Michigan’s Nonprofits Struggle with Economic Downturn

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Introduction

To understand how recent economic trends have affected Michigan’s nonprofit sector, the Michigan Nonprofit Association and the Johnson Center at Grand Valley State University surveyed more than 300 nonprofits on “Critical Issues Affecting Michigan’s Nonprofit Sector”. The following pages present key findings from the survey conducted in October 2008.

Demand for Nonprofit Services Increases; Economy is Main Factor

- Michigan nonprofit organizations reported an increase in demand for their core services over the last 12 months. As shown in Figure 1, most (71%) of responding organizations have noticed a decrease in demand. The survey also explored the reasons behind the growth in demand.

- As shown in Figure 2, the vast majority (94%) of nonprofits that have seen an increase in demand pointed at the economy as one of the key reasons. Substantial percentages of organizations also believe that cuts in the state budget (56%), increased fuel costs (50%) and food costs (44%), as well as foreclosures (40%) have played a role in the demand increase. Seventy percent of organizations reported that multiple factors have contributed to the increased demand for their core services.

- Sixty five percent of Michigan nonprofits ‘strongly’ or ‘somewhat’ agree that they have been able to meet their increased demand over the past 12 months. However, 35% of organizations have been unable to do so.
• Nearly all (97%) of Mid-Michigan nonprofits experienced an increase in demand over the past 12 months, which was an appreciably larger increase than any other region in Michigan.

Nonprofits Forecast Increased Demand for 2009

• Nearly 80% of the organizations surveyed expect to see an increase in demand during the next year. Only 8% of nonprofits anticipate a decrease in demand.

• Particularly noteworthy, 96% of Human Services organizations, as shown in Figure 3, believe that demand for their core services will grow over the next year.

Figure 3
Projected Demand Change for 2009

Increasing Fuel Costs Impact Nonprofit Organizations

• The survey found that 73% of organizations agreed that increased fuel costs affected their ability to provide their core services. The services of 27% of nonprofits have not been affected by fuel costs.

• Greater fuel costs appear to affect smaller organizations the most. As shown in Figure 4, 89% of nonprofits with a budget of less than $100,000 dollars stated that their ability to provide their services was impacted by mounting fuel prices.
Financial/In-kind Support Decreases for Half of Nonprofits

- Fifty percent of organizations surveyed stated that their financial/in-kind support declined over the last 12 months. Some organizations (17%) saw a growth in support while a third (33%) of nonprofits revealed that their support had not changed during the past year.

- Sixty percent of Mid-Michigan nonprofits and 63% of Southeast Michigan nonprofits experienced decreases in financial and in-kind support over the past 12 months, as is shown in Figure 6. Separately, 40% of organizations in the rest of Michigan reported such a decrease.

- As shown in Figure 5, 31% of organizations with budgets over $6 million have experienced a growth in financial/in-kind support over the past 12 months. Comparatively, only 13% of nonprofits with budgets of less than $6 million saw an increase in support. This finding suggests that the largest nonprofits in Michigan have had more success at developing their financial and in-kind support over the past 12 months.

Majority of Nonprofits Expect Financial and In-Kind Support to Decrease in 2009

- The majority (54%) of nonprofits expect that financial and in-kind support will decrease in the coming year. Similar to the support trend of the last 12 months, 16% of organizations expect an increase in financial and in-kind contributions in 2009, while 29% of those surveyed anticipated no change in their support for the coming year.

- West Michigan was the only region in which less than half (48%) of responding nonprofits forecasted a decrease in support.
Multiple Factors Have Negative Impact on Fundraising Efforts

- The survey found that the sluggish economy has not only been a reason behind increased demand for nonprofit services, but it has also had an effect on organizational fundraising. As shown in Figure 7, 90% of those surveyed responded that the economy has negatively impacted their fundraising efforts during the past 12 months.

- The economy was the most prominent issue affecting fundraising, but fuel costs (38%), cuts in the state budget (35%), and foreclosures (25%) also negatively impacted fundraising. A large proportion of organizations (70%) believed that multiple factors negatively affected fundraising. A minority of organizations (13%) have not felt the negative effects of these factors in their fundraising.

Conclusions

This survey found that there are several underlying trends in Michigan’s nonprofit sector:

- Demand for nonprofit services has increased during the past 12 months. Organizations expect this trend to continue and forecast increased demand for nonprofit services in 2009.

- Increased fuel costs have impacted most nonprofits in the state. Smaller organizations have been impacted the most by increased fuel costs.

- Most nonprofits have experienced a decrease in financial and in-kind support over the past 12 months. A majority of organizations expect financial and in-kind support to decrease in 2009.

- The state of the economy has affected nonprofits in at least two ways: it has been a reason behind increased demand, and it has played a role in decreased financial and in-kind support.

Michigan Nonprofit Association

Michigan Nonprofit Association increases the capacity of Michigan’s nonprofits to serve, strengthen and transform communities.

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Johnson Center at Grand Valley State University

As an academic center, we improve communities by the application of knowledge, which unleashes the power of nonprofits, foundations, and individuals.

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