

Policy Points

Good Faith Fund

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Nonprofit Sector Makes a Big Impact on the Arkansas Economy

The nonprofit sector in Arkansas plays a critical role in the state's economy. Some of the major nonprofit players in the state provide much needed health care and education. Many others provide crucial social services such as food, job training, transportation, or housing. Some are involved in economic development activities such as small business lending and housing development. And still others provide opportunities for social and cultural activities, clean up the environment, and provide homes for animals.

Description of Data

Nonprofit organizations have a designation by the IRS that is referred to as 501(c)(3). This designation is given to organizations that are religious, educational, charitable, scientific, or literary. These organizations are exempt from income taxes, and individuals and for-profit organizations that make donations to the nonprofits can receive a tax deduction. Most nonprofit organizations with gross receipts of greater than \$25,000 are required to report to the IRS, but churches do not have to report, regardless of the amount of their gross receipts. There are two major categories of nonprofits—public charities and private foundations. For purposes of this report, we have included data only on public charities, and we will refer to them as nonprofit organizations.

The data included in this paper was reported by the nonprofit organizations on the IRS Form 990. Nonprofits are required to report by the 15th day of the fifth month following the close of their fiscal year. However, fiscal years vary. Therefore, reports filed in 2000 cover differing periods of time, depending on the organization submitting the report, but all do cover some part of 1999.¹

Number of Nonprofit Organizations

There are almost 6000 nonprofit organizations in the state of Arkansas. Almost 2000 of those—1914 organizations—reported to the IRS in 2000. The nonprofits may have more than one location; however, the data in Chart 1 reflect only the main location of the charity.

Inside This Issue

5,956 nonprofit organizations in Arkansas

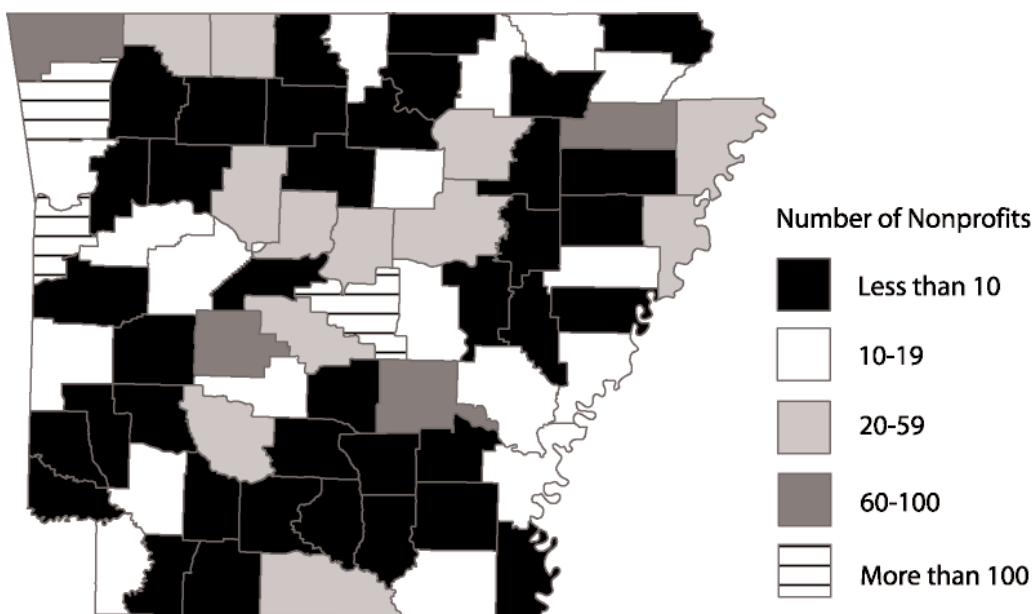
1,914 reporting to the IRS

\$4.8 billion in expenditures by reporting nonprofits

Comprising 7% of gross state product

As the map shows, about half of the counties in Arkansas have fewer than 10 nonprofits. Another 18 have between 10 and 20 nonprofits, 12 counties have between 20 and 60 nonprofits, and only 7 counties have more than 60 nonprofits. Those counties with large numbers of nonprofits tend to be counties with larger populations. In fact, the five most populous counties according to the 2000 census —Pulaski, Washington, Benton, Sebastian, and Garland—are also the five counties with the most nonprofits.

Chart 1 Number of Nonprofit Organizations by County

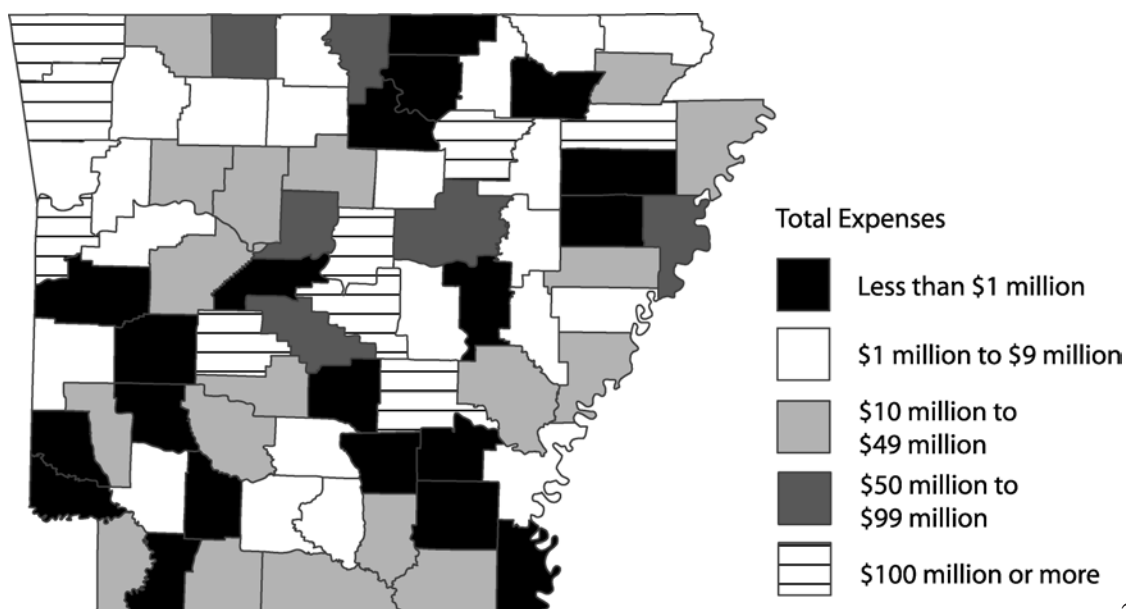


Expenses by Nonprofit Organizations

As is shown by the total expenses reported to the IRS by nonprofits in 2000, the activities of these nonprofits have a huge impact on the Arkansas economy. As with the data in Chart 1, the expenses reported in Chart 2 are based on the main location of the charity. For example, Good Faith Fund’s parent company is located in Arkadelphia, so all GFF expenses are shown on the map in Clark County even though our main locations are in Arkansas, Jefferson, and Phillips counties.

Total expenditures by nonprofits were over \$4.8 billion. A look at the map in Chart 2 shows the breakdown of expenditures by nonprofits in each county of the state. There are 19 counties with expenditures of less than \$1 million, 23 counties with expenditures of between \$1 million and \$10 million, 18 counties with expenditures of between \$10 million and \$50 million, 6 counties with expenditures of between \$50 million and \$100 million, and 9 counties with expenditures over \$100 million.

Chart 2 Total Nonprofit Expenses by County

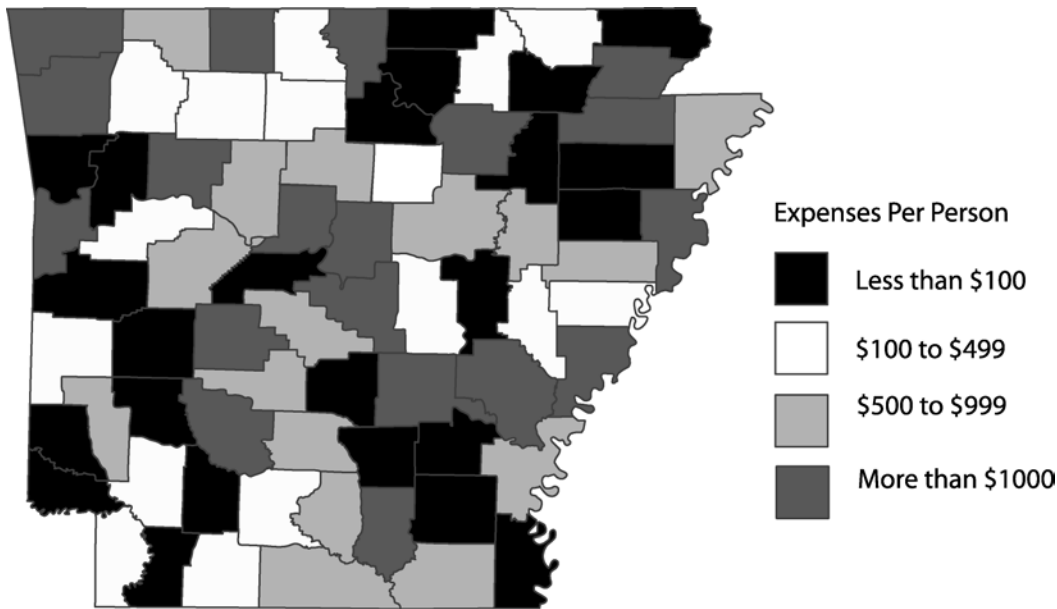


Counties with the largest expenditures tend to be in central and northwest Arkansas with the exception of Craighead, Independence, and

Jefferson counties. Nonprofit hospitals and colleges are included in these data and help to explain the high expenditures in these counties. St. Bernard’s Regional Medical Center in Jonesboro and Lyon College in Batesville account for a large percentage of their counties’ expenditures.

Another way to look at expenditures is in terms of expenditures per person in the county. Chart 3 shows this breakdown. While there is no specific regional pattern, it is noticeable that there are very few counties in northwest Arkansas

Chart 3 Nonprofit Expenses Per Person

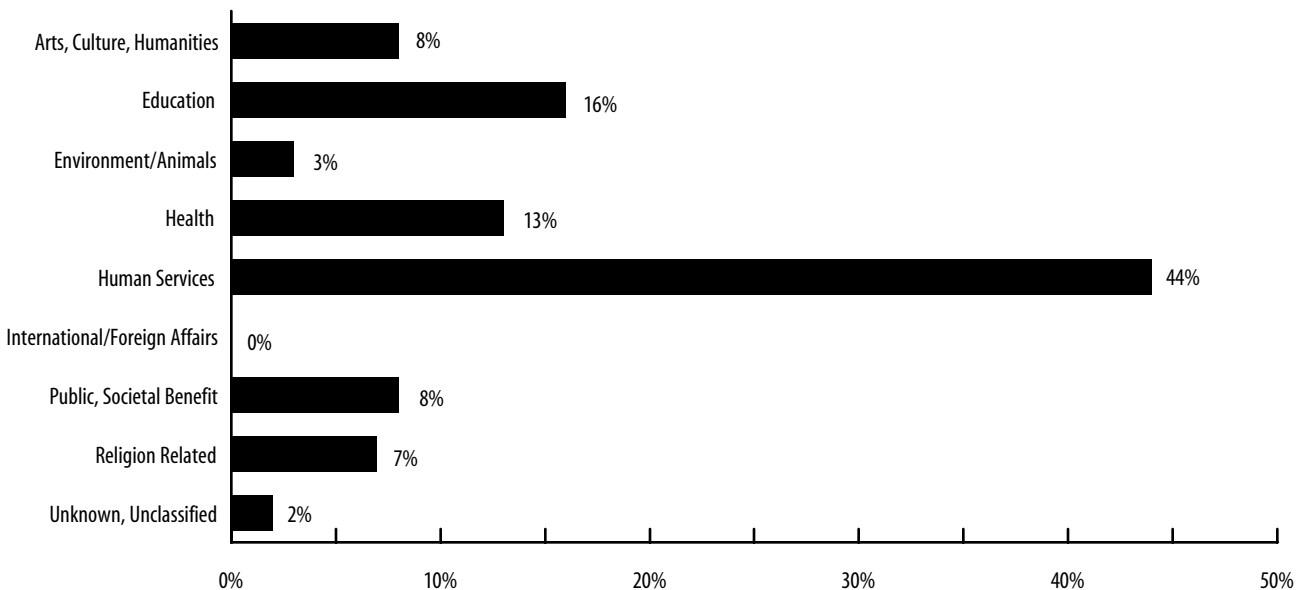


northwest Arkansas with low expenditures per person—Crawford and Franklin are the exceptions. It is also clear that counties in southwest and western Arkansas generally tend to have some of the lowest expenditures per person.

Types of Nonprofit Organizations

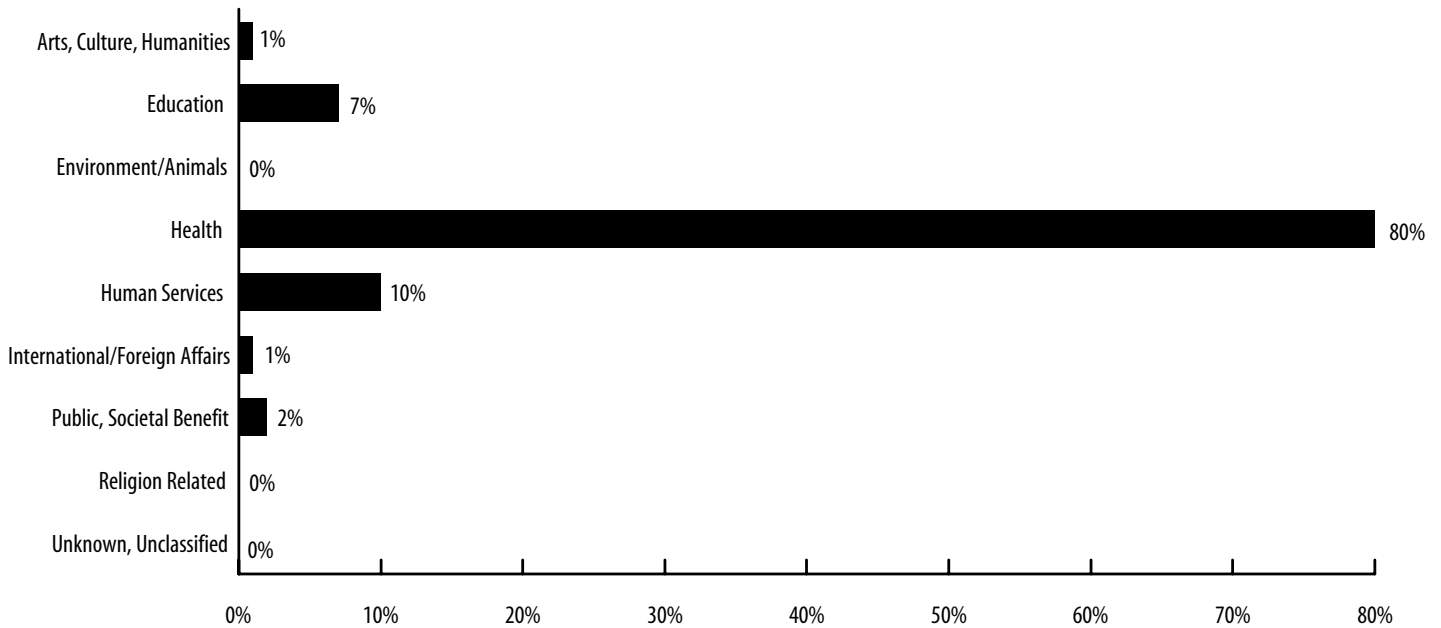
Nonprofits are broken into different categories. Chart 4 shows how nonprofits are spread across these categories. A large proportion of nonprofits— 44% —are categorized as providing human services. The next two largest categories are education at 16% and health at 13%. Both arts organizations and organizations with a public or societal benefit make up 8% of nonprofits.

Chart 4 Number of Nonprofits, By Type of Organization



By contrast, Chart 5 shows that nonprofits with a health focus have the largest amount of expenses. They account for 80% of the expenses by nonprofits. Most of these expenditures have been made by nonprofit hospitals and nursing homes. Human services organizations come in second with 10% of expenditures, and education makes up 7%.

Chart 5 Expenditures by Nonprofits, By Type of Organization



Overall Economic Impact of Nonprofits in Arkansas

As described above, nonprofits in Arkansas have a huge impact on the Arkansas economy. One way of measuring this impact is to compare the total expenses by nonprofit organizations to the Gross State Product (GSP). GSP is often considered the state counterpart of the U.S. Gross Domestic Product (GDP) and is a measure of the value added in production by the labor and property located in a state. In 1999, the GSP for Arkansas was \$64.7 billion. Expenses by nonprofits in 1999 made up 7% of the GSP.

Another way to look at the economic impact of nonprofits is to see what percentage of the jobs in the state are with nonprofit organizations. Unfortunately, there is no specific data source that indicates whether a job is in the for-profit, non-profit, or government sectors of the economy. However, the American Business Directory does report levels of employment within ranges for some employers.² Using that data, we can see how important the nonprofit sector is in terms of employment in Arkansas. For example, in Baxter County, total employment in 2000 was 13,925.³ Employment in the nonprofit sector in the county is somewhere between 8% and 38% of that total.

Finally, it is important to count the economic impact of volunteer hours provided to nonprofit organizations. In 2000, 486,841 Arkansans volunteered a total of over 25 million hours with nonprofit organizations in the state. The value of the time they donated was over \$479 million.⁴

¹ Data in this report comes from analysis of data from the IRS Form 990 by the National Center for Charitable Statistics at the Urban Institute, 2001.

² American Business Directory Database, Info USA, 2001.

³ Arkansas Employment Security Department, Arkansas Labor Force Statistics, Civilian Labor Force Data, 2000.

⁴ Arkansas Department of Human Services, Division of Volunteerism, 2001.



Planting the Seeds for Success

Prepared by Angela Duran with
the Public Policy Program of
Good Faith Fund
1123 S. University, Suite 1018
Little Rock, AR 72204
501.661.0322

e-mail: aduran@ehbt.com
www.arenterprise.org



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2304 W. 29th Avenue
Pine Bluff, AR 71603

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