



Charity and Prosperity

The Economic Impact of Public Charities in Arkansas, 2006-2010

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Executive Summary

In 2010, public charities in Arkansas had a total economic impact of \$13,505,145,972. Arkansas nonprofit organizations employed an estimated 93,095 individuals in 2010, representing nearly 7 percent (6.8%) of the state's available labor force. In addition to these impressive numbers, public charities in the state provide a host of services to Arkansans – from educational opportunities to health care to housing, shelter, and food.

Nonprofit organizations are legal entities formed to provide services and programs. These organizations typically engage in activities without financial profit, although these organizations may retain excess revenue. Nonprofit revenue in excess of cost are untaxed and may be saved for future use. This report describes the Arkansas nonprofit sector in terms of its activities, composition, employment levels, and employee earnings. Upon providing a portrait of nonprofit organizations, the report offers an assessment of the nonprofit sector's economic effect on the state economy.

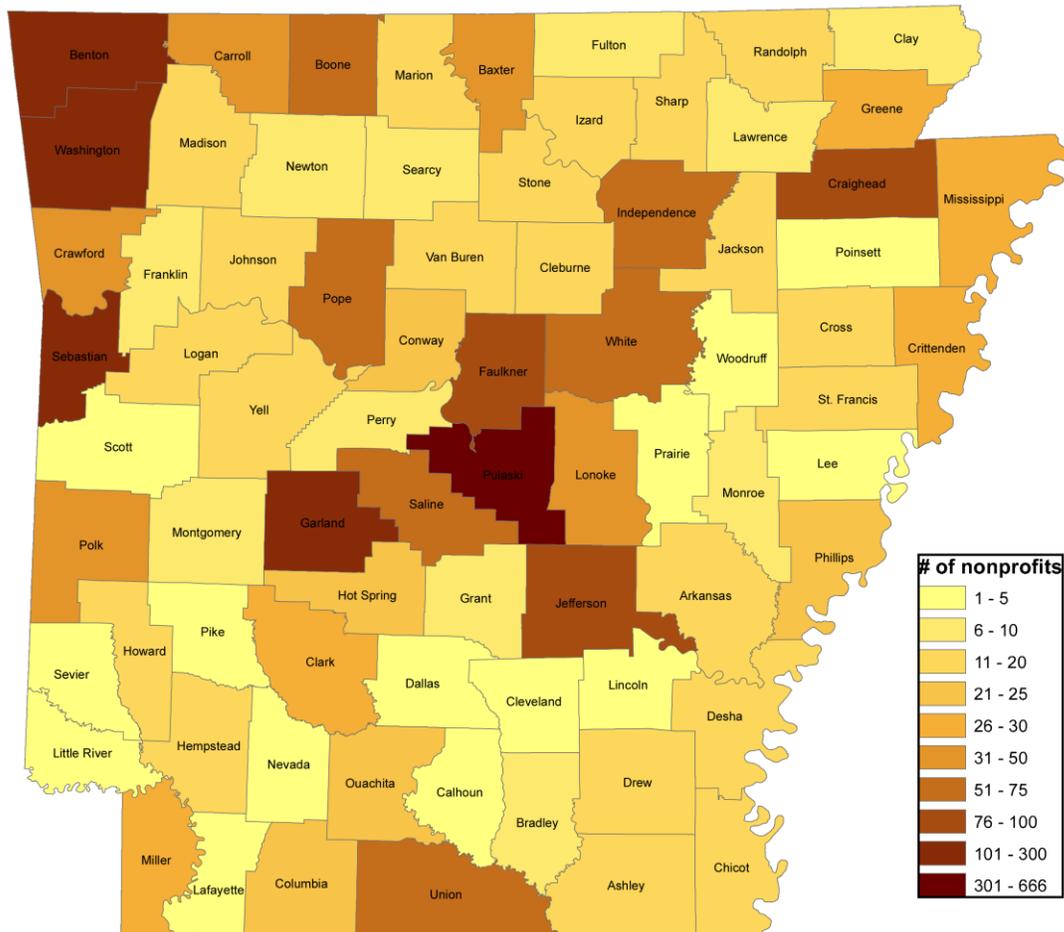
Data for this study are from the Urban Institute's National Center for Charitable Statistics (NCCS), and are comprised of IRS Form 990 and Form 990-EZ filings for all registered 501(c)(3) public charities in Arkansas with over \$25,000 in total revenue per year. Data for calendar years 2006 through 2010 are analyzed for this study; data for 2011 and 2012 are not yet available.

In examining only those organizations with more than \$25,000 in revenue, this study represents approximately one-third of all nonprofits registered in Arkansas as no data are available for organizations with total revenue under \$25,000 (these organizations are not required to file annual reports to the IRS). These data include information only for public charities, which are guided by 501(c)(3) rules. In doing so, this report excludes information about private foundations, churches, social and fraternal organizations, or other groups considered tax-exempt under other sections of the tax code. Consequently, results presented in this report actually understate the true effects of the nonprofit sector for Arkansas. Therefore, when discussing results about nonprofits in Arkansas, this research is addressing the effect of service provided by public charities only.

The Distribution of Nonprofits in Arkansas

In 2009, the Arkansas Secretary of State reported a total of 14,368 incorporated nonprofit organizations within the state. Of these, 9,270 were registered as 501(c)(3) organizations with the IRS, and an additional 616 organizations were registered as 501(c)(3) private foundations. As indicated in Figure 1, the distribution of nonprofit organizations across the state largely mirrors the population distribution, with the greatest proportion of nonprofits located in Pulaski, Benton, Washington, and Sebastian Counties.

Figure 1: Geographic Distribution of Public Charities in Arkansas, 2010.

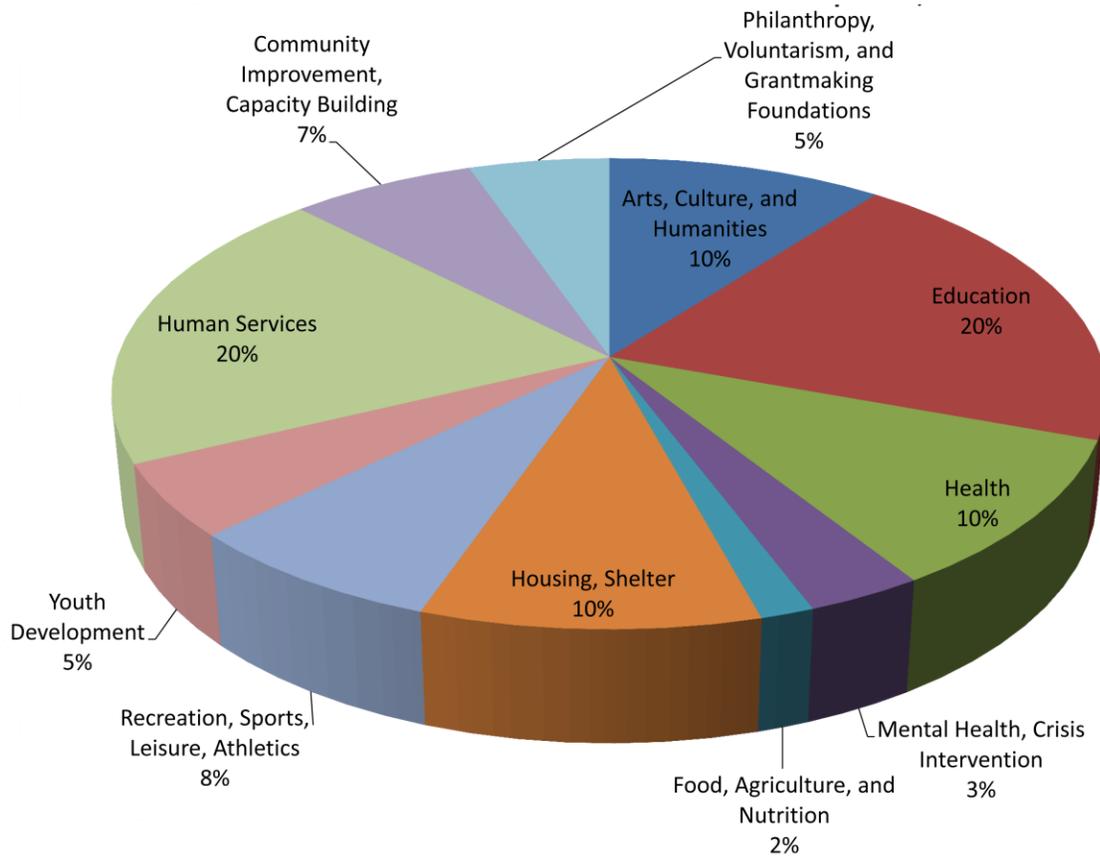


Nonprofit organizations in Arkansas represent a wide variety of industries. Three quarters of these organizations (76.5%) are categorized accordingly by the National Center for Charitable Statistics (NCCS):

- Arts, Culture, and Humanities
- Education
- Health
- Mental Health, Crisis Intervention
- Food, Agriculture, and Nutrition
- Housing, Shelter
- Recreation, Sports, Leisure, Athletics
- Youth Development
- Human Services—Multipurpose and Other
- Community Improvement, Capacity Building
- Philanthropy, Voluntarism, and Grant-making Foundations

A plurality of these nonprofits are in the education and human services sectors. Between 2006 and 2010, as Figure 2 shows, education-related nonprofits (2,116 organizations) and human services-related nonprofits (2,081 organizations) combined comprise approximately 40 percent of all nonprofits providing services in Arkansas. Arts, Culture, & Humanities, Health, and Housing & Shelter comprise another 10 percent respectively and thus, encompassing another 30 percent of all nonprofits serving Arkansans.

Figure 2: Sectors of Arkansas Public Charities, 2006-2010.



Nonprofit Revenue in Arkansas

Revenue for Arkansas nonprofits totaled \$46,393,390,998 between 2006 and 2010. As shown in Figures 3 and 4, substantial portions of revenue were directed at health care and education. Two-thirds of revenue (66%) go to health care and nearly one-fifth (19%) goes to education. Most of the revenue generated for the health care sector comes from program services (slightly less than \$15,000,000,000) and dues (slightly more than \$15,000,000,000).

Figure 3. Share of Nonprofit Revenue by Industry, 2006-2010.

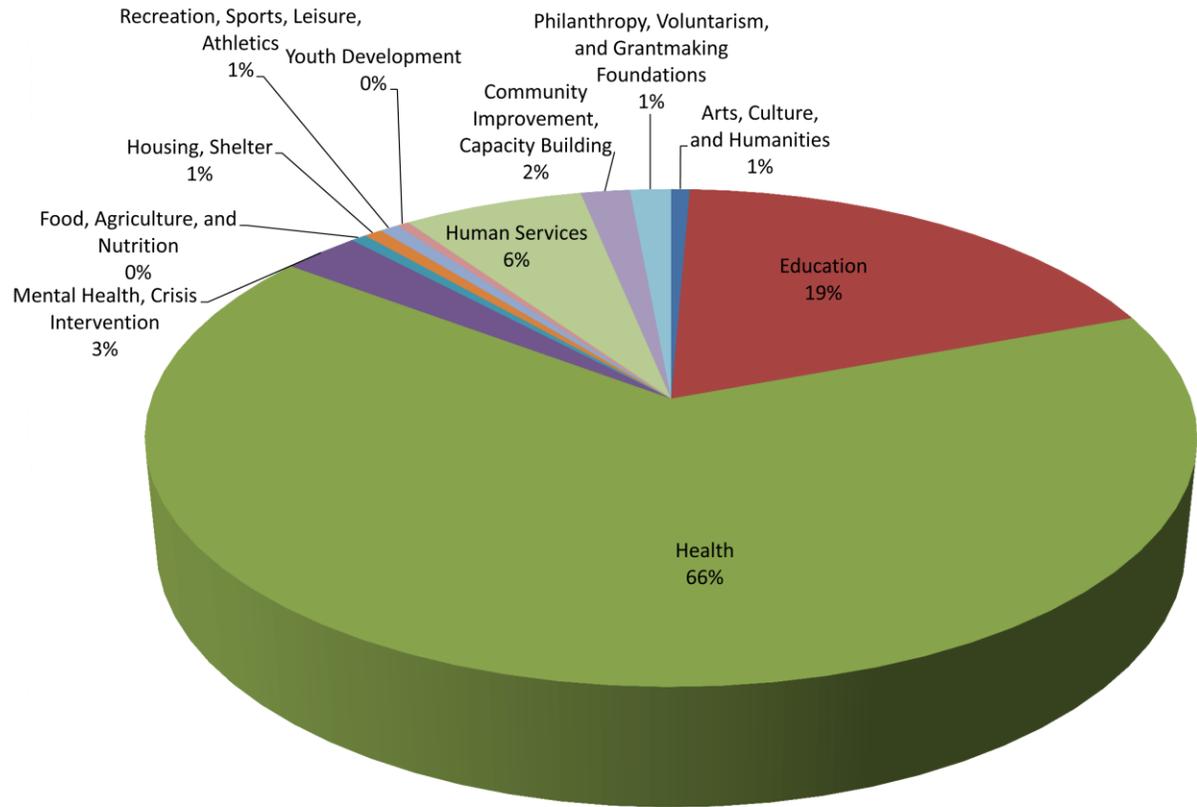


Figure 4. Total Nonprofit Revenue by Industry, 2006-2010.

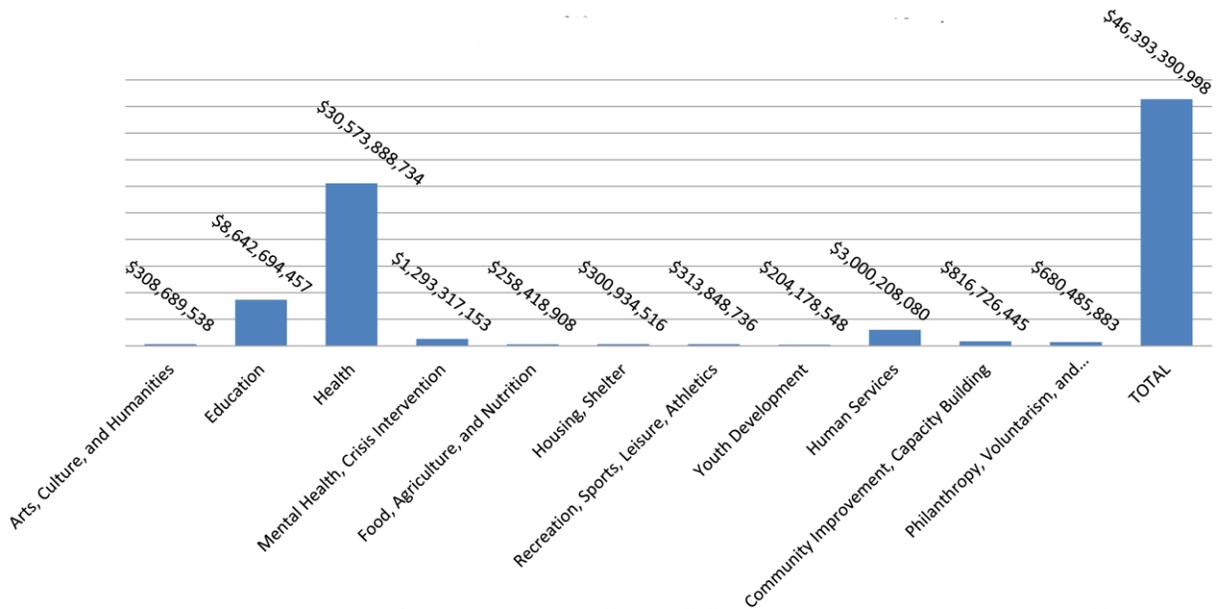


Figure 5 provides a breakdown of revenue sources for nonprofits. As Figure 5 shows, the largest proportion of revenue comes from ‘program service fees’, followed by ‘contributions, grants, and gifts’. Nonprofits in Arkansas depend primarily on program revenue for their source of revenue. These data exhibit evidence, albeit slight, that nonprofits in Arkansas are improving their fundraising and grantsmanship.

Given that health care and educational organizations make up the largest proportion of nonprofit revenue in the state, one might attribute the dominance of program revenue in Figure 5 to service fees, tuition, and similar program revenue streams. That is not entirely the case, however. Figure 6 provides a further breakdown of revenue across the industrial sectors other than health and education. This figure demonstrates that program revenue is an important funding stream for nonprofits of all types.

Figure 5. Sources of Nonprofit Revenue, 2006-2010.

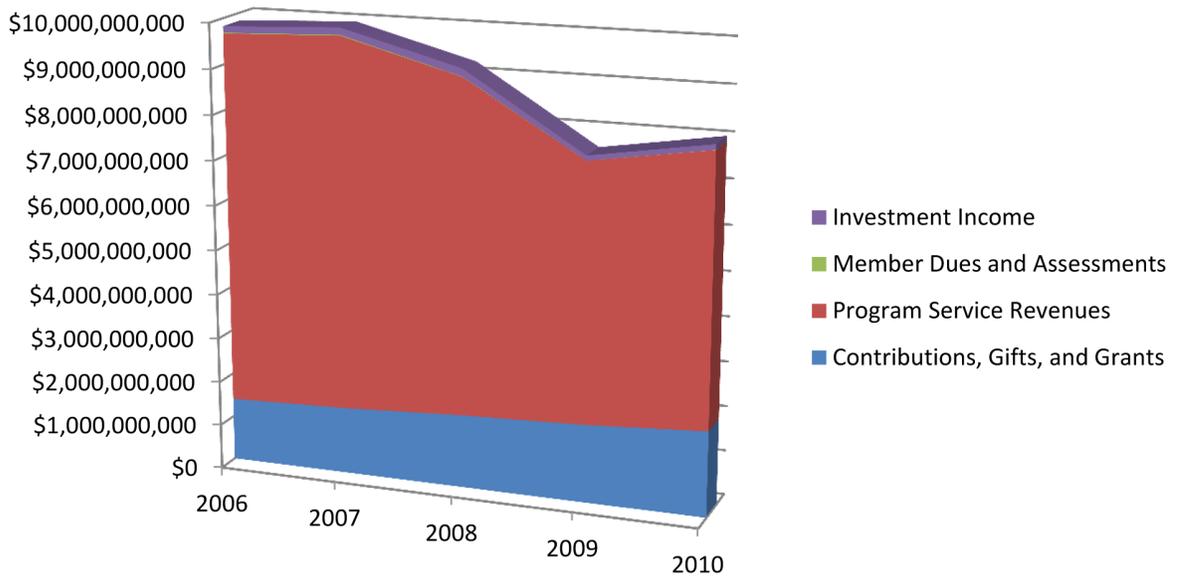
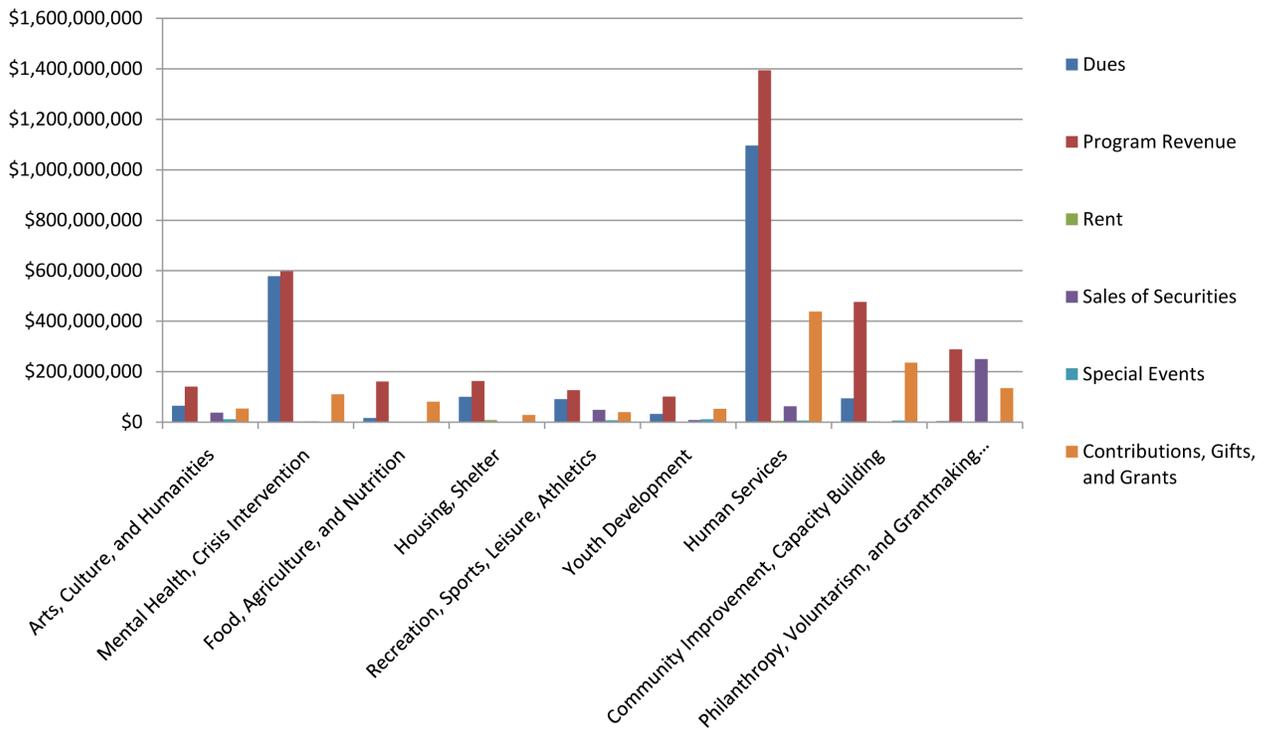


Figure 6. Sources of Nonprofit Revenue for Sectors Other than Health and Education, 2006-2010



Nonprofit Employment and Compensation in Arkansas

From 2008 to 2010, Arkansas nonprofits employed an average of 81,122 people per year, with the health care and human services sectors employing the bulk of workers. Over the same three-year period, nonprofit workers comprise 3.6 percent of all public and private sector employees in Arkansas. This employment figure is derived from the average number of nonprofit employees (according to NCCS), divided by the total number of public and private employees during the 2008-10 period (according to the U.S. Census Bureau’s American Community Survey 3-year estimate). This figure nearly doubles, however, when derived based on the *total available labor force* in Arkansas. As a percent of the total available labor force, nonprofit employment represents **6.8 percent** of the state's labor force. Figure 7 shows the nonprofit employment figures in Arkansas and Figure 8 indicates the state's nonprofit employment by industry.

Figure 7. Nonprofit Employment in Arkansas, 2006-2010.

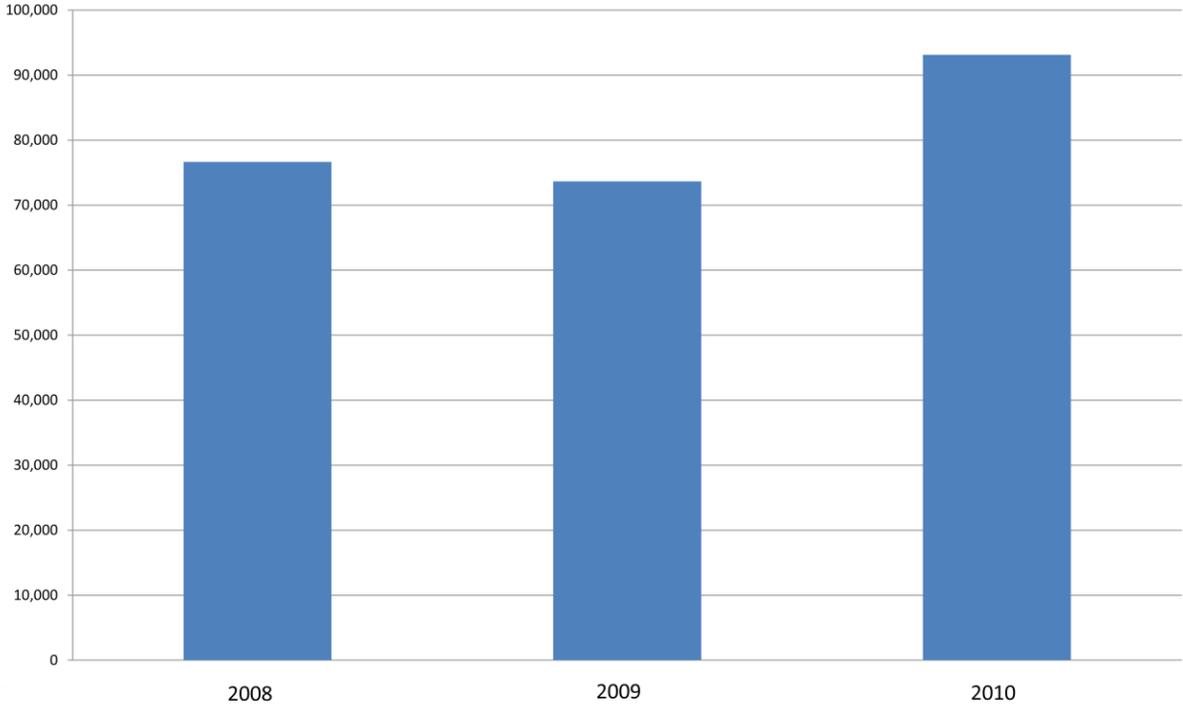
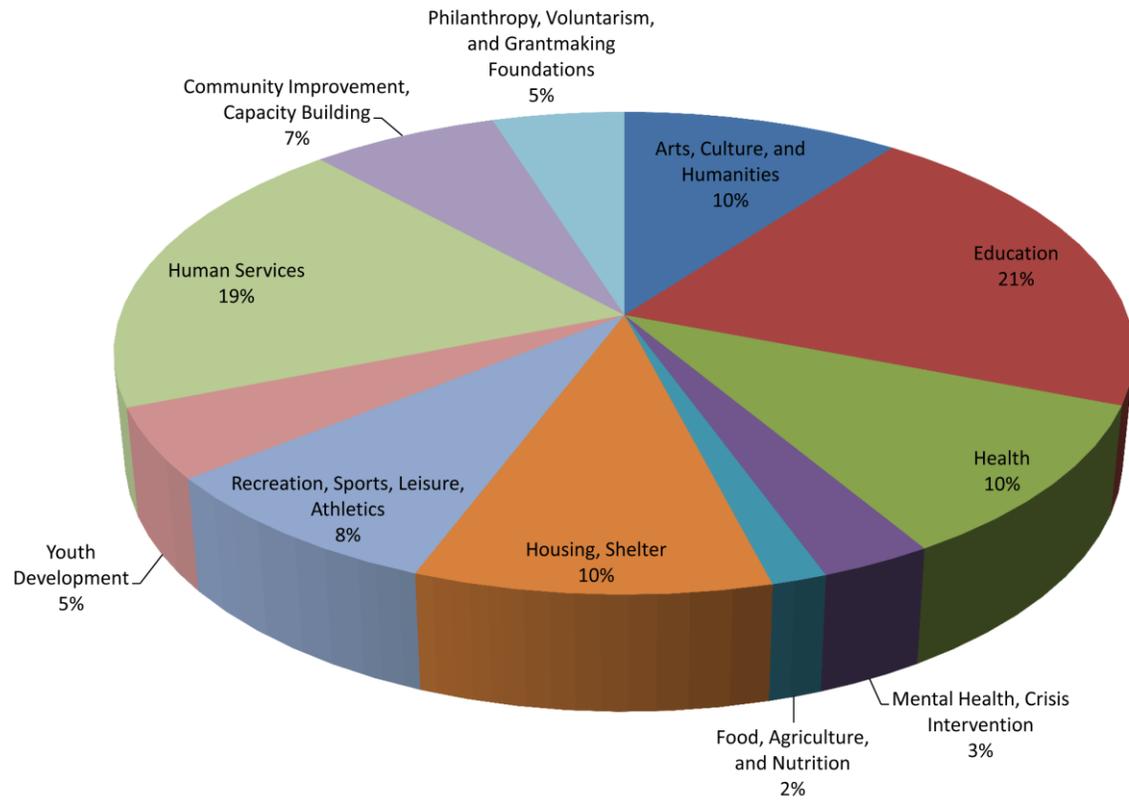


Figure 8. Nonprofit Employment by Industry, 2006-2010.



The geographic distribution of nonprofit employment in the state largely mirrors the distribution of nonprofit organizations, as indicated by Figure 9. However, when viewed as a percentage of county labor force, as shown in Figure 10, the distribution changes. This geographical representation of nonprofit employment as a percentage of each county's available labor force indicates that places such as Baxter, Boone, Independence, and Johnson Counties have a proportionally greater benefit from nonprofit employment than other areas of the state.

Figure 9. Nonprofit Employment by County, 2010

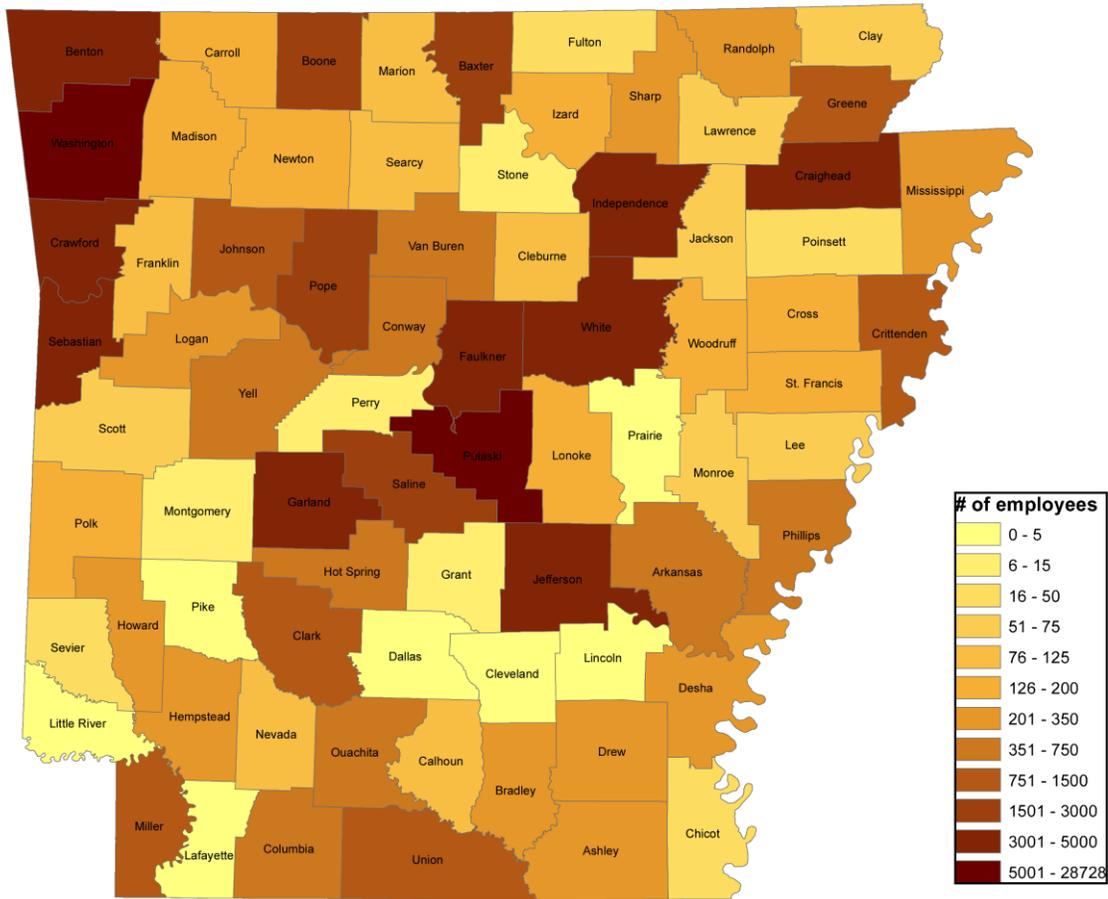
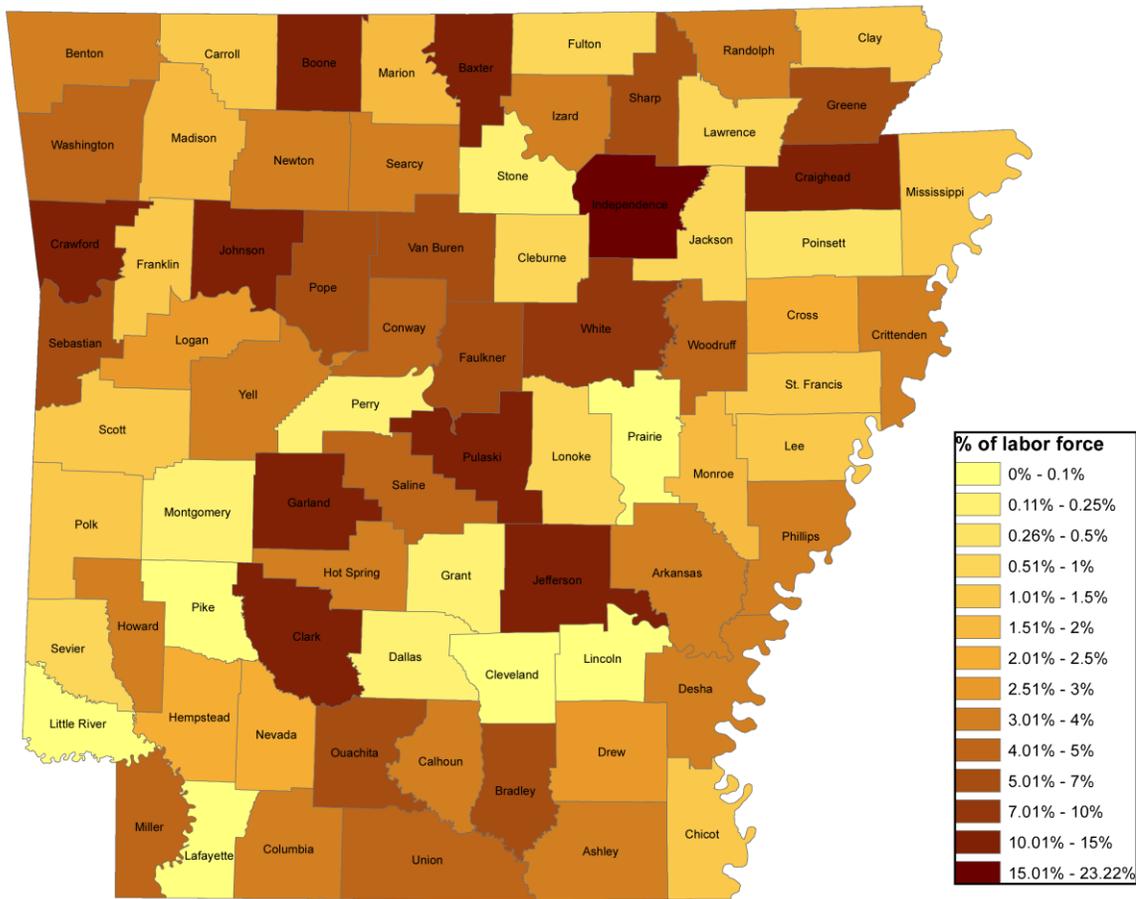


Figure 10. Employment as a Percentage of Available Labor Force, 2010.



Arkansas nonprofit organizations contribute much to the state’s economy through wages provided to their employees. Employee wages (non-executive employees only) of Arkansas nonprofits totaled \$4,548,191,814 between 2006 and 2010, while executive leadership pay totaled \$19,984,750,237 during the same period.

As Figure 11 shows, the vast majority of nonprofit executive wages are paid in the education and health sectors. For these executives, three-quarters of these wages are paid to executives directing health care (40%) and education (37%) nonprofits. Figure 12 provides a breakdown of executive compensation across sectors when health care and education are excluded from the analysis, and shows that philanthropic organizations represent a higher proportion of wages, followed by mental health and youth development organizations.

Figure 11. Nonprofit Executive Compensation by Industry, 2006-2010.

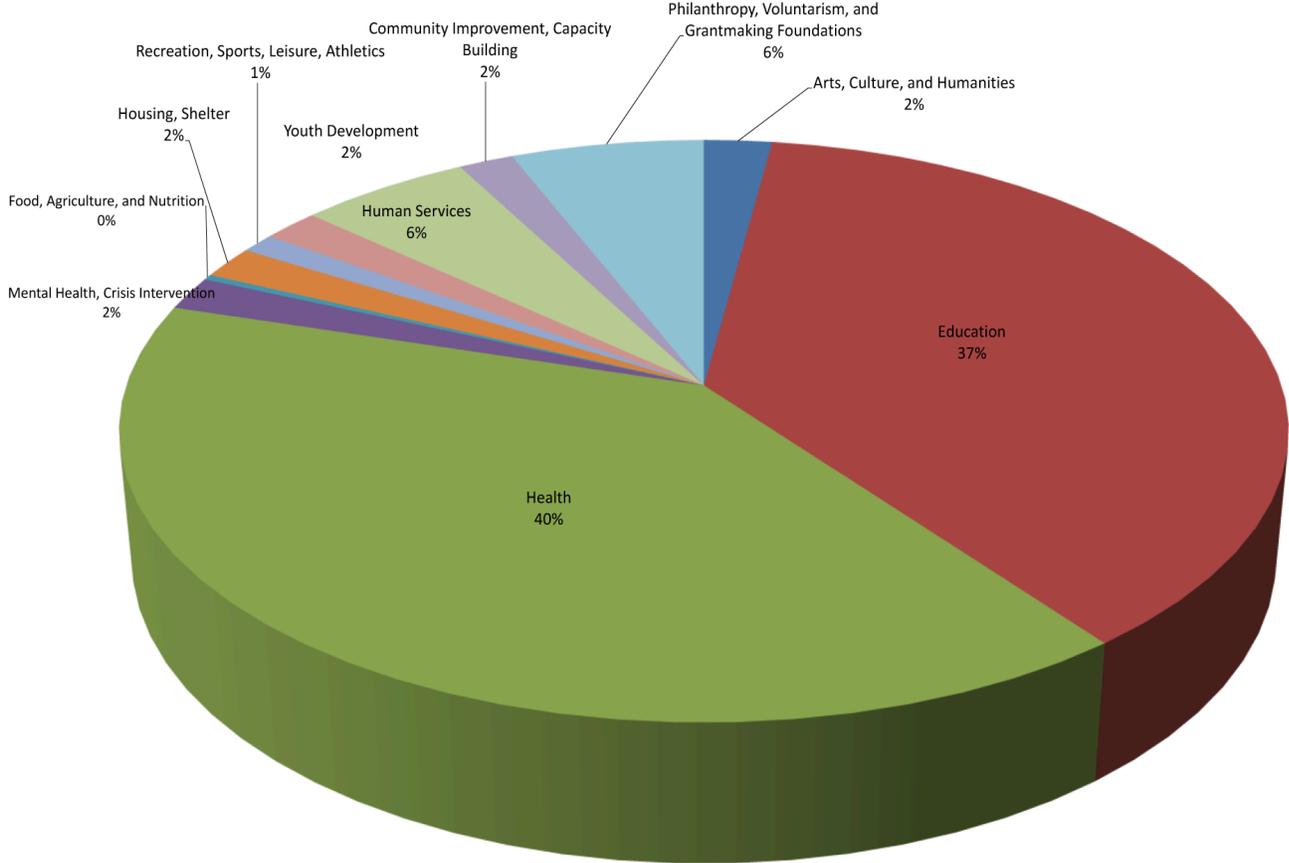
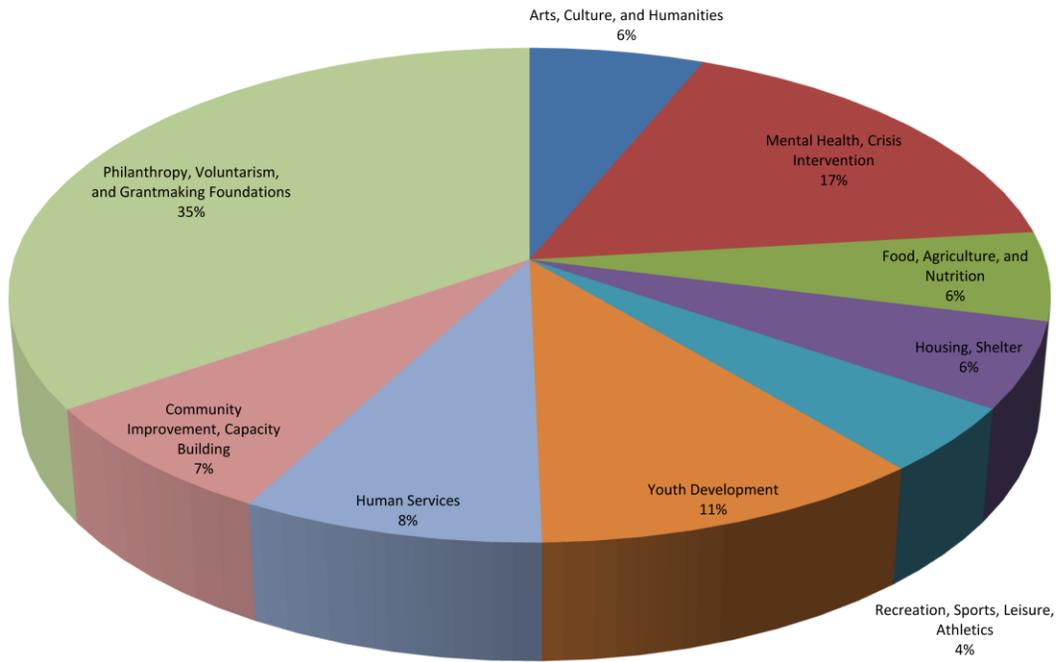


Figure 12. Nonprofit Executive Compensation by Industry without Health and Education sectors, 2006-2010.



Non-executive wages follows a similar pattern as executive wages. As shown in Figure 13, a considerable majority of nonprofit wages are paid through the health sector. Figure 14 indicates that when health care and education are excluded from the analysis, the bulk of non-executive compensation in the state is paid by organizations that provide mental health and crisis intervention services.

Figure 13. Nonprofit Non-Executive Compensation by Industry, 2006-2010.

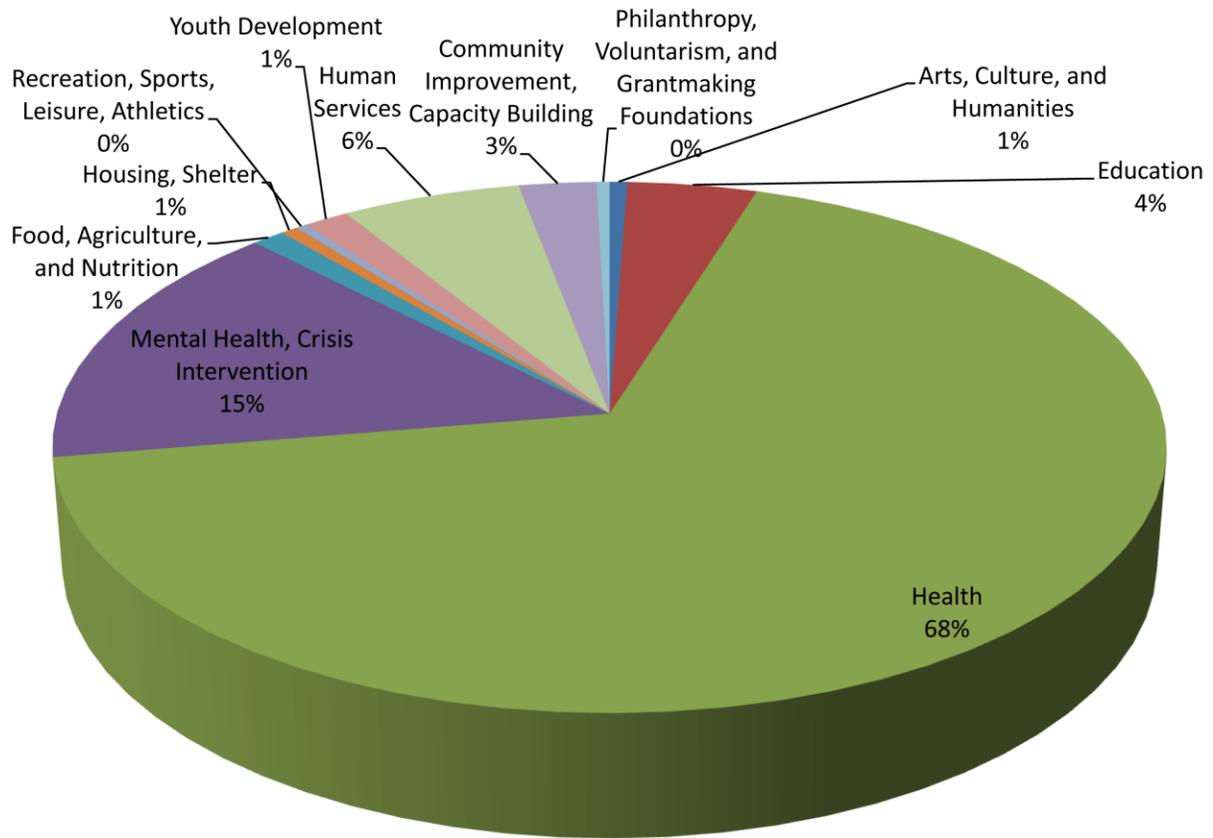
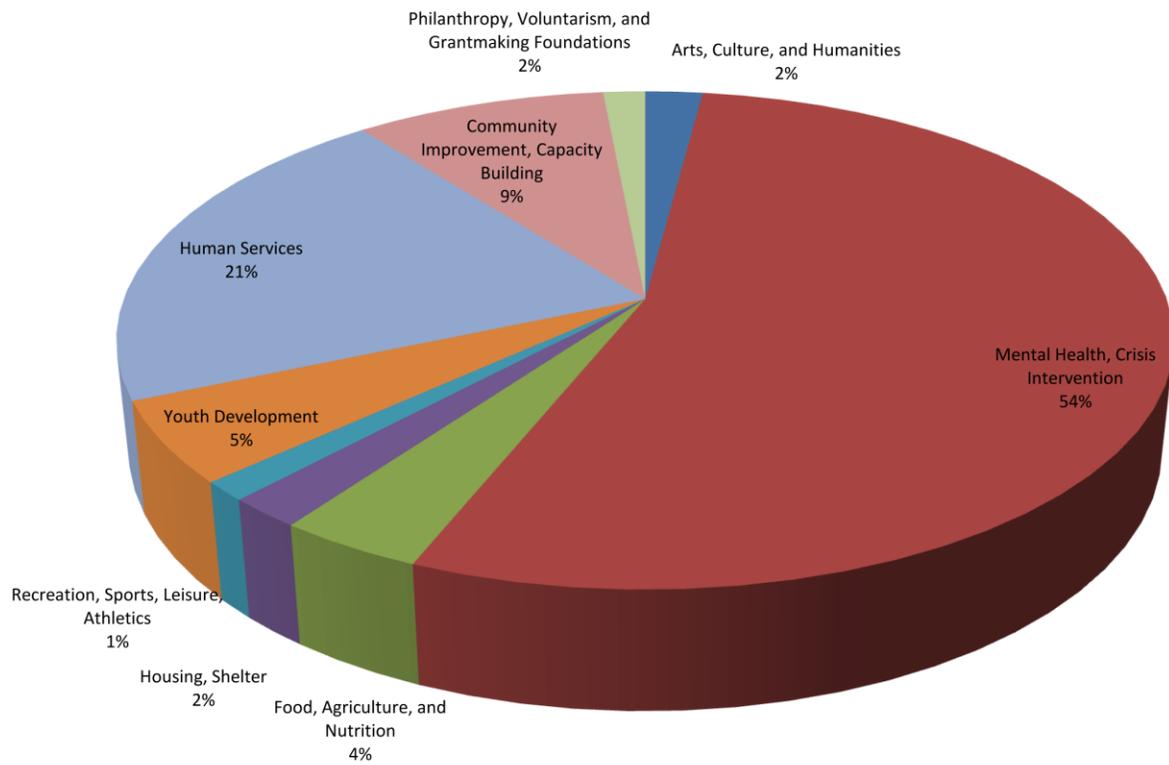


Figure 14. Nonprofit Executive Compensation by Industry without Health and Education sectors, 2006-2010.



The Economic Impact of Arkansas Nonprofits

The revenue and employment figures for Arkansas nonprofits in 2010 were used to estimate the overall economic impact for the nonprofit sector. These estimates were produced using the IMPLAN software program, which is specifically designed for economic impact analysis. The IMPLAN software calculates not only the direct effects, which reflect the economic outputs made directly by a nonprofit's programs and other operations, but also the indirect effects, or the effects of the immediate recirculation of those funds within the economy, and the induced effects, which arise from the additional recirculation and spending of those indirect economic effects.

For example, if a literacy program spends \$300,000 in operating costs for books, supplies, and salaries, its direct economic effects would be considered \$300,000. The money allocated to salaries are then spent by employees at local businesses, resulting in a further economic effect that provides an additional stimulus to the local economy. Similarly, the money earned by the company that supplied the books can be considered an indirect effect. The amount of money earned by employees of the publisher or bookstore is similarly considered an indirect effect, and when those employees re-spend that money in the local economy, it is considered an induced effect.

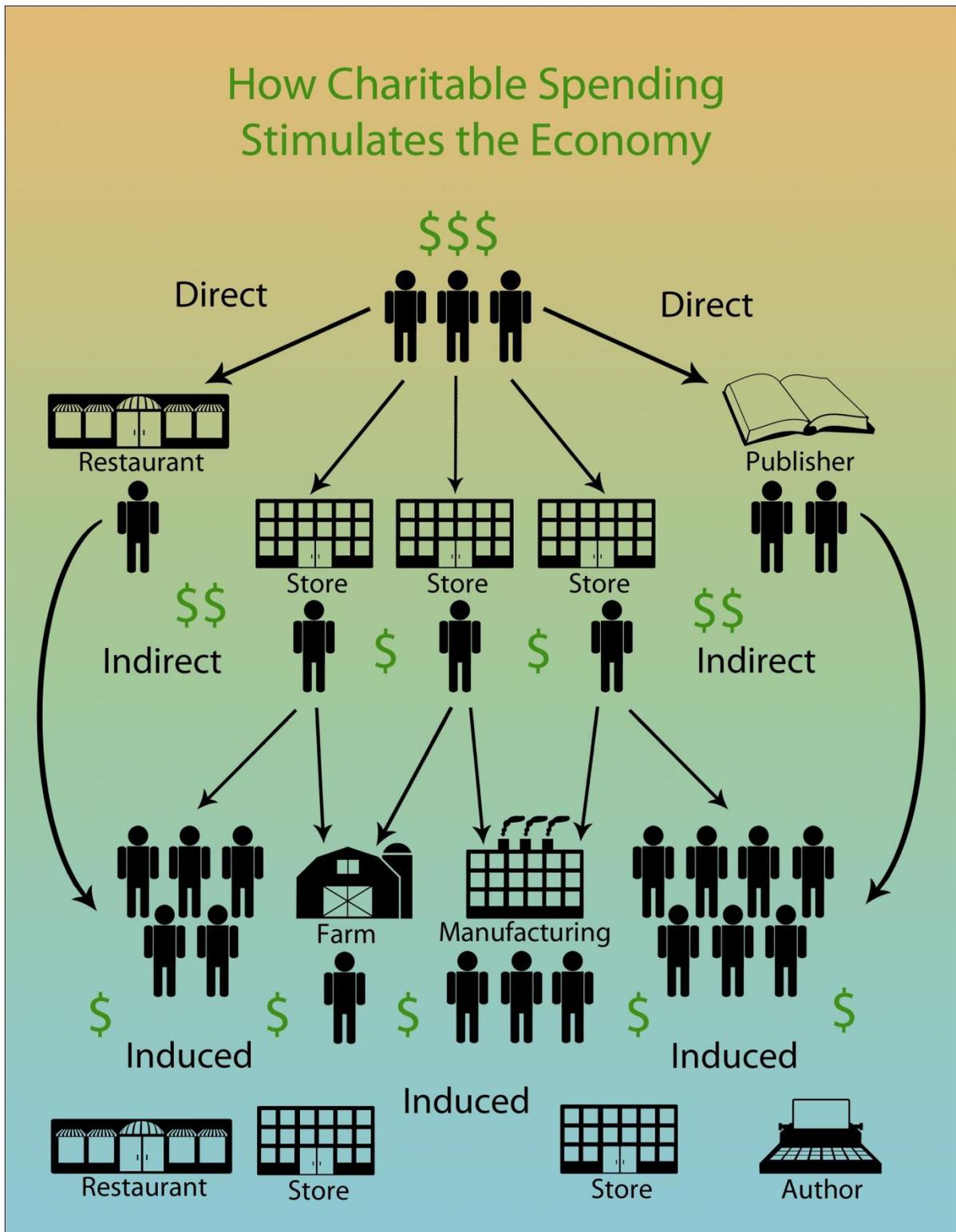
Table 1 indicates that in 2010, nonprofit organizations in Arkansas had a total economic effect of over \$13.5 billion dollars which came from a direct economic effect of \$7.9 billion. Table 2 presents a breakdown of economic effects by industry.

It should be noted that the sum of these industry breakdowns is greater than the total economic effects for nonprofits statewide, as some nonprofits fall under multiple industry classifications and thus were included in multiple calculations.

Table 1. Economic Effects of Arkansas Nonprofits, 2010.

Impact Type	Employment	Labor Income	Value Added	Output
Direct Effect	90,476.00	\$3,580,040,594	\$3,806,214,361	\$7,979,207,827
Indirect Effect	22,554.40	\$818,667,738	\$1,456,382,561	\$2,406,307,388
Induced Effect	29,357.00	\$1,035,430,743	\$1,894,584,779	\$3,119,630,757
Total Effect	142,387.50	\$5,434,139,075	\$7,157,181,701	\$13,505,145,972

How Charitable Spending Stimulates the Economy



Reviewing the contribution specific sectors make to the economic well-being of the state, we observe patterns consistent with the revenue and employment results. As shown in Table 2, the greatest gross effect on the Arkansas economy in 2010 is that provided by the health sector at slightly more than \$8 billion in total economic effect; the health sector also employed more people – nearly 50,000 people – than any other nonprofit sector. Education, mirroring earlier results, provides a \$1.4 billion total economic boost to the state. Human Services also contributes tremendously to the Arkansas economy. This sector is second in employment (13,487 employees), which produces a \$0.5 billion direct effect, and contributes a total economic effect of nearly \$1 billion. The mental health & crisis intervention sector, while not employing nearly as many people as the health sector, also contributes \$0.5 billion to the state’s total economic picture. Finally, in a state in which the Razorbacks are revered, recreation, sports, and leisure athletics provides a \$142 million boost to the Arkansas economy.

The direct effect employment figure reflects the total estimated nonprofit employment for all nonprofits in the state who list a valid NAICS Industry Code, and labor income reflects the total revenue of those same nonprofits. As some nonprofits did not report a NAICS Industry code in 2010, the estimates are slightly lower than the total employment figures and revenue for nonprofits statewide.

Value added represents the additional value derived from the organization’s outputs – its programs, services, or physical creations – that are generated in addition to these organizations’ basic expenditures. As public charities rely largely on volunteers and workers earning much less than their private sector counterparts, the economic value added by these organizations actually exceeds the amount of revenue these nonprofits bring in annually.

As is evident from these employment and financial contributions, these nonprofit sectors are vital to the “charity and prosperity” of all Arkansans.

Table 2. Economic Effects of Arkansas Nonprofits by Industry, 2010.

	Impact Type	Employment	Labor Income	Value Added	Output
Arts, Culture, and Humanities	Direct Effect	501	\$13,521,444	\$16,960,727	\$34,371,807
	Indirect Effect	103.7	\$3,632,635	\$6,217,791	\$10,193,990
	Induced Effect	115.4	\$4,055,505	\$7,444,007	\$12,233,620
	Total Effect	720.1	\$21,209,584	\$30,622,525	\$56,799,417
Education	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	11,620.30	\$368,423,828	\$346,260,726	\$814,154,862
	Indirect Effect	2,409.10	\$86,887,595	\$165,147,709	\$287,883,027
	Induced Effect	3,039.40	\$107,189,754	\$196,147,159	\$322,960,337
Total Effect	17,068.70	\$562,501,177	\$707,555,595	\$1,424,998,226	
Health	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	49,622.20	\$2,144,497,126	\$2,348,631,986	\$4,878,093,722
	Indirect Effect	13,010.40	\$471,226,994	\$864,040,961	\$1,367,478,059
	Induced Effect	17,448.90	\$615,561,299	\$1,126,105,894	\$1,854,473,675
Total Effect	80,081.50	\$3,231,285,419	\$4,338,778,840	\$8,100,045,455	
Mental Health, Crisis Intervention	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	3,861.00	\$117,370,005	\$142,803,230	\$272,043,725
	Indirect Effect	784.1	\$29,930,832	\$46,622,675	\$76,977,933
	Induced Effect	985.5	\$34,720,425	\$63,592,186	\$104,648,077
Total Effect	5,630.60	\$182,021,262	\$253,018,091	\$453,669,735	
Food, Agriculture, and Nutrition	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	118	\$31,373,772	\$30,202,761	\$61,928,456
	Indirect Effect	199.5	\$7,044,048	\$11,696,287	\$20,229,349
	Induced Effect	256.6	\$9,047,571	\$16,560,480	\$27,262,843
Total Effect	574.1	\$47,465,392	\$58,459,529	\$109,420,648	

Table 2, Continued

Housing, Shelter	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	557	\$32,736,554	\$33,805,490	\$56,625,843
	Indirect Effect	129.7	\$4,414,596	\$7,889,423	\$13,328,546
	Induced Effect	248.1	\$8,749,061	\$16,013,828	\$26,363,182
	Total Effect	934.8	\$45,900,211	\$57,708,741	\$96,317,571
Recreation, Sports, Leisure, Athletics	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	970	\$29,574,823	\$51,297,522	\$91,716,144
	Indirect Effect	229.4	\$8,445,670	\$14,452,451	\$24,188,654
	Induced Effect	253.5	\$8,944,742	\$16,359,857	\$26,945,119
	Total Effect	1,452.90	\$46,965,235	\$82,109,830	\$142,849,917
Youth Development	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	754	\$27,124,050	\$26,291,776	\$52,555,011
	Indirect Effect	151.1	\$5,546,753	\$9,555,235	\$17,694,325
	Induced Effect	218.2	\$7,693,413	\$14,080,937	\$23,181,805
	Total Effect	1,123.30	\$40,364,216	\$49,927,948	\$93,431,141
Human Services	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	13,487.40	\$344,223,179	\$343,050,930	\$555,681,750
	Indirect Effect	1,133.70	\$40,299,704	\$70,335,280	\$121,140,131
	Induced Effect	2,569.10	\$90,568,626	\$165,790,837	\$272,918,539
	Total Effect	17,190.20	\$475,091,509	\$579,177,047	\$949,740,420
Community Improvement, Capacity Building	Impact Type	Employment	Labor Income	Value Added	Output
	Direct Effect	2,380.40	\$83,395,443	\$83,253,830	\$211,341,830
	Indirect Effect	761	\$28,237,372	\$48,758,595	\$93,818,404
	Induced Effect	745	\$26,276,234	\$48,077,115	\$79,165,951
	Total Effect	3,886.40	\$137,909,049	\$180,089,540	\$384,326,184

Table 2, Continued

	Impact Type	Employment	Labor Income	Value Added	Output
Philanthropy, Voluntarism, and Grantmaking Foundations	Direct Effect	151	\$65,693,490	\$63,393,109	\$167,348,535
	Indirect Effect	677.9	\$24,938,464	\$39,151,142	\$68,713,125
	Induced Effect	604.9	\$21,335,107	\$39,039,157	\$64,280,882
	Total Effect	1,433.80	\$111,967,061	\$141,583,409	\$300,342,542

The Intangible Effects of Public Charities in Arkansas

In addition to underestimating the economic impact of public charities, both due to the lack of information about nonprofits with budgets under \$25,000 and limiting the data to public charities only, the total impact of nonprofits is also underestimated due to the difficulty in measuring the intangible impacts of public charities in our communities. This study does not take into account the potential economic effects of nonprofit program outcomes - for example, a student's improved performance due to exposure to arts programs, or enhanced future earnings due to tutoring services, or the increased tax revenues that arise when a community improvement organization works to revitalize a neighborhood and attract new businesses. Therefore, it is left to individual nonprofits and community leaders to take the economic impact figures in this report and add applicable research on their program's outputs and long-term outcomes in communities, including both quantifiable program outcomes and anecdotal stories, in order to articulate the true value of nonprofit organizations in their individual communities.

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