

Strengthening the Texas Nonprofit Sector

Texas nonprofits contribute to each one of the state's major industries as well as offer a range of support to their communities: providing critical services, convening stakeholders to address issues, creating long-term impact to improve the quality of life of all Texans, and generating financial and social returns to the state's economy as employers. **In fact, there are more than 130,000 nonprofits across the state of Texas.** The sector grew by 22 percent between 2015 and 2022. **And one in 20 people in Texas are directly employed by a nonprofit.**¹

Key Challenges:

Unfortunately, the nonprofit sector is facing many challenges. The rapid expansion of nonprofits has outpaced philanthropic contributions, resulting in financial constraints. **Rural nonprofits face unique obstacles, including limited access to locally based funders and receiving only nine cents per every dollar that urban nonprofits receive.** Moreover, despite being vital partners in delivering services across Texas, **nonprofits face significant barriers when contracting with the government,** including insufficient compensation, burdensome and complex processes, and unreliable funding, all of which undermine their ability to effectively serve communities.²

Recommendations:

Nonprofits are essential to the growth and vitality of Texas. We urge policymakers to consider the following items to ensure nonprofit impact and to strengthen our state's mission-driven sector.

- Recognize the value of government-nonprofit contracting and uphold the public-private partnership.
- Ensure streamlined, efficient reporting processes for nonprofits, without adding any new burdens on reporting requirements.

¹ OneStar Foundation and United Ways of Texas (2023). *Built for Texas: Creating a More Connected & Resourced Future for our Nonprofit Sector*. Retrieved from: <https://txnonprofits.org/built-texas-reports>

²

<https://www.councilofnonprofits.org/trends-and-policy-issues/state-policy-tax-law/common-problems-government-nonprofit-grants-and>