The Impact of the Recession on Utah’s Nonprofit Economy
by Fraser Nelson, Executive Director, Community Foundation of Utah

Nonprofits are an integral part of our state’s economy. Utah’s 5,500 registered public charities accounted for $5.3 billion in revenues and $7.8 billion in assets in 2008 alone.[1] Of course, a lot has changed.

The impact of the down economy on the nation’s nonprofit sector has been well documented, and since February of 2009, the Community Foundation of Utah has been measuring the local impact of the recession on Utah’s nonprofit sector. We have found:

- Utah nonprofits of all types have seen a significant decrease in corporate and foundation support – cuts deeper than the national average.
- Nonprofits have cut staff even as demand, especially in the human service areas, has grown dramatically.
- Rural nonprofits and arts organizations have been hardest hit.
- Utah’s nonprofits are resilient, collaborative and undeterred in their missions.

When the Community Foundation of Utah first surveyed the sector in February, the state’s nonprofit organizations were pessimistic about the future. More than half did not think they would have the resources needed to meet the increasing demand for services, and 70% thought that the next six months would bring increased hardship for their clients and their agencies. They were right.

By June, the changes to the nonprofit sector mirrored those of industry. They have further cut their budgets, lost more staff, reduced services, and experienced continued decreases in revenue. To meet the growing need of our citizens, they have increased collaborations, created new efficiencies in service delivery models, and responded with new and innovative programs.

Despite having to make tough decisions for survival, nonprofits are feeling more optimistic about the future and their ability to weather the storm. They reported they think the worst may have passed. The Community Foundation of Utah is grateful for the continued participation of the sector in this work, and hope that the results continue to draw public attention to the enormous value these organizations play in our civic life.

Declining budgets, staff and services, particularly for the arts and rural agencies

Nearly every nonprofit in the State of Utah has made significant cuts to their operating and programming budgets since the beginning of the year.

- Performing and visual arts organizations were most likely to have seen reductions.
  - 82% have cut their budget, most by more than 15%.
- Agencies located off the Wasatch front were more likely to cut their budget by 25% or more.

Nonprofit organizations generally have three cost centers: staff, programs, and infrastructure. By January, the majority had already retooled their programs and services to be more efficient or deepened collaborations with similar nonprofits to reduce cost and meet the increased demand for assistance.

By June, as the recession deepened, for many agencies personnel was the only cost center left to cut – and by the second quarter of 2009 reductions in staff and benefits were dramatic. Although demand for services continued to skyrocket:

- 82% of nonprofits left positions unfilled,
- 32% instituted a second round of layoffs, and
- 35% reduced the hours and 23% reduced employee benefits.
Again, arts organizations and those serving rural communities were hardest hit: 73% of arts organizations have laid off staff and several rural nonprofits report losing all professional staff.

**Innovations in service delivery and revenue generation**
Nonprofits are responding to changing community needs and changing fortunes. They are creating new programs, looking carefully at their systems for efficiencies, and taking steps to ensure that their programs are of value to the communities they serve.

- 43% have created new programs or services in order to respond to the changing environment.
- 45% have established a new revenue generating or earned income activity to reduce dependence on donations. However, efforts to increase revenue through earned income have been somewhat stymied by increased costs.

Continued decreases in revenue are softened in part by the stimulus package and an increase in individual giving – except in rural Utah. In the past two quarters Utah’s nonprofits reported a median decrease of 13% in all sources of revenue. Sixteen agencies reported budget decreases of over 25%.

A recent national study reported that 80% of charities reported fiscal stress and 51% of nonprofits had revenue losses.[2] The study revealed losses in corporate giving for 44% of organizations, foundation giving for 42% of organizations, and individual giving for 53% of organizations. Utah has seen an even deeper decline in corporate giving (55%) and grants from foundations (44%) since the start of the year. The one bright spot is giving from individuals.

More Utahns make charitable contributions than any other state in the nation, with the majority of those gifts going to religious organizations. During this challenging time, Utahns have extended their individual giving far beyond a single institution. Our survey confirmed that we are giving in greater numbers to a greater range of charitable organizations than ever before.

- The number of overall donors to charitable organizations is up nearly 20% since January.
- More than a third of arts, human service, and education organizations reported an increase in individual giving.

Rural organizations are an exception. While only 13% of urban agencies reported a decline in the overall number of donors, rural donors decreased by three quarters. The result? Rural nonprofits are more likely than their urban counterparts to eliminate programs, merge with another agency, and reduce staff through attrition or lay offs.

The United Way has provided agencies in the health and human services arena important stability—73% reported that United Way funding remained stable.

It is not all bleak news in the area of giving. Core service agencies dealing with human needs like food and homelessness have seen a increase in funding, primarily due to the federal stimulus bill and the generosity of individual donors.

Despite these hardships, less than 1% of reporting nonprofits are seriously considering closing their operations, and only four nonprofits report merging since we began the study in February 2009.

**Increasing optimism – and fear in rural Utah**
At the beginning of 2009, Utah’s nonprofits were very pessimistic about the economy and its impact on their clients and their organizations. Fully half thought that they would not have the resources they needed to meet the demand in service earlier this year. Less than a quarter were optimistic about the agencies future.

By the spring things began to look up. Cuts have been made, efficiencies located, collaborations established and, while demands continued to increase, the sector feels more optimistic about the ability to meet the demand. Again, there is a stark difference between urban and rural agencies. While only 5% of all agencies say, “I am concerned about our future as a nonprofit,” 11% of rural agencies wonder if they will survive, and half of rural agencies do not think they will have the resources needed to meet the growing demand.

**Summary**
Health care, social services, the arts, education, the quality of our environment, and our lives are enhanced by the work of Utah’s nonprofits. Utahns would be facing increased deprivation of their minds, bodies, and
souls without the work of nonprofits and the financial and volunteer support of thousands of individuals, the corporate sector, and the United Way and other foundations. As our nation’s economy continues on a confusing, and at times distressing path, the public and private sectors of our economy must continue to support each other in order to meet our citizens’ increasing reliance on the services provided by charitable organizations.

About the Community Foundation of Utah
The Community Foundation of Utah is a catalyst for philanthropy that is visionary, diverse, and inclusive. Our mission is to harness Utah’s entrepreneurial spirit in service to the common good through smart philanthropy. For more information or for full copies of these and future studies please contact Fraser Nelson at (801) 559-3005 or visit www.utahcf.org.

[1] Dr. Nancy Winemiller Basinger, Assistant Professor at the University of Utah, from a review of the National Center for Charitable Statistics.