

SOCIETAL IMPACTS

Rather than a longitudinal study, this is a “snapshot” of Pennsylvania’s nonprofit sector, so we cannot measure- nor speak to-trends. We heard from those employed by the nonprofit sector, both in their written survey responses, and what they said in focus groups held on both ends of the Commonwealth. We saw people and organizations working through the ramifications of government devolutions, and we saw the greater role that the for-profit sector is beginning to play in the provision of services historically performed by either government agencies or nonprofits.



One of Campus Boulevard Corporations' (CBC) recent graduation classes with staff. CBC has directed a wide range of programs in its neighborhoods- from youth projects to safety and security programs. In 1994, CBC embarked on targeted economic development activities, including a small business Incubator and Job-Training programs for low and moderate income residents.



Finding a way through the spider's web teaches kids if they work together they can find a way. Woodrock's mission is to promote interracial, interethnic and intercultural harmony among youth.

Those surveyed cited these impacts of nonprofits:

- Provide training that moves people from welfare to work.
- Serve people who have no other support from their families or government.
- Advocate for those who do not have a voice.
- Often a community's way of building understanding among racial and ethnic groups.
- Create safe and confidential places to shelter the battered.
- Tend to have longer commitments to certain constituency groups, rather than being buffeted by political winds.
- Work with the neediest in society.
- Without nonprofits, taxes would rise exorbitantly to work with the same social problems.
- Food banks distribute food to the hungry at a cost of about \$1.00 for \$15-20 in food value.
- Impact on one client ripples to whole families and communities.
- The arts help local economies by attracting new businesses and build pride in citizens. They also stimulate creativity in children.
- Many of society's great strides came through the nonprofit sector, including child labor laws, improvements in health and race relations.

The basic measures of an industry's economic operating performance are employment, wages, output and value added. Three different Input/Output Model expenditure analyses were performed for this study. These impacts are summarized below for all nonprofits, and then the figures for just charities are indicated.

Areas of Impact	Output	Wages	Empl
<i>Operating Expenditures</i>			
All Nonprofits (501c's)	\$97.1 billion	\$35.6 billion	
Only Charities (501c3)	\$68.5 billion	\$26.6 billion	
<i>Capital Expenditures</i>			
All Nonprofits	\$0.78 billion	\$0.36 billion	
Only Charities	\$0.77 billion	\$0.36 billion	
<i>Visitor Expenditures</i>			
All Nonprofits	\$2.12 billion	\$0.79 billion	
Only Charities	\$1.02 billion	\$0.38 billion	
Total			
All Nonprofits	\$100 billion	\$36.75 billion	
Only Charities	\$70.3 billion	\$27.34 billion	

METHODOLOGIES

To calculate the economic impacts, the researchers used the Pennsylvania Input/Output Model employing data from the IRS's Master File on Exempt Organizations- Pennsylvania (calendar year 1997). The IRS file provides the most accurate census available of the spending of nonprofit organizations in the state. Organizations with annual incomes less than \$25,000 are not included in the study because they are not required to file with the IRS. Additionally, the Study excluded churches and other religious organizations exempted from reporting income on the IRS Form 990. The Study did, however, survey a sample of these organizations as part of understanding the nonsectarian activities and impacts of churches benefitting Commonwealth citizens and its society.

To supplement this information, additional necessary information was collected through two statewide surveys (geographically randomized samples) of 501(c) organizations (performed in mid-1998 to recover 1997 information). Societal

impacts of the nonprofit sector were measured using nonprofit organizations' anecdotal responses to several open-ended and close-ended questions included with the survey plus information acquired during three focus groups (two held in Southeastern and one held in Western Pennsylvania).

Where required to make a judgment or assumption, the study tended toward the conservative. We trust that the study neither overstates, nor understates, its measures. The result is believed to be a balanced report on the nonprofit sector in Pennsylvania.

501 (c) (3) = charities including those serving "religious, charitable, scientific, testing for public safety, literary or educational purposes." Those 501 (c) organizations which are not 501 (c) (3) are non-charitable nonprofits including social clubs, veterans' organizations, labor unions, etc.

The Study was initiated and made possible by the Pennsylvania Association of Nonprofit Organizations (PANO) who contracted Eastern College to conduct the study. The researchers were *Principal Investigator*: Mark Halsey, Associate Professor of Management and Director of the Graduate Program in Nonprofit Management; *Consulting Economist*: John Stapleford, Ph.D., Associate Professor of Economics; *Analyst*: Mary Joan McDuffie, Independent Consultant.

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Impacts of the Pennsylvania Nonprofit Sector

Sponsored by the Pennsylvania Association of Nonprofit Organizations

Conducted by Eastern College

Funded by the Huston Foundation, the Stewart Huston Charitable Trust, HBE Foundation, The Chester County Community Foundation, Western Association of Ladies for Relief and Employment of the Poor, and AMP, Incorporated

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FINDINGS

Charities create significant impact across Pennsylvania with their wide array of programs. One could propose that charities create the quality of life that makes it attractive to for-profit businesses to establish residency in certain communities. What goes unrecognized or forgotten is the fact that charities contribute significantly to economic influences such as payroll, construction, the food and beverage industry, tourism, office supply companies, telephone systems, computers and taxes.

Corporations that want to establish a site in a Pennsylvania community present these leverage points, but charities are sometimes taken for granted. PANO contracted this study to gain factual information about how much nonprofit organizations, particularly charities, contribute in Pennsylvania to dispel the myth that charities are a drain to a community's economic health.

Employment numbers are an indication of a community's economic health. The national average of people employed by nonprofit organizations is one in ten. Pennsylvania's nonprofit sector scores well above the national average employing one in five.

THE MYTH

Pennsylvania has very few charities.

Charities don't employ many people.

Charities don't add to the tax base.

People just don't or they are too busy to volunteer any more.

Volunteering is not a real job.

Volunteerism is clearly one of the areas that differentiates nonprofit organizations from the for-profit and government sectors. Adult volunteer hours donated in Pennsylvania equate to over 400,000 paid jobs. A tremendous amount of talent is given to nonprofits. Youth volunteer opportunities prepare young people to grow into responsible adults while giving them healthy alternatives to after-school temptations. We did not attach an economic value to youth hours because of the amount of supervision required to keep the volunteer on track.

When you factor in construction/renovation costs, tourism and operational budgets and tax contributions, nonprofit organizations really make a difference. Would you want to live in a community with no charities? This study conservatively captured the contribution made by charities. Take a moment and consider how your family has benefited from charities. These numbers take on a different perspective when you evaluate the alternatives.

In analyzing the nonprofit sector, we could always point to it as the supplier of generosity and compassion in society, and more recently, to its growing economic influence. In order to convey this information, nonprofit organizations must do a better job telling their story, putting a face on the condition and working with the entire community to address its issues.

THE REALITY

22,900 Pennsylvania Charities filed with the IRS.

In Pennsylvania 606,000 people are employed by charities.

Charities contribute \$4.7 billion in State and Local tax revenue or about 14.6% of all State and Local collections in Pennsylvania.

Annual volunteer hours: 692 million adult and 11.7 million youth .

Adult volunteer hours translate to 407,000 full-time unpaid employees.

OPERATING IMPACTS

Through the ripple effect, the total \$55.4 billion in estimated operating expenditures for all Pennsylvania nonprofit organizations generates for the state economy:

- 1.41 million total jobs (902,200 direct jobs plus 506,000 indirect jobs).
- \$35.6 billion in total wages (direct plus indirect).
- \$97.1 billion in economic output.
- Health-related nonprofits account for \$15.9 billion (29%) of this figure, the largest subgroup, followed closely by the subgroup composed of education and libraries at \$15 billion (27%).

The associated multipliers indicate that every 100 direct jobs in the nonprofit sector creates 60 additional jobs in the Pennsylvania economy, every \$100 of direct wages creates an additional \$60 of wages, and every \$100 of production adds another \$80 to total output.

GOVERNMENT REVENUES

Total state taxes generated in Pennsylvania is \$19.4 billion, and total local tax revenues equal \$12.7 billion. Tax revenue resulting from 501(c)(3) organizations' direct, indirect and induced taxes account for 21% of all state tax revenues, and 17.7% of all local taxes.

501 (c)(3) organizations' activities account for 15.5% of total state taxes, and 13.4% of local tax revenues. The overall impact on the total of state and local taxes is 19.3% by 501 (c) organizations and 14.6% by 501(c)(3) organizations.

CAPITAL EXPENDITURE IMPACTS

- \$558.8 million was spent on capital equipment and construction by all nonprofit organizations.
- Charities make up 98% of all this spending at \$549.5 million.
- Education and libraries generated about 52% of the total construction spending.
- Capital and construction expenditures generate most of their economic impact in the construction industry, manufacturing and service.

The multipliers indicate that every 100 jobs directly resulting from capital expenditures create 50 additional jobs in Pennsylvania's economy; every \$100 of production adds another \$70 in output; and every \$100 of direct wages creates an additional \$40 in wages.

In addition to generating tax revenue, all nonprofits:

- Provide services which complement and/or replace state/local government services, thus saving tax dollars.
- Leverage government revenues with contributions from individuals, corporations and foundations (\$2.60 per \$1.00 of ALL Federal, state and local funds).
- Leverage an additional \$4.7 billion of unpaid labor from volunteers (NOT including youth volunteers).
- Contribute to a quality of life required to attract today's growing service sector and high value-added manufacturing firms.

VOLUNTEER IMPACTS

At a very conservative value of minimum wage (\$5.15/hour) for the nonprofessional adults, and \$13/hour for professional adults, the value of unpaid time given to nonprofit organizations in Pennsylvania is \$4.67 billion.

- Annual adult volunteer hours are estimated at 692 million (141 million professional and 552 million nonprofessional).
- These hours translate to 407,000 full-time equivalent unpaid employees.

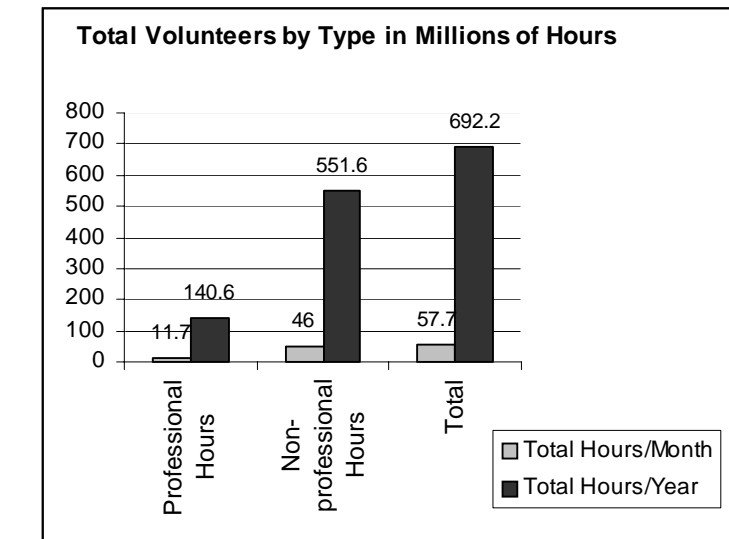
In addition, the Commonwealth benefits from about 11.7 million hours of youth volunteer time (a value of which was not attached, in that some may argue that the opportunity costs to organizations mentoring and coaching these youth could be considered equal to the *value added* by their volunteerism to their respective organizations). But while an exact value is not attributed to youth volunteerism, it is clear that all citizens of the Commonwealth benefit from both the value added by youth volunteerism **and by** the civic training and maturing of youth that such volunteerism provides.

VISITOR IMPACTS

The economic impact of users/visitors' expenditures was measured only for non-Pennsylvania residents. It was assumed that expenditures by users/visitors who are Pennsylvanians would have been spent in another industry if not spent using/visiting a nonprofit organization, and therefore resulting in no net increase in economic impact upon Pennsylvania's economy.

Out- of- state visitors and users of Pennsylvania nonprofit organizations and their services are important contributors to the Pennsylvania economy.

Volunteers are not just unpaid labor. They are major stakeholders that influence directions in efficient ways.



- Approximately 14.5 million out-of-state visitors are welcomed by Pennsylvania's nonprofit sector annually (repeat visits are counted as separate visits).
- An additional 5.8 million visits are attributed to those who come specifically as a result of a nonprofit.
- \$2.1 billion total spending for these visits.
- About 39,000 jobs and \$787 million in wages result from out of state visitors.
- 88% of employment and 67% of the output is concentrated in service-related sectors such as hotels and restaurants.