



Economic Benefits of
MICHIGAN'S
NONPROFIT SECTOR

Prepared for
Michigan Nonprofit Research Program

Prepared by
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INTRODUCTION

State economies are driven by three sectors: public, private, and nonprofit. Enormous amounts of data and information are collected about the private and public sectors. Various governmental bodies, private organizations, and trade associations attempting to promote these sectors collect data regarding their employment and economic impact. Few data are collected about the nonprofit sector, placing this sector at a comparative disadvantage during discussions concerning economic activity, output, and, most importantly, impact. This disadvantage becomes crucial during the government appropriations process. Nonprofit organizations are often commended for their contribution as a “safety net” providing valuable services to a state’s residents, but rarely are these organizations cited for the contributions they make to a state’s overall economic vitality and success. The general failure to recognize the economic benefits of nonprofits means that key decisions regarding the growth and support of this sector are being made without complete information. By commissioning this report, the Michigan Nonprofit Research Program seeks a basis upon which to document the economic contribution of Michigan’s nonprofit organizations. This information will allow these organizations to identify and promote the significant economic benefits that they generate.

HIGHLIGHTS

Michigan’s nonprofit sector generates significant economic benefits for state residents. It is both geographically diverse, with organizations in every county of the state, and operationally diverse. Michigan’s nonprofits can be found in every subsector of the service economy, including a strong presence in health care, human services, education, and the arts.

Public Sector Consultants conducted an analysis of the economic benefits of Michigan’s nonprofit sector in April 1999, using the most recent available data (which was for 1997). Since then, Michigan’s nonprofit sector has grown considerably. In the four years between the studies, Michigan’s nonprofit sector has recorded an addition of 6,000 nonprofit organizations and increased its assets by almost \$20 billion.

It should be noted that this report is based on the most recent data available from the Internal Revenue Service and National Center for Charitable Statistics at the time of writing, which was from 2001. Since then the national economy and Michigan’s state economy have faced the effects of recession, the subsequent lag in growth, and—most recently—the early stages of an economic recovery. Thus, Michigan’s nonprofit community may currently be facing tougher financial times than the numbers in this report reflect.

This report documents that Michigan’s nonprofit organizations:

- Number over 41,000; of these, 21,109 were public charities. The number of organizations that filed IRS 990 forms is 13,478; of these, 7,257 were public charities
- Employ directly more than 315,000 people
- Generate an additional 135,000 jobs as a result of spending by the organizations and their employees
- Hold assets of over \$80 billion
- Receive more than \$44 billion in revenue
- Generate more than \$35 billion in personal income
- Generate nearly \$69 billion in total economic activity
- Have grown faster than the state’s overall economy (an increase in reported 501(c)(3) expenditures of almost 39 percent from 1995 to 2001, compared to a 26 percent increase in gross state product)

Findings of the report include:

■ **Michigan’s nonprofit organizations number over 41,000.**

The IRS reported 41,400 nonprofit organizations had registered for nonprofit status in 2001, the most recent year for which complete data were available. Approximately 51 percent of these (21,109) are public charities. Private foundations number 2,562 and noncharitable nonprofit organizations number 17,729.

■ **Michigan’s nonprofit organizations directly employ more than 315,000 people.**

In the second quarter of 2003, Michigan’s Office of Labor Market Information found that Michigan nonprofit organizations employed 315,551 people. Approximately 59 percent of these paid employees worked in the health care industry.

■ **Michigan’s nonprofit organizations generate an additional 135,000 jobs in other sectors.**

Using state employment data for Michigan, the forecast calculates the extended economic effects of the nonprofit sector, which include stimulating other jobs in the economy. In addition to direct jobs of 315,551, Michigan’s nonprofit sector also generates 134,725 jobs in other industries, creating total employment of 450,276. It should be noted that this is a conservative estimate.

■ **Michigan’s nonprofit organizations hold assets of over \$80 billion.**

In 2001, Michigan nonprofits reported total assets of approximately \$81.4 billion. Public charities accounted for over \$39.9 billion; within this category, more than 60 percent of assets are held by only 77 organizations, or 1.1 percent. Assets of noncharitable nonprofits accounted for \$22.5 billion; in this category, three organizations comprising only 0.1 percent of the total account for almost 80 percent of assets. Private foundations accounted for \$18.9 billion; within this group, 21 organizations (1.2 percent) account for nearly 81 percent of assets. Overall, assets have increased by almost \$20 billion since the last report on Michigan’s nonprofit organizations in 1999.

■ **Michigan’s nonprofit organizations receive more than \$44.2 billion in annual revenue.**

Public charities accounted for the majority of revenue, with \$28.7 billion; the top ten public charities received nearly 28 percent of this amount. Noncharitable nonprofits accounted for \$14.0 billion; within this group, the top ten organizations accounted for more than 62 percent of the revenue.

■ **Michigan’s nonprofit organizations generate more than \$35 billion in total personal income.**

Money spent by nonprofit organizations generates personal income for both nonprofit employees and for employees of organizations that provide goods and services to nonprofit organizations. Overall, the nonprofit sector generates \$35.7 billion in total personal income for Michigan residents.

Michigan Reporting Public Charities, by Social Function, 2001

	% of organizations	% of revenue	% of expenditures	% of assets
Human Services	23.0%	12.3%	11.6%	8.8%
Health Services	15.0	68.6	69.7	61.2
Education	14.9	7.6	6.5	12.2
Arts and humanities	8.4	1.9	1.3	3.3
Recreation and leisure	6.7	0.6	0.6	0.6
Philanthropic organizations	6.0	2.3	3.5	6.6
Housing and shelter	5.7	1.1	1.1	2.9
Religion	4.7	0.6	0.6	0.6
Other	4.6	3.3	3.5	1.6
Community improvement	4.2	0.8	0.8	1.0
Environment and animals	3.3	0.6	0.5	1.0
Public safety and disaster preparedness	0.4	0.1	0.1	0.0

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

- **Michigan’s nonprofit organizations generate more than \$68 billion in total economic activity.**

The economic forecast calculates the extended economic effects of the nonprofit sector. In addition to direct employment and income, nonprofit organizations generate other economic activity known as *indirect effects* (such as goods and services the organization buys) and *induced effects* (employees spending their income on goods and services provided by other businesses). Taking into account direct, indirect, and induced economic effects, the model calculates that Michigan’s nonprofit sector produces total economic activity of \$68.1 billion. Direct nonprofit expenditures account for \$38.8 billion in economic activity, while indirect and induced economic activity account for an additional \$29.3 billion.

- **Overall, reporting public charities in Michigan receive three quarters of their revenue from program services**—payment for services performed by the organizations. Only 15.2 percent of revenue comes from public support, which includes direct and indirect contributions and government support.

- **Michigan ranks 9th nationally in total number of charitable organizations, 10th nationally in expenditures, and 17th nationally in total assets.**

- **Michigan’s nonprofit sector generates significant noneconomic benefits for Michigan residents.**

In addition to its economic impact, Michigan’s nonprofit organizations also improve the quality of life for Michigan residents. Without nonprofit organizations communities would be unable to provide many critical services and protect vital resources. While this report examines the quantifiable economic impact of nonprofits, it would be a disservice to ignore the qualitative contributions that nonprofits make to strengthen communities across the state.

Overview of Reporting Public Charities, Number of Organizations, Assets, and Expenditures, 2001

Region	Number	Assets	Expenditures
Metro Detroit	2,446	\$20,344,410,427	\$15,282,552,982
Western	1,726	\$7,972,059,578	\$4,385,250,982
Central	805	\$3,661,500,883	\$2,067,063,907
Southern	700	\$2,483,472,528	\$1,279,222,003
Thumb	685	\$3,332,156,522	\$2,562,789,971
Northern Lower	606	\$1,468,528,899	\$988,565,015
Upper Peninsula	289	\$665,089,378	\$470,791,084
State	7,257	\$39,927,218,215	\$27,036,235,944

SOURCES: National Center for Charitable Statistics; U.S. Census Bureau, 2000 United States Census; and Public Sector Consultants Inc.

Michigan Reporting Public Charities, Distribution of Assets and Expenditures, 2001

Assets category	Number	Cumulative percentage	Amount	Cumulative percentage
\$<0	34	0.5%	-\$600,070	0.0%
0-50,000	2,075	29.1	42,368,106	0.1
50,001-250,000	1,869	54.8	230,888,119	0.7
250,001-1,000,000	1,486	75.3	803,204,130	2.7
1,000,001-5,000,000	1,118	90.7	2,612,822,067	9.2
5,000,001-10,000,000	286	94.6	2,022,538,767	14.3
10,000,001-25,000,000	177	97.1	2,864,771,619	21.5
25,000,001-100,000,000	135	98.9	6,531,782,896	37.8
100,000,001-500,000,000	67	99.9	15,268,349,791	76.1
500,000,001+	10	100.0%	9,551,092,790	100.0%
Total	7,257		\$39,927,218,215	
Expenditures category				
\$0-50,000	1,905	26.3%	\$53,264,639	0.2%
50,001-250,000	2,366	58.9	282,913,986	1.2
250,001-1,000,000	1,492	79.4	751,246,494	4.0
1,000,001-5,000,000	931	92.2	2,067,955,419	11.7
5,000,001-10,000,000	245	95.6	1,697,890,585	18.0
10,000,001-25,000,000	173	98.0	2,671,751,922	27.8
25,000,001-100,000,000	97	99.3	4,351,881,150	43.9
100,000,001-500,000,000	39	99.9	7,691,158,495	72.4
500,000,001+	9	100.0%	7,468,173,254	100.0%
Total	7,257		\$27,036,235,944	

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

NOTE: Negative assets can occur when the cost of financing an asset costs more than the asset's yield.

Employment, Nonprofit and Major Industry Sectors, Michigan, 2001

Industry	Wage and Salary Employment
Services, excluding nonprofits	1,371.8
Government	686.3
Durable goods manufacturing	653.0
Retail trade	548.8
Nonprofit*	315.5
Finance, insurance, and real estate	210.4
Construction	206.1
Transportation, communication, and utilities	207.8
Wholesale trade	180.4
Nondurable goods manufacturing	166.6
Mining	9.3
Total	4,556.0

SOURCES: Office of Labor Market Information; Public Sector Consultants

*Estimated employment based on identification match with state ES202 data.

Public Sector Consultants compiled the most recent data available on nonprofit organizations in Michigan. Sources for the data were

- **the Internal Revenue Service**—the Business Master File for Exempt Organizations for 1995, 1997, and 2001 (obtained through the National Center for Charitable Statistics), which list 41,400 nonprofit organizations in Michigan, and the 1995, 1997, and 2001 IRS 990 forms that are required to be filed by 501(c) organizations with gross receipts of more than \$25,000 in a year;
- **the National Center for Charitable Statistics**—the 1995, 1997, and 2001 Core Files, which report the assets of public charities, private foundations, and noncharitable nonprofit organizations with gross receipts over \$25,000;
- **the Michigan Office for Labor Market Information**—official source of the state employment figures;
- **the U.S. Census Bureau**—population figures; and
- **the Foundation Center**—further foundation research.

To establish the full impact of nonprofit organizations on the overall state economy, PSC used IMPLAN, an input-output model of the state economy. In this model, an organization’s purchases from vendors in other sectors are multiplied, along with the earnings of its employees, based on assumptions about the goods and services that they purchase from sources beyond their employer. (See the full report for more information about the data sources, as well as notes regarding several shortcomings in the data.)

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*Full report available on the
Michigan Nonprofit Association
website at www.mnaonline.org*



Michigan Nonprofit Association

About the Sponsor

The Michigan Nonprofit Research Program supports research to improve the understanding of Michigan’s nonprofit sector. The program

- encourages research that will inform and improve the efficiency and effectiveness of Michigan nonprofits,
- funds high-quality research vital to the development of the sector in Michigan,
- disseminates the results of research back to the sector through publications and meetings, and
- seeks to inform public policy related to Michigan’s nonprofit sector.

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