

Texas Nonprofit Leaders' COVID-19 Impact Report

DECEMBER 2020



Center For
Nonprofits & Philanthropy
THE BUSH SCHOOL • TEXAS A&M UNIVERSITY



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foundation



CONTENTS

- 1** INTRODUCTION & SURVEY METHODOLOGY
- 2** TAKE ACTION

KEY FINDINGS

- 3** MISSION
- 4** WORKFORCE
- 5** REVENUE
- 6** ORGANIZATIONAL & OPERATIONAL IMPACT
- 7** SUSTAINABILITY
- 8** DEMAND FOR SERVICE
- 9** RELIEF & SUPPORT
- 10** ADDITIONAL ASSISTANCE NEEDED

RECOMMENDATIONS

- 11** POLICYMAKERS & ELECTED OFFICIALS
- 12** PHILANTHROPY
- 12** BUSINESS & CORPORATE LEADERS
- 13** CLOSING & LEAD PARTNERS

INTRODUCTION

United Ways of Texas and OneStar Foundation, in partnership with the Center for Nonprofits & Philanthropy at Texas A&M University's Bush School of Government & Public Service, recently administered a statewide survey to better understand how the COVID-19 pandemic is affecting 501(c)(3) organizations across the sector. This brief highlights key findings from the survey and opportunities for improvements.

The survey is a follow-up to ***The Impact of COVID-19 on Texas Nonprofit Organizations*** report released in August 2020 as well as part of the *Built for Texas* initiative, which aims at elevating the power and role of the nonprofit sector, the value of nonprofits to local communities and the state's economy, and the critical role nonprofits play in civil society.

We acknowledge and thank our partners for their guidance and outreach on this project.

LEAD PARTNERS

Center For Nonprofits & Philanthropy, The Bush School of Government & Public Service at Texas A&M University
OneStar Foundation
United Ways of Texas

ADVISORY PARTNERS

Mission Capital
Nonprofit Management Center
Southeast Texas Nonprofit Development Center
Texas Rural Funders
Texas Voluntary Organizations Active in Disaster
The University of Texas Rio Grande Valley Nonprofit Resource Center
United Way of Greater Houston
United Way of Metropolitan Dallas
United Way of San Antonio and Bexar County

OUTREACH PARTNERS

EarthShare of Texas
Humanities Texas
Keep Texas Beautiful
Southeast Area Ministries
Texas Association of Museums
Texas Commission on the Arts
Texas Historical Commission
VolunteerNow
Volunteer Center of Lubbock

SURVEY METHODOLOGY

From September 24 to October 26, 2020, the survey was open to all Texas nonprofits and inquired about staff, programmatic, and organizational needs considering the COVID-19 pandemic. We received nearly 670 responses from nonprofit leaders representing diverse communities and areas of focus, with 35% of responses from arts, culture, and humanities organizations and

34% from the human services sector (e.g., foster care, child care, counseling, financial coaching, housing, employment, youth development). The typical respondent had 20% of their client base in rural areas and had fewer than 500 employees. A range of budgets was also represented, with 45% of nonprofits having annual budgets under half a million dollars a year.

TAKE ACTION

Nonprofit organizations across Texas continue to be impacted by COVID-19. However, impact levels and response efforts—including resource distribution—have varied across the sector, highlighting the inequities experienced by nonprofits and the communities they serve. For example, Texas nonprofits led by or serving historically underrepresented groups, those serving communities outside of major metropolitan areas*, and those with budgets less than \$100,000 have been hit hardest by the pandemic and economic downturn.

Now more than ever, we urge leaders across all sectors—especially government, business, and philanthropy—to provide additional support to all Texas nonprofits to ensure they can continue providing essential services to communities across the state.

“This has been a difficult year for so many...While it hasn’t been without anxiety or struggle, we’re incredibly proud of the work that we’ve accomplished and all of the ways our very lean team have served the community.”

~ Survey respondent

* In this report, major metropolitan areas are defined as the Dallas-Fort Worth, Houston, San Antonio, and Austin regions.

For more information on the *Built for Texas* initiative and COVID-19 resources for Texas nonprofits, visit txnonprofits.org.

POLICYMAKERS

- Invest in and ensure the equitable allocation of resources to Texas communities.
- Provide and target additional relief
- Update government contracting processes and strengthen data transparency
- Ensure nonprofit input in policy decisions
- Prioritize 211 funding and improvements
- Bridge the digital divide and ensure digital inclusion
- Promote charitable giving and incentivize volunteerism

PHILANTHROPY

- Promote and practice equitable grantmaking
- Provide flexible, unrestricted funding and increase giving
- Invest and engage in advocacy efforts
- Strengthen partnerships and serve as a broker
- Reduce and streamline requirements
- Deepen efforts to coordinate with fellow funders as well as local and federal governments

BUSINESS

- Give unrestricted, multi-year contributions
- Use your voice to advocate
- Educate employees and empower them to give back
- Engage nonprofits in business decisions
- Serve as a broker for the sector
- Speak to your nonprofit partners



MISSION

The majority of Texas nonprofits are providing support to those hit hardest by the pandemic while also adapting their work to meet community needs.

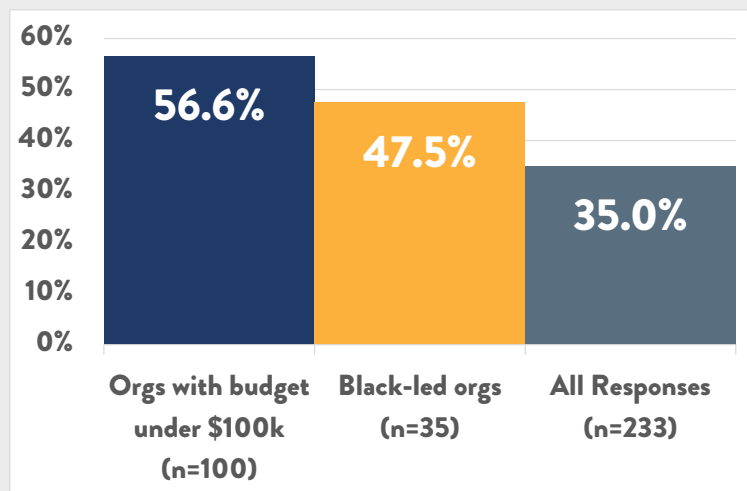
POPULATIONS PRIMARILY SERVED BY RESPONDENTS

Low-income individuals & families	65.9%
Children or youth under 18 years of age	53.6%
Communities of color	52.8%
Adults 60 years of age or older	37.3%
People with disabilities	33.8%
Veterans	27.9%
People experiencing or at risk of unemployment or underemployment	27.2%
Immigrants and/or refugees	26.6%
People experiencing or at risk of homelessness	25.2%
Undocumented individuals & families	23.2%
LGBTQ+	22.8%
Domestic/sexual violence survivors	19.7%
Individuals with chronic illness	19.4%
None of the above	17.6%
People in the criminal justice system	13.1%

(n=659)

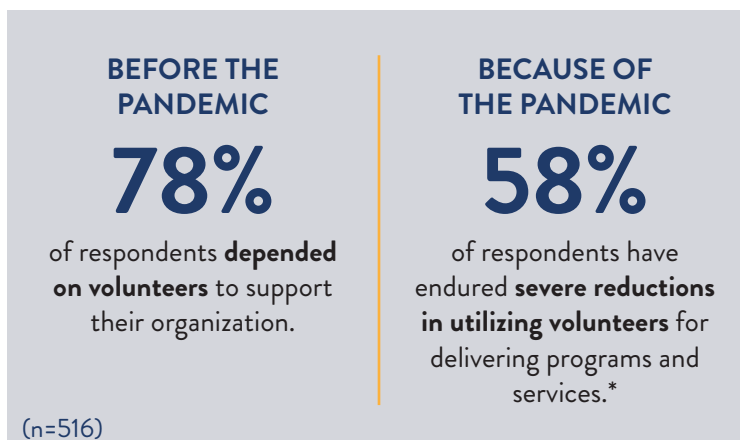
Compared to all Texas nonprofits, more **Black-led nonprofits** and those with an **operational budget under \$100,000** reported experiencing reductions in service delivery as a result of the pandemic, which ultimately undermines their ability to fulfill their missions.

ORGANIZATIONS DELIVERING PROGRAMS OR SERVICES IN A SEVERELY REDUCED CAPACITY

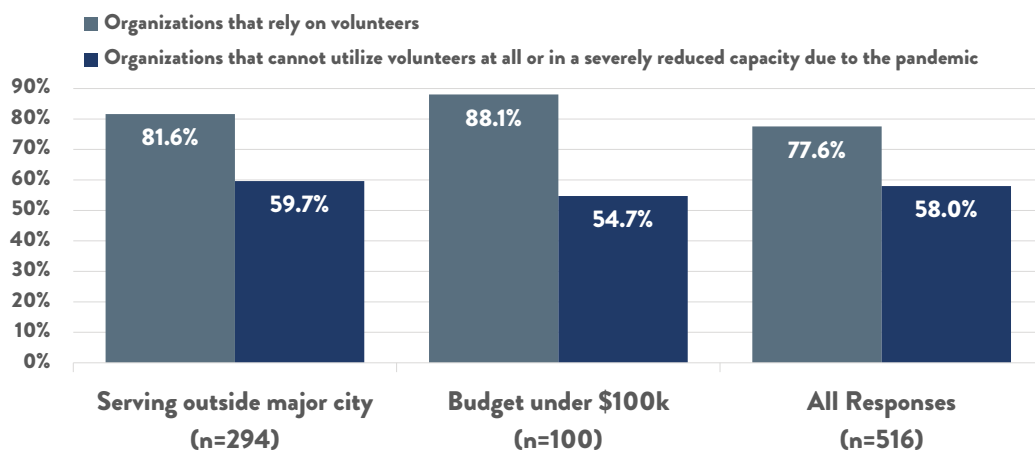


WORKFORCE

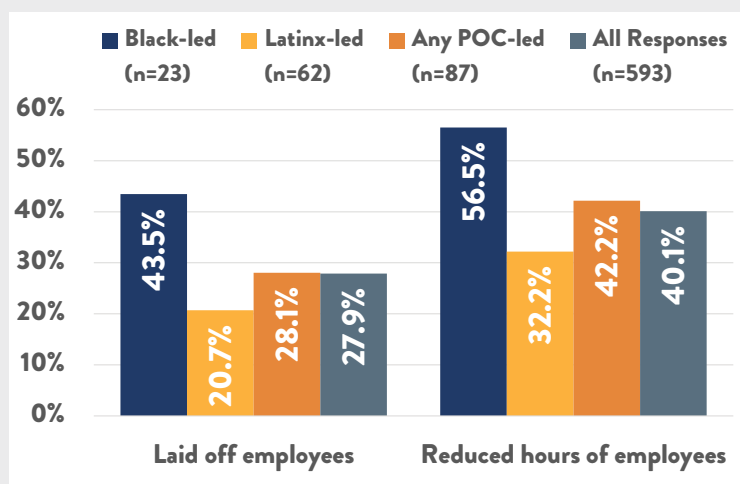
Texas nonprofits—especially nonprofits **serving communities outside of major metropolitan areas** and those with **budgets of less than \$100,000**—rely on volunteers to carry out their mission and meet community needs. Unfortunately, the pandemic has caused a lot of disruptions among the volunteer workforce of nonprofits.



* This goes up to **76%** of respondents when also including **moderately reduced** impact of volunteers.



The pandemic has also affected the paid workforce of Texas nonprofits, with **Black-led organizations** experiencing disproportionate human resource impacts.



REVENUE

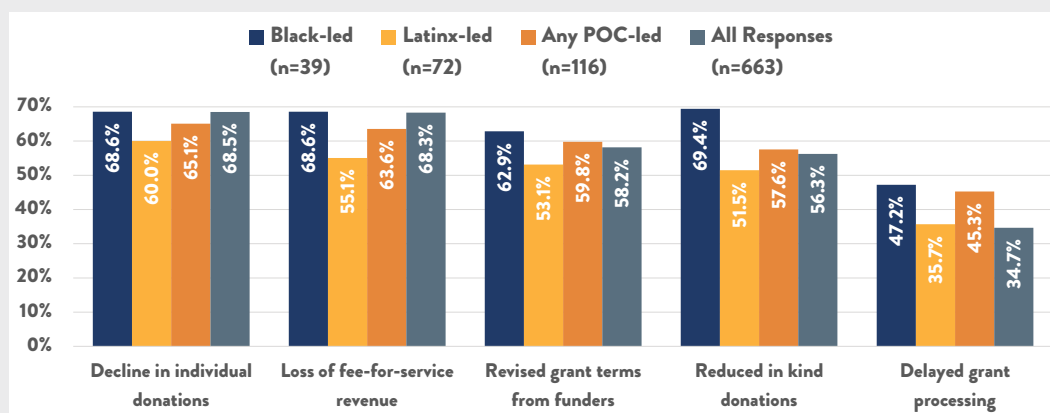
Nonprofits have faced significant changes in revenue because of COVID-19, including declines in individual donations and fee-for-service earnings. Additionally, many Texas nonprofits are dealing with revised grant terms and reductions in in-kind donations.

WHAT FINANCIAL RAMIFICATIONS HAS YOUR ORGANIZATION EXPERIENCED?

Decline in individual donations	68.5%
Loss of fee-for-service revenue	68.3%
Revised grant terms from funders	58.2%
Reduced in kind donations	56.3%
Delayed grant processing	34.7%

(n=663)

Nonprofits **led by people of color—particularly Black-led nonprofits**—more frequently reported experiencing financial ramifications due to the pandemic.



“Our revenues are significantly lower this year than last year because we had to cancel our revenue-generating events. This will make applying for future grants problematic, since some grantmakers look at prior revenues and some limit funding requests to a percentage of previous year’s revenue.”

~ Survey respondent

ORGANIZATIONAL & OPERATIONAL IMPACT

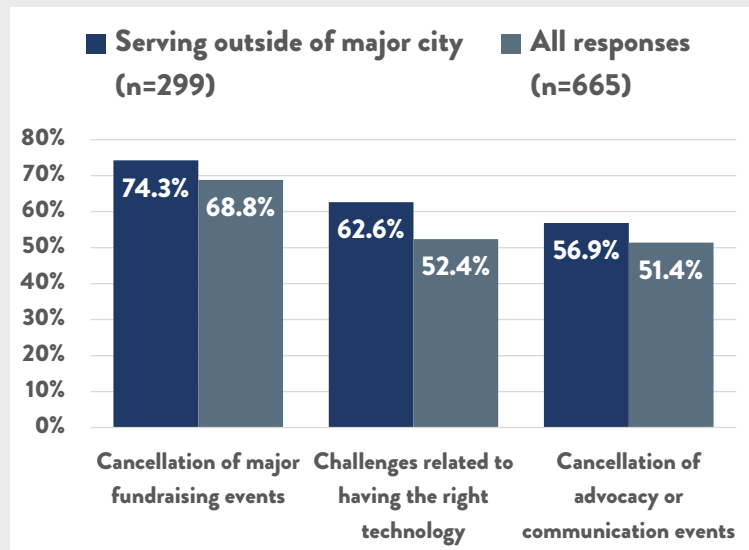
Nonprofits have experienced significant organizational impacts such as the cancellation of major fundraising events, disruption of services to their communities, and workforce-related challenges.

PERCENT OF RESPONDENTS THAT HAVE FACED

Cancellation of major fundraising events	68.8%
Disruption of services to your clients or communities	66.5%
Challenges related to staff and volunteers needing to work remotely	62.3%
Challenges having the right technology to do your work	52.4%
Cancellation of advocacy or communication events	51.4%

(n=665)

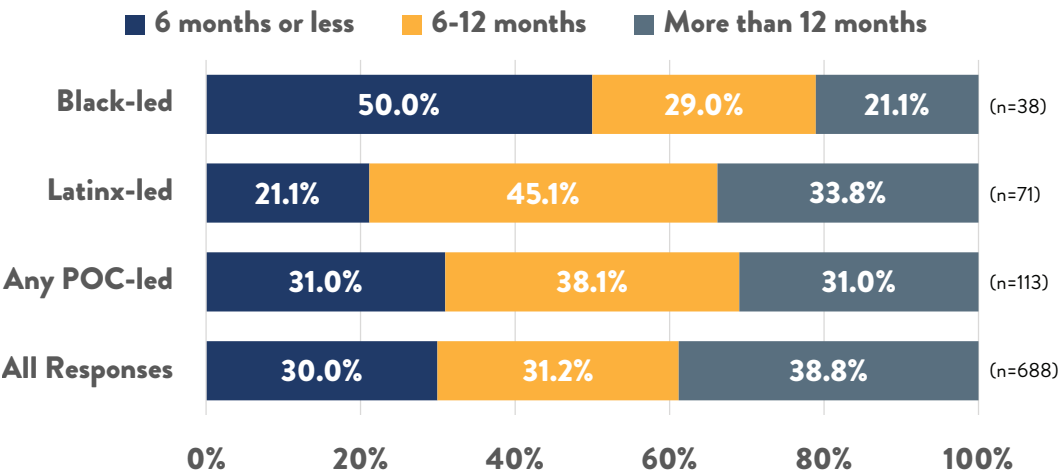
Compared to all respondents, nonprofits that **serve communities outside of Texas' major metropolitan areas** are more likely to be experiencing a number of operational challenges.



SUSTAINABILITY

Black-led nonprofits are facing the greatest risks to organizational sustainability and longevity and is a direct result of funding disparities.

HOW LONG DO YOU ESTIMATE YOUR ORGANIZATION COULD OPERATE AT CURRENT CAPACITY WITH YOUR CURRENT EXPENSES AND INCOME?



“The most urgent challenges our organization faces over the next four weeks are not meeting our fundraising goals to support our annual operations and falling behind in our work plan due to significantly reduced staff capacity.”

~ Survey respondent

DEMAND FOR SERVICE

Texas nonprofits have faced an increased demand for and expansion of client services.

42%

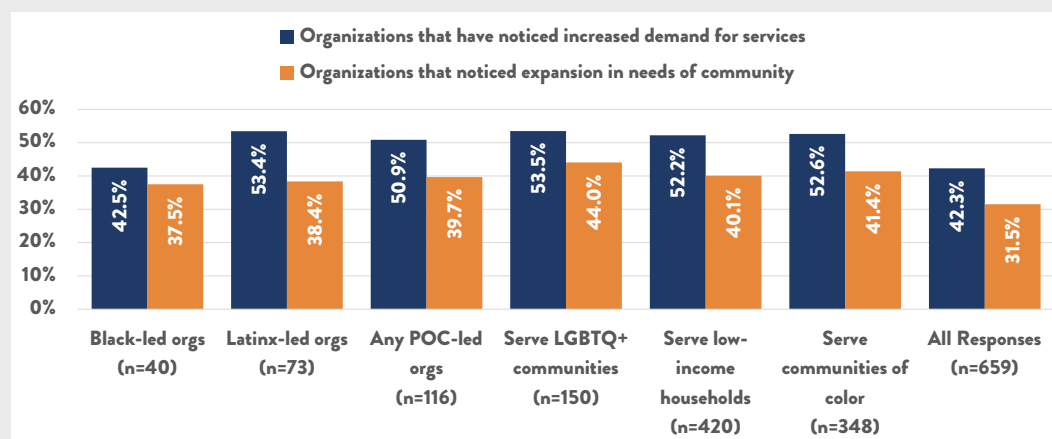
of respondents faced **increased demand for services or support** from their clients and communities

32%

of respondents faced significant **expansion in needs** that their clients or communities have

(n=659)

Organizations **serving communities of color and low-income households**—populations most impacted by COVID-19—and **LGBTQ+ communities**, as well as those **led by Latinx leaders** are facing the greatest strain due to increased demand.



“Planning future programming in this uncertainty is near impossible.”

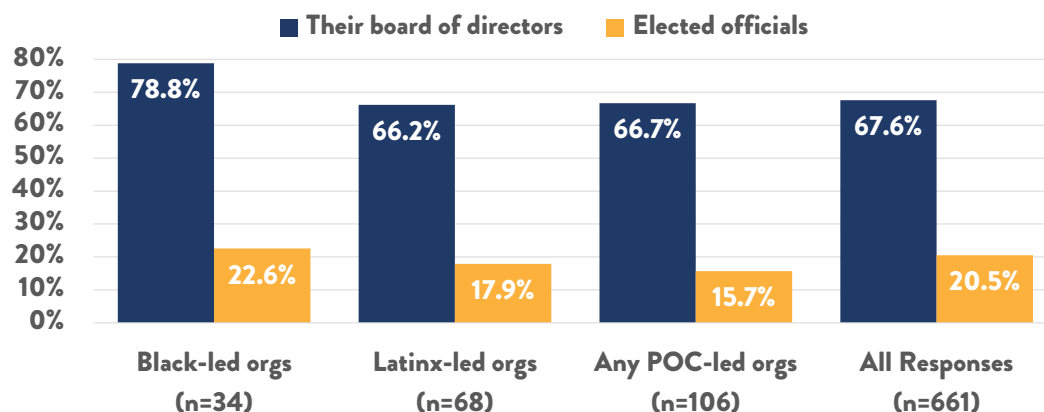
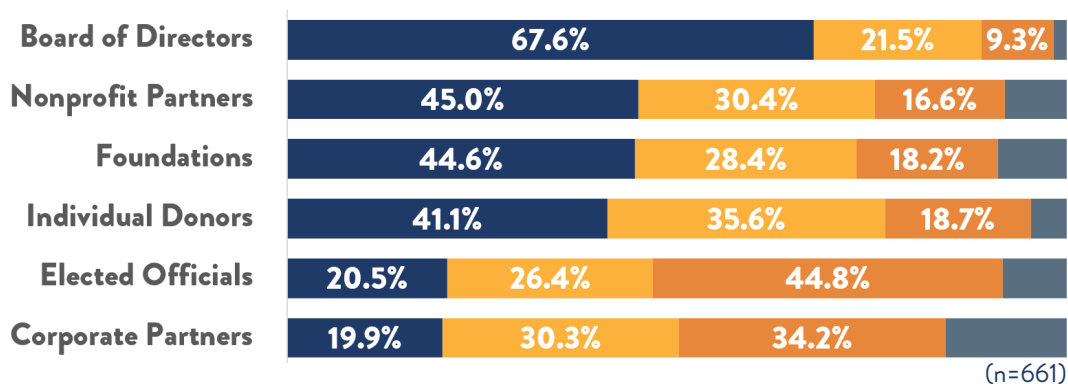
~ Survey respondent

RELIEF & SUPPORT

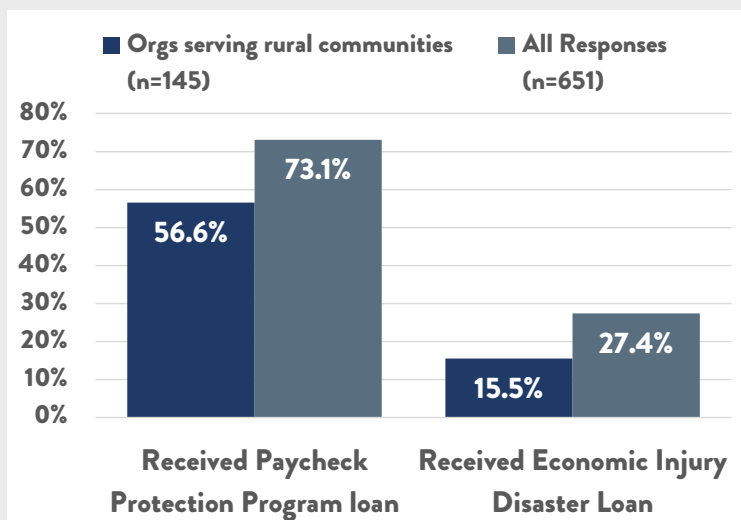
During the pandemic, nonprofits leaders reportedly receive the greatest support from their boards of directors but do not feel very supported by corporate partners or elected officials. This is especially true for nonprofits led by Black leaders.

TO WHAT EXTENT DO YOU FEEL SUPPORTED BY THE FOLLOWING GROUPS?

■ Great or Very great extent ■ Some extent ■ Little extent or Not at all ■ N/A



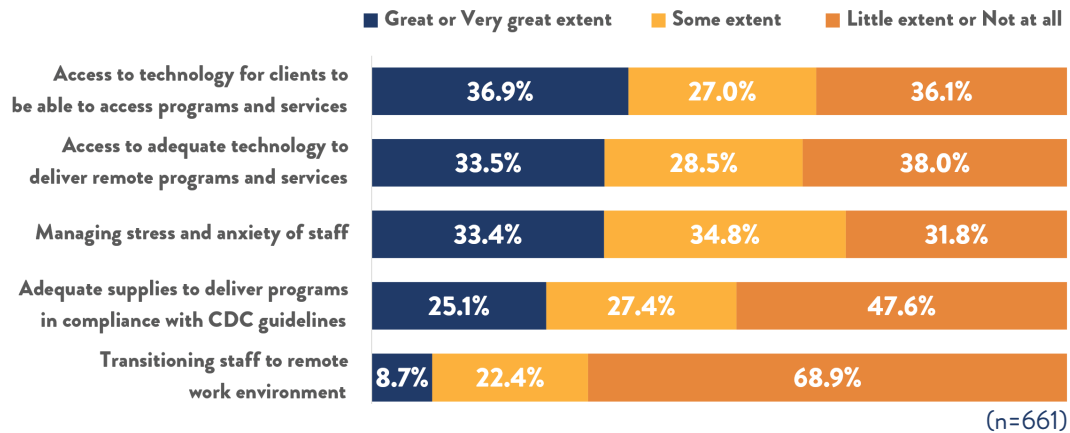
Many nonprofits in Texas (71%) have reported accessed government relief programs and other assistance. Unfortunately, some nonprofits—especially those **serving rural communities**—have not had equal access to relief and assistance programs such as the Paycheck Protection Program or Economic Injury Disaster Loans.



ADDITIONAL ASSISTANCE NEEDED

Although Texas nonprofits are adaptable and innovative—and have demonstrated these strengths throughout the pandemic—additional assistance is needed given the significant organizational challenges the sector continues to face.

EXTENT OF CHALLENGES FACING NONPROFITS



Nonprofits need assistance in reevaluating fundraising strategies and sharing real-time data on community needs from capacity building organizations and other partners.

TOP 5 AREAS WHERE CAPACITY BUILDING ORGANIZATIONS CAN BE OF ASSISTANCE



RECOMMENDATIONS

Nonprofits play a pivotal role in our economy and in creating more equitable and thriving communities. Business leaders, philanthropy, and policymakers benefit from a strong nonprofit sector and should ensure this sector remains resilient. To guarantee that *all* Texas nonprofits have the capacity, resources, and opportunity to best serve their communities now and well beyond COVID-19, leaders at all levels need to strengthen and support the nonprofit sector.

POLICYMAKERS

- **Prioritize and ensure equitable funding for critical services and the public infrastructure to strengthen communities and Texas nonprofits.** State and local governments continue to rely on nonprofits to support Texans during this challenging time. Ensuring public funding is directed to critical services and supports allows nonprofits to be best positioned to contribute to Texas' recovery.
- **Fund nonprofit development centers to better support the sector's infrastructure and capacity.** Just as the SBA utilizes resource partners such as SCORE, SBDC, and WBC to start, grow, and achieve business success, regional nonprofit development centers across Texas equip nonprofits with resource tools, educational programming, and expert consultation.
- **Include nonprofits in small business relief, provide targeted assistance to organizations that serve and are led by historically underrepresented groups, and mitigate the adverse impact of loans on nonprofit borrowers with limited resources.** As federal, state, and local governments expand loan programs, grants, or other measures to help small businesses, it is essential that all nonprofits—especially those serving populations hit hardest by the pandemic—have full and equal access to these programs. Moreover, government loans should consider an organization's ability to repay and the potential impact on the organization, especially since smaller organizations may not have the capacity and resources needed for repayment.
- **Update government contracting processes with nonprofits to promote consistency, efficiency, cost savings, and community impact.** State and local government entities in Texas should take special consideration when contracting with nonprofits to ensure timely and realistic reimbursement and efficient contracting practices that are realistic about nonprofit overhead and reserves.
- **Increase transparency of government contracting to better understand the state's reliance on nonprofits to carry out state business and identify opportunities for improvement.** Unlike other states, Texas cannot distinguish how much of the state's business relies on nonprofits, resulting in a limited understanding of what contracting, grant award, and other best practices can be put into place.
- **Include diverse nonprofit input in all governmental plans and policies that affect the sector or the communities they serve.** It is essential that government leaders consult with nonprofits to get the fullest, clearest picture of the issues facing communities and opportunities for improvements.
- **Prioritize funding for 211 and strengthen its ability to serve as connector and data resource for critical community needs and services provided by nonprofits.** State leaders continue to promote 211 as a resource for information and referrals related to COVID-19 and call volume continues to be well beyond the current capacity of the system.
- **Bridge the digital divide facing Texas communities and ensure digital inclusion.** The digital divide has become more evident during COVID-19 and solutions are needed to ensure every Texan, business, and community has the opportunity, resources, and skills to navigate the digital world.
- **Promote charitable giving and incentivize volunteerism.** Unfortunately, overall charitable giving has not kept pace with our state's growing economy over the years. Since COVID-19, Texas nonprofits have experienced dramatic decreases in volunteers—a critical workforce support.

PHILANTHROPY

- **Promote and practice equitable grantmaking.** Funders should further invest in the recovery and resilience of communities disproportionately impacted by the pandemic—rural, poor, and communities of color—by supporting grassroots organizations.
- **Provide flexible, unrestricted funding and accelerate giving to support a variety of organizational needs.** Nonprofits need maximum flexibility and increased investments to respond to the ongoing challenges this pandemic continues to put on all communities.
- **Invest and engage in advocacy efforts.** Nonprofits are well positioned to advance and defend policies critical to the health and well-being of our most vulnerable and underserved populations.
- **Pay attention to possible negative consequences of federal support.** When federal or public support is in the form of a loan that eventually requires repayment, small nonprofits may end up being negatively impacted due to their inability to repay. Foundations could play a role by helping to repay federal loans or providing program-related investments toward loan payments to ease the financial strain.
- **Strengthen partnerships and serve as a broker for the sector.** Philanthropy can play many roles, including: building and maintaining relationships with community leaders to keep up with issues and challenges, providing space for strategic long-term planning across sectors, and serving as brokers of communication between the private and nonprofit sectors on opportunities to support communities, especially those that are underserved.
- **Reduce and streamline the requirements of nonprofit partners.** Funders should simplify and streamline paperwork and reduce other demands (e.g., postponing reporting requirements, site visits, etc.) due to the limited staff capacity of nonprofits.
- **Deepen efforts to coordinate with fellow funders as well as local and federal governments.** Nonprofits want philanthropic investments and collective efforts to be coordinated. They also want to leverage existing federal resources and public assistance that will be made available to the state and local communities.

BUSINESSES & CORPORATE LEADERS

- **Give unrestricted, multi-year contributions.** Unrestricted donations to nonprofits will help ensure that they have the flexibility to direct funds to where they are most needed.
- **Use your voice and collectively work with nonprofits to drive systemic change.** Nonprofit organizations work to fill gaps in services for underserved communities. Businesses can play an influential role in encouraging leaders, including policymakers, to solve our state's most pressing challenges.
- **Serve as a broker with the banking sector and other critical industries.** By serving as a broker, philanthropy can ensure all organizations have equal access to funding available.
- **Educate employees on the widespread impacts of the pandemic on the community and empower them to give back.** When companies show that they are dedicated to improving their communities, they are more likely to attract and retain valuable, hardworking, and engaged employees.
- **Invite the nonprofit sector to be at the table when making business or economic decisions.** As a result of having strong community relationships and intimate local knowledge, nonprofits a unique understanding of community needs and the best ways to meet them.
- **Speak to your nonprofit partners.** Work with them to understand the challenges they continue to face and consider how to support them and create a shared purpose.

Texas nonprofits continue to meet increasing community needs resulting from COVID-19 while also meeting their missions and driving community impact forward. Unfortunately, the pandemic continues to impact the sector in significant ways and has shed further light on long-standing systemic disparities and inequities—both within our state’s nonprofit sector and communities at large. Therefore, equity must be at the center of all response efforts by policymakers, philanthropy, and business leaders.

Texas nonprofits are diverse, adaptive, resilient, innovative, and tirelessly working in pursuit of their missions. Nonprofits are Built for Texas and leaders at all decision-making levels play a role in ensuring that all Texas nonprofits can continue their important work now and beyond this crisis.

United Ways of Texas and OneStar Foundation look forward to growing our network of *Built for Texas* partners and bringing stakeholders together to explore key challenges and opportunities for improvements. To learn more about how you can join us or to access resources for Texas nonprofits responding to COVID-19, visit txnonprofits.org.

UNITED WAYS OF TEXAS

As an association of independent United Ways across the state, United Ways of Texas (UWT) leads and supports our network toward a vision of being United for a Future where all Texans thrive. To achieve this, UWT strives to build nonprofit organizational capacity and enhance the impact of community-based nonprofits across the state including United Way. This includes nonpartisan advocacy and policy focused on improving the health, education, and financial well-being of individuals and communities. Learn more at uwtexas.org.

ONESTAR FOUNDATION

OneStar Foundation was created to support the State of Texas by strengthening the nonprofit sector, encouraging civic engagement through service and volunteering, promoting innovative strategies to address local issues, and facilitating public-private partnerships to expand the reach of the sector. As the Texas State Service Commission, OneStar administers a portfolio of \$18.7 million in federal grant funds for AmeriCorps Texas programs. OneStar also has been designated by Texas Governor Greg Abbott to raise and distribute funds to eligible organizations working on the ground to support the economic recovery of Texas communities impacted by COVID-19. Learn more at onestarfoundation.org.

CENTER FOR NONPROFITS & PHILANTHROPY

THE BUSH SCHOOL OF GOVERNMENT & PUBLIC SERVICE AT TEXAS A&M UNIVERSITY

The Center for Nonprofits and Philanthropy (CNP) supports a vibrant nonprofit and philanthropic center in Texas and beyond through high-quality research, professional outreach, and engaged learning. Center outreach activities support the effective management of nonprofit organizations by bringing the most relevant research and scholarship to nonprofit professionals through workshops, seminars, and conferences. Our courses balance practical skills preparation and challenging curriculum with supportive faculty. The CNP team, including Dr. Will Brown, director, and Nicole Collier, research associate, engages in cutting-edge research covering a range of topics and informs our understanding of nonprofits and philanthropy, including work on the previous *Built for Texas* Report. Learn more at bush.tamu.edu/nonprofit.