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NC NONPROFITS PINCHED: State Support for Nonprofits Plummet as Need for Services Grows

*Timely, accessible,
and credible
analysis of
state and local
budget and tax
issues*

Editor:
Edwin McLenaghan
919/856-3192
edwin@ncjustice.org

NC Justice Center
P.O. Box 28068
Raleigh, NC
27611-8068

www.ncjustice.org

KEY FINDINGS:

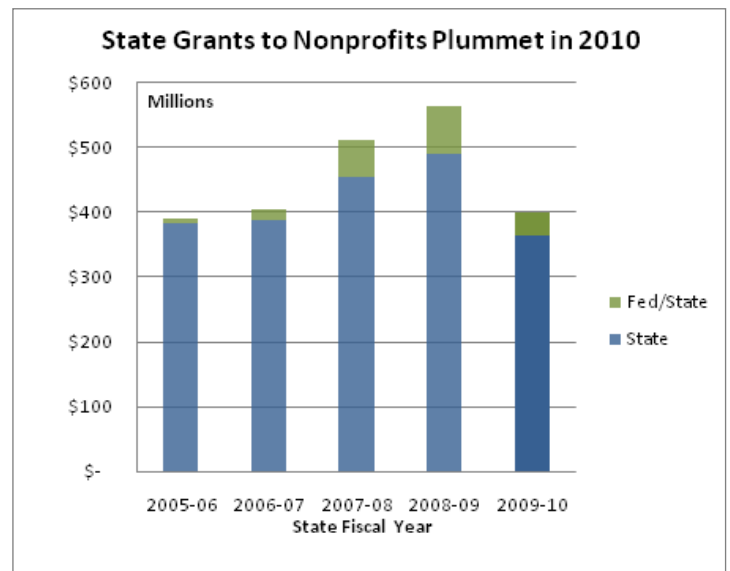
- **State-funded grants to nonprofit organizations for services such as community and economic development, post-secondary financial aid, assistance with food and shelter, and environmental preservation plummeted more than 25 percent from fiscal year 2008-09 to fiscal year 2009-10.**
- **Total grants to nonprofits from state and federal sources grew in fiscal year 2008-09 due to supplementary funds from the federal Recovery Act, but total grants from state and federal sources declined by 20 percent in fiscal year 2009-10 and are expected to drop further as Recovery Act assistance tapers off in 2011.**
- **The decline in state grants to nonprofits coincides with decreasing financial support from private donors and an increase in the need for nonprofits' services driven by job losses and cutbacks in government-provided services.**

OVERVIEW

State government support for nonprofit organizations in North Carolina is falling even as the Great Recession continues to increase the need for the services nonprofits provide to struggling families and communities. State grants to nonprofits dropped by more than 25 percent in fiscal year (FY) 2009-10, a decrease that is about ten times larger than the drop in the total state budget in the same year.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) generated an increase in federal grants "passing through" the state to nonprofits in North Carolina in FY 2008-09 and FY 2009-10, helping to mitigate the drop in state-funded grants and private contributions. The

FIGURE 1



SOURCE: Special Request to NC Office of State Budget and Management

extra funds available from the Recovery Act, however, are scheduled to taper off in early 2011. With the state facing yet another major revenue shortfall next year and household budgets expected to remain tight in the years ahead, nonprofits in North Carolina will likely be forced to confront the challenge of sustaining services in the face of sharply dwindling resources.

State Grants to Nonprofits Plummet in 2010

State-funded grants to nonprofit organizations in North Carolina dropped from \$490 million in FY 2008-09 to \$363 million in FY 2009-10¹ – a one-year drop of more than 25 percent (see Figure 1). This drop affected the vast majority of nonprofit organizations that were awarded state grants. A joint report by the Urban Institute and the NC Center for Nonprofits shows that nearly three-quarters of grant-supported nonprofits in North Carolina reported a drop in funding from the state.²

Federal Aid Provided Temporary Boost, But Will End Soon

Federal funding through the Recovery Act provided a temporary boost to state “pass-through” grants to nonprofit organizations in FY 2008-09 and FY 2009-10, keeping total federally and state-funded nonprofit grants above pre-recession levels through FY 2009-10 (see Figure 2). Recovery Act funds to state governments will begin to taper off at the beginning of 2011, followed shortly thereafter by the expiration of the state’s temporary tax package. The coming drop in federal and state revenues could lead to drastically lower public funding for nonprofit organizations in North Carolina.

Diminished Resources for Nonprofits Affects Services & Jobs

State government awards grants and contracts to nonprofits in North Carolina to perform a multitude of valuable public-interest services—typically services that nonprofits can deliver at lower costs and/or higher quality than public agencies or for-profit businesses. Cutting back on the resources available for nonprofits to perform these services will reduce the quality of life for millions of North Carolinians who depend on

nonprofits to provide assistance with food and shelter, protect the state’s drinking water, prevent child abuse and domestic violence, and create opportunities to train for and find jobs.

Nonprofits in North Carolina also account for roughly 400,000 jobs in the state, almost one-tenth of the state’s workforce. Nearly half of nonprofits in North Carolina reported reducing their number of employees in 2009.³ Continuing to cut back on state funding for nonprofits in North

Carolina not only threatens the quantity and quality of services nonprofits provide, it also threatens jobs at a time when nearly one in ten North Carolinians remains out of work.

Sustaining state grants to nonprofits in North Carolina in the years ahead will help to ease the pain of the Great Recession and its aftermath while preserving thousands of jobs for individuals working to improve the lives of millions of North Carolinians.

FIGURE 2

State Grants to Nonprofits Drop in FY 2009-10					
Source	2005-06	2006-07	2007-08	2008-09	2009-10
Federal	\$ 213,861,209	\$ 235,727,832	\$ 172,805,361	\$ 429,317,191	\$ 379,482,587
State	\$ 383,210,796	\$ 388,177,954	\$ 455,564,053	\$ 490,492,169	\$ 363,250,363
Federal/State	\$ 7,844,439	\$ 15,738,493	\$ 55,718,068	\$ 73,365,410	\$ 36,327,820
Other	\$ 1,432,856	\$ 1,205,072	\$ 13,200,862	\$ 4,718,467	\$ 2,597,804
Total	\$ 606,349,299	\$ 640,849,351	\$ 697,288,345	\$ 997,893,237	\$ 781,658,575

SOURCE: Special Request to NC Office of State Budget and Management

Note: Totals for fiscal years ending in 2006-2008 may understate total grants due to changes in reporting.

1 Special data request to the NC Office of State Budget & Management based on data underlying the NC Open Book (<http://www.ncopenbook.gov>) website.

2 Boris, Elizabeth T., Erwin de Leon, Katie L. Roeger, and Milena Nikolova. National Study of Nonprofit-Government Contracting: State Profiles. Urban Institute: Center on Nonprofits and Philanthropy. <http://www.urban.org/uploadedpdf/412227-National-Study-of-Nonprofit-Government.pdf>

3 *Ibid.*