRS Form 990. Only then can Ohioans be somewhat assured that Groundwork Ohio is operating in a transparent manner.