



Executive Summary:

The State of the Nonprofit Sector in Santa Barbara County, 2021

Nonprofit sector shows resilience during the pandemic and hope for the future.

By Julia Nguyen

The Santa Barbara Foundation believes in investing in our community to create a lasting impact for everyone in our region and beyond. We mobilize collective resources to improve outcomes for constituents and funders alike.

Our 2021 State of the Nonprofit Report, created in partnership with the University of San Diego Nonprofit Research Institute and Datalake, LLC., includes vital information from Santa Barbara County nonprofits and provides input on the state of the nonprofit sector, also known as the social sector. Among other topics, the report highlights data about how the pandemic affected the nonprofit sector, and underscores where they most need support. The report gathered data from 187 nonprofit leaders who provided information about their organization's operation during the pandemic. They provided information on their demand for service, financial outlook, organizational capacity, and sector trends. The graphs in this Executive Summary are results from the answers collected.



Importance of the Nonprofit Sector

Nonprofits provide many essential and supplemental services within our community, while also employing a significant percentage of the workforce in Santa Barbara County. The successes and failures of these organizations therefore can have a drastic effect on the economy. The State of the Nonprofit Sector report has vital information about Santa Barbara County nonprofits, including insights from many nonprofit leaders and professionals who provided input on their own experiences and their organization's practices.

This Executive Summary breaks down the major points from the report including how the nonprofit sector was affected by the pandemic, how the nonprofit sector weathered the crisis, and what donors, funders, and supporters can do to sustain the nonprofit sector.

Sector Overview

As of 2021, there were 2,029 registered nonprofit organizations, 279 foundations, and 482 other tax-exempt organizations in Santa Barbara County. In recent years, Santa Barbara County nonprofits saw year over year growth prior to the pandemic, and that growth declined becoming lower than the overall growth in California and in the U.S. This trend suggests we may see a decrease in the number of registered nonprofits moving forward. According to the California Employment Department, 600 nonprofits in Santa Barbara County had employees in 2020, with employment totals higher than previous years.

Pandemic Impacts

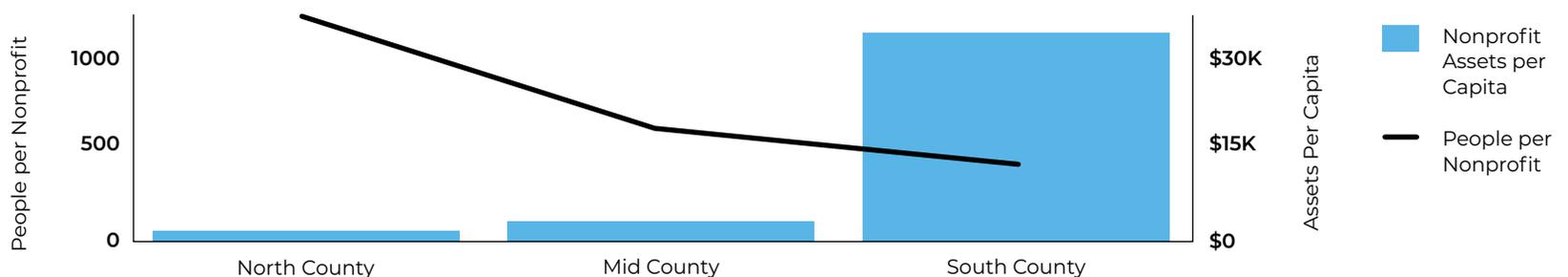
During the pandemic, many community members relied on nonprofits, leading to an increase in demand within the social sector. Throughout changing safety restrictions and expectations, our nonprofit sector skillfully adapted to continue to serve the community. Many organizations rearranged their working model, including moving employees to remote work, providing increased personal protective equipment to ensure essential workers were able to follow California Department of Public Health protocols, and modifying their community programs to continue reaching their stakeholders.

Nonprofits' determination and ingenuity led to one-third increasing their services to meet community needs. With their fast thinking and ability to pivot during difficult times, the nonprofit sector showed resilience during the worst of times, which inspires hope for the future. It wasn't all good news though. Unfortunately, due to a limited workforce, diminished volunteer participation, decreased earned income, and COVID-19 restrictions, many nonprofits struggled to meet the increased community need.

Disparity During the Pandemic

The report looked at Santa Barbara County as a whole, while also highlighting differences between North, Mid, and South County. The data shows a significant disparity between the regions. The ratio of population per nonprofit increases considerably as one moves from South to Mid to North County, and yet the assets per capita do not follow the same trend. Some of this disparity can be accounted for by nonprofits who are serving the entire county and whose major assets are tied to their South County headquarters, however the differential is significant enough for this to be highlighted.

Figure 9: People per Nonprofit and Nonprofit Assets per Capita



Further evidence of the inequity between regions within the county comes from outcomes during the pandemic. According to the latest report from **Santa Barbara County Public Health COVID-19 update**, North county residents saw higher COVID rates throughout the pandemic. The City of Santa Maria suffered the highest case total and highest death toll in Santa Barbara County. Many nonprofits worked to mitigate this disparity and improve the health and outcomes of North County residents.

The health of the county depends on the well-being of all its community members. If a large population is not being supported due to a lack of resources, this can be detrimental to the county’s overall success. To support the social sector and our most vulnerable community members, and to confront inequity, we must address this asset imbalance.

Report data suggests some South County nonprofits are working to open offices in the Mid-to-North County area to expand their services in the coming year. This could help mitigate the imbalance and better serve all community members across Santa Barbara County. It will be imperative for these organizations to thoughtfully engage the communities they seek to enter as they plan services and programming.



Pandemic Revenue Loss

The report elucidates how nonprofits faced revenue loss when a major revenue source, specifically program fees, was reduced or waived when in-person activity was limited or ceased entirely. The organizations most impacted by these revenue changes came from the fields of Arts and Culture, Education, International Aid, and Public and Societal Benefit. As a result, many of these organizations reduced their capacity to ride out the pandemic.

Table 19: Subsector Differences in Financial Impacts of COVID-19

Subsector	Loss of Fee for Service	Decline in Donations	Decline in Foundation Grants
Arts and Culture (n=27)	93%	56%	58%
Environment (n=14)	79%	43%	36%
Education (n=27)	70%	60%	44%
Health, other than hospitals (n=18)	56%	61%	78%
Human Services (n=68)	62%	50%	40%
Public and Societal Benefit (n=15)	60%	67%	43%

The decrease in earned income and income from large events forced most nonprofits to change their revenue model, especially by increasing the amount of their income coming from government grants and individual donors.

Table 43: Ability to Deliver Programs by Level of Donor Support

Description	N	Decreased	Consistent	Increased	Total
Delivering programs to a greater extent than usual	29	31%	17.2%	51.7%	100%
Delivering programs to the same extent as usual	12	33.3%	41.7%	25%	100%
Delivering programs in a moderately reduced capacity	27	33.3%	25.9%	40.7%	100%
Delivering programs in a severely reduced capacity	16	31.3%	31.3%	37.5%	100%
Not delivering programs at all	4	25%	75%	0%	100%

Overall, responses showed that donors supported nonprofits during a critical time. Donor funding allowed many nonprofits to continue to provide programs to their most vulnerable populations while also keeping most or all workers employed.

Revenue changes varied greatly based on the size of nonprofits. Organizations with budgets of \$5 million or higher were most likely to see an increase in donor support, while organizations with smaller budgets were likely to see a decrease in their donor base. Unfortunately, some nonprofits that did not receive donor support went into debt to continue their mission.

Table 20: Budget Size Differences in Financial Impacts of COVID-19

Budget Size	Decline in Donations
\$50,000 or less	93%
\$50,001- \$250,000	62%
\$250,001- \$1 million	58%
\$1- \$5 million	40%
More than \$5 million	33%

Income streams also depended on service type for many organizations. Nonprofits providing COVID-19 response found greater success in gaining financial commitments from foundations, many of whom realigned their priorities to focus on pandemic support throughout the crisis.



“We have received many more individual donations targeted towards COVID emergency programs. We also received a number of unsolicited foundation donations to help with our COVID response,” shared a Human Services Youth Development study participant.

The shift in foundation priorities left some nonprofits struggling to access funding, and in turn led to tough decisions to keep their doors open.



A study participant from an Education nonprofit shared that “many foundations have pivoted their focus to COVID-19 relief, or other priorities that don’t include us. So the relationship may be strong but the circumstances have changed.”

A positive change in foundation funding came in the form of increased support for general operating funds. It is critical for the continued health of the sector that funders maintain this flexible funding approach, specifically unrestricted gifts, multi-year and general operating support grants. This type of funding helps nonprofits not only regain their financial footing, but also adapt to unexpected shifts in operations.

Nonprofit Sector Workforce Challenges

Nonprofit employees make up a large percentage of the workforce in Santa Barbara County. Many nonprofit employees were furloughed, had reduced hours, or faced reduced pay during the pandemic due to decreased operation and loss of revenue. Many volunteer-based nonprofits also lost their workforce due to shelter-at-home precautions in the early pandemic, and people’s reduced capacity throughout the crisis.



“80% of our operating revenue normally comes from program fees. Since we have had no programs since the pandemic, we have lost 80% of our revenue,” a study participant in Human Services shared. **“We have cut staff, cut expenses, and reduced our rent. We continue to operate using savings and general donations.”**

Thankfully, heading out of the pandemic, nonprofit leaders reported they were able to rehire most, if not all, of their furloughed employees. Unfortunately, a new issue has arisen wherein many nonprofits face difficulty in retaining current or hiring additional workforce. Currently, employee retention and recruitment are a significant challenge organizations experience sector-wide. Leaders and employees explain that burn out from high demand during the pandemic, behavioral health concerns, and wages/cost of living imbalance are fueling some of the exodus.



“I’ve watched staff members be impacted by the anxiety and stress of COVID. Multiple staff members have had mental and physical impacts, leading to accommodations and resignations,” said a study participant from Human Services.

The pandemic placed an unprecedented amount of stress on people across sectors, with many re-evaluating their livelihood. Another possible reason workers are leaving the social sector could be the expectation to return to in-person work. During the pandemic, many nonprofits were able to continue their services by shifting to remote work. This provided workers more flexibility and less travel, which in turn gave caregivers the opportunity to provide child or elder care and provided a way to save money during the pandemic. As companies require workers to return to the office, workers who feel more comfortable with their at-home work setting or require a more flexible environment, may move on to permanent remote positions at other companies.



“[We need] benefits that extend beyond medical and retirement, such as loan repayment, child-care, remote work, and other flexibility,”
shared a study participant.

Santa Barbara County nonprofit employment numbers increased, though not as much as needed to help meet increased demand. Organizations are finding they must be proactive in workforce recruitment and retention by offering competitive wages and benefits for their employees. According to current social sector employees, solutions like hybrid work schedules can help retain the existing workforce by increasing flexibility. Nonprofit leaders can also maintain or cultivate a positive work culture to continue to incentivize workers to carry on the organization’s mission.

Diversity, Equity, Inclusion, and Access in the Nonprofit Sector

The stress of the pandemic highlighted long standing inequities and further exacerbated ongoing racial tensions across the country, which were further fueled by acute events, such as the murder of George Floyd. This, in turn, ignited conversation about diversity and equity. As our community continues on the path of awareness and betterment, we must address Diversity, Equity, Inclusion, and Access (DEIA) in the nonprofit sector.

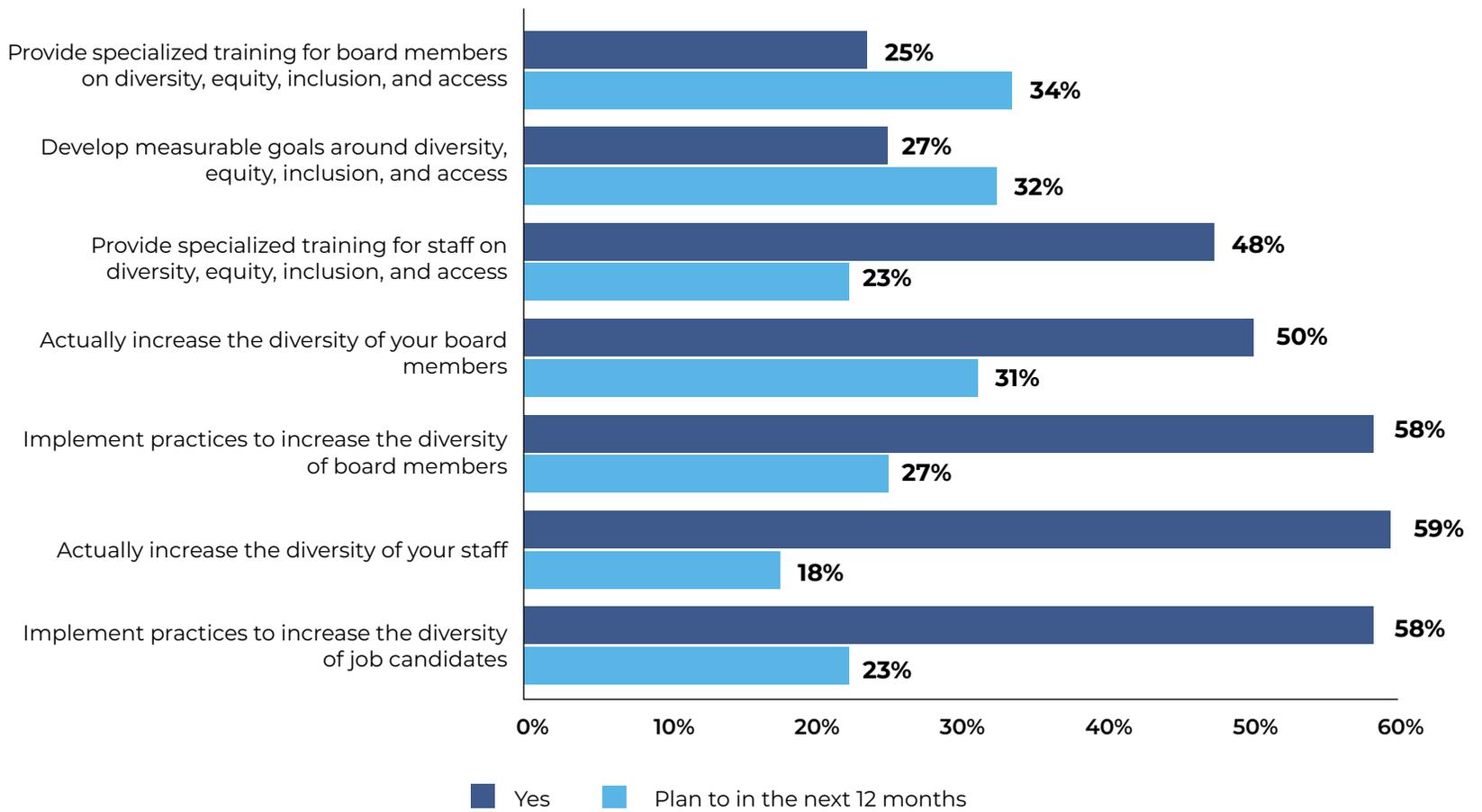
Data from the report reveals that most sector leaders are white, with only a small percentage of Black, Indigenous, and People of Color (BIPOC) leaders. It is important for the health of the social sector for nonprofit staff and leadership to represent the communities they serve. Also of concern is that BIPOC nonprofit leaders reported receiving less support from donors and as a result, their organizations were more likely to report debt compared to organizations with white leaders.

Table 49: Diversity of Leadership by Level of Donor Support

Description	N	Average Pct of Leadership Team identified as BIPOC
Decreased Donor Support	22	36.4%
Consistent Donor Support	20	30.7%
Increased Donor Support	27	28.3%

When asked about DEIA efforts, many leaders reported high awareness of DEIA issues in their organizations as well as goals of DEIA education and action planned in the current or coming year. Many nonprofits stated that they were working on increasing staff and board diversity. While these efforts are underway, many reported a lack of diversity in their current board composition, along with a need for board training in DEIA. Many organizations are also working on developing measurable DEIA goals.

Figure 37: Actions Taken to Promote DEIA



DEIA education is crucial to the health and success of the social sector. The Central Coast Regional Equity Study suggests that if racial gaps in income were eliminated, the estimated equity dividend for Santa Barbara County would be \$7.5 billion. If all sectors—government, nonprofit and for profit—invested more into DEIA, we can recruit talent and foster sustainable collaboration to continue building our economy here in Santa Barbara County.

To create a more empathetic community, we must codify DEIA principles in all organizations. According to findings from the study, this can be accomplished for nonprofits with a focus on organizational readiness, governing practices, internal culture, and programs. This critical work will require deep reflection with a focus on trust, patience, and proactive and intentional practice.



Conclusion

This Executive Summary provides key points on the successes and challenges the nonprofit sector faced throughout the pandemic. As we emerge from the current crisis, we need to continue to support nonprofits to maintain a thriving social sector in Santa Barbara County.

At the Santa Barbara Foundation, we encourage donors and funders to invest in an organization's overall support, whether it be general operating support, access to professional development opportunities for the staff/board, or in-kind expertise that will advance the organization's development.

In addition to financial support, the sector needs investments in capacity building, including expertise in board development, communications/marketing, and assistance in convening around issues affecting each subsector or the sector as a whole.

Nonprofits, with the support of funders, should continue to develop business models and scenario planning, business continuity/crisis planning, and alternative capacities to deliver programs. This will be especially important for the mid-size organizations that scaled to meet additional needs during the pandemic.

We believe these recommendations will help bolster the social sector to ensure it can continue to thrive and grow to best serve our community. The Santa Barbara nonprofit community has proven its resilience and fortitude during the most difficult of times, and we are optimistic about its ability to continue to adapt and evolve.

How You Can Help

If you have any questions about this report, please contact Gary Clark, Director of the Collaboration for Social Impact, at gclark@SBFoundation.org. If you are interested in contributing to the Santa Barbara Foundation to help bolster the capacity of the social sector, we welcome your partnership and appreciate your support. To contribute, please visit: bit.ly/SBF-givenow

To read more about our 2021 State of the Nonprofit Sector Report, visit bit.ly/sbf-2021nonprofitreport



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