

1 in 3 US nonprofits that serve communities lost government funding in early 2025

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The Trump administration's spending cuts have hit many nonprofits hard.

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About one-third of U.S. nonprofit service providers experienced a disruption in their government funding in the first half of 2025.

That's what we found when we teamed up with Urban Institute researchers to collect nationally representative survey data from 2,737 nonprofits across the country.

These organizations run food pantries, deliver job training and offer mental health services. They provide independent living assistance, disaster relief and emergency shelter, among other services.

Our team found that 21% lost a grant or contract, 27% faced delays or funding freezes and 6% were hit with stop-work orders. Some of the nonprofits had experienced more than one of these funding problems, which affected nonprofits of all kinds. But they were especially disruptive to larger ones that employ more people and provide key services, such as large social service agencies, food banks and organizations serving people enrolled in Medicaid.

These findings came from the most recent Nonprofit Trends and Impacts survey, which we conducted from April to June 2025 with colleagues at the Urban Institute, including Laura Tomasko, Hannah Martin, Katie Fallon and Elizabeth T. Boris. They follow findings from a prior survey that the project fielded between October 2024 and January 2025.

When funding dries up, nonprofits tend to shrink and scale back their services. About 21% of those hit by funding cuts in the first half of 2025 were already serving fewer people by the time they completed the survey in April, May and June 2025, and 29% had reduced their staff. Many of these nonprofit leaders also told us they expect to have to lay off more of their employees by the end of 2025.

Nonprofits had already been facing financial pressure.

In the prior round of the survey that our team conducted in the fall of 2024, more than half of nonprofit leaders said they were worried about their organization's finances. Many of them said they had received less money through donations and were facing tougher competition when they applied for grants, largely due to a tougher economic climate and the end of federal funding that had been disbursed during the COVID-19 pandemic.

Why it matters

Nonprofits often partner with the government to deliver essential services. This government support is vital – it makes up about 20% of the revenue that most nonprofits rely on. What's more, government funding provided more than half of total revenue for about 1 in 5 service-oriented nonprofits in 2023, which is the most recent data available.

That same year, about 2 in 3 nonprofits received at least one federal, state or local government grant or contract.

Government funding made up 42% of total revenue for service-providing nonprofits that experienced government funding disruptions in our 2025 survey. The rest of their funding came from donations, foundation grants and service fees.

Nonprofits get less than half of their total revenue from foundations and individual donations, and total government funding for nonprofits amounts to around three times total foundation funding. That makes it unlikely that philanthropy will replace the government funding that's being lost.

What still isn't known

Nonprofits from California to Florida are seeing their funding withheld, and the government shutdown that began Oct. 1, 2025, is compounding the effects of the Trump administration's longer-term spending cuts. The full extent of the impacts of these federal disruptions on nonprofits' budgets won't be known until 2026 or later.

In addition, our survey doesn't include the leaders of very small nonprofits, or several kinds of nonprofits – including hospitals, colleges, universities, churches and foundations.

What's next

Our upcoming Nonprofit Trends and Impacts surveys in early 2026 will convey more of the effects of government funding cuts on nonprofits' budgets and programs.

A more complete picture will not be possible until the Internal Revenue Service publishes data that it collects from the 990 form that most charitable nonprofits must file on an annual basis. Historically, The IRS has taken years to release comprehensive nonprofit financial data, requiring additional research beyond the 990 form.

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