

Nonprofit Notes

Texas Nonprofit Sector: Growth and Change (1995-2012)

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Report of the

NONPROFIT MANAGEMENT PROGRAM

The
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There are an estimated 1.3 million registered nonprofit organizations in the US, contributing over \$800 billion dollars to the economy. Texas accounts for approximately 13% of those nonprofit organizations.

Growth of the Sector

The Texas nonprofit sector has grown by an average annual rate of 2.4%. The majority of this growth has been from 501c(3) organizations, which showed an average annual growth of over 4% over the last 17 years. The nonprofit sector reached its peak in 2010 with 106,352 registered organizations; 78,859 of those were 501c(3).

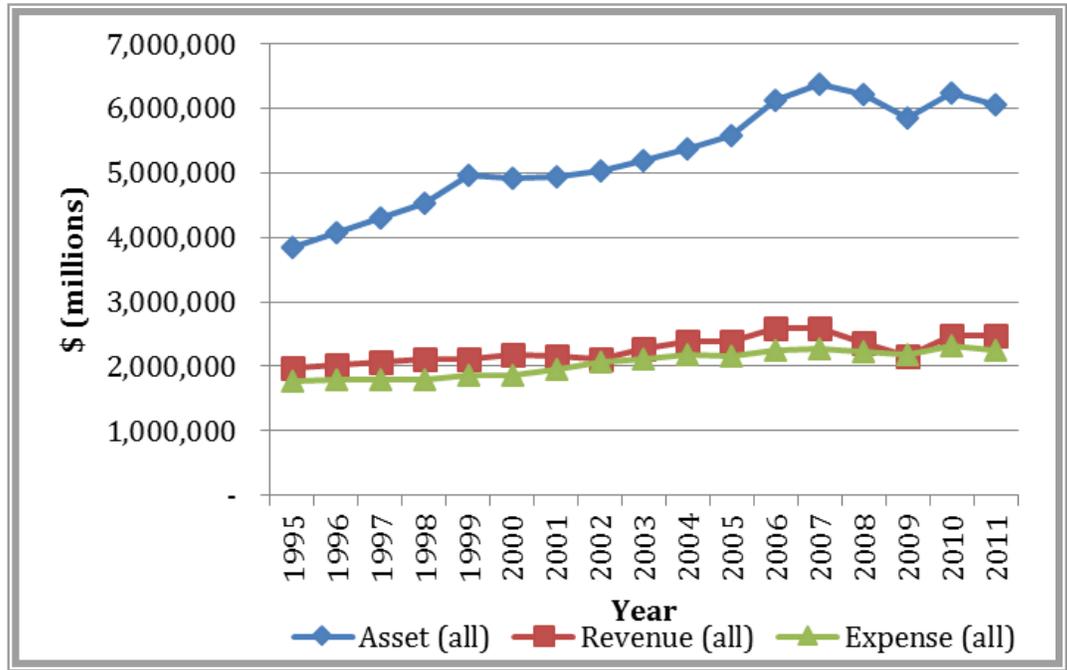
In Brief:

- Over 100,000 nonprofits operate in Texas, employing 3.8% of the Texas workforce.
- 501c(3) organizations show an average annual growth of 4.1% over the last 17 years.
- There is an average of 29 nonprofits to 10,000 people in Texas .
- Human services organizations account for 23.77% of the sector and have the largest average annual growth at 6.2% annually.
- Growth has been largest in major metropolitan areas
- During the recession, the Texas nonprofit sector reported a .52% increase in revenues and a 9.66% increase in assets.
- Texas hospitals and institutions of higher learning account for 92% of assets yet make up only 1% of the sector.
- The majority of financial growth is concentrated at the top, while average nonprofits have seen little revenue growth.

Assets, revenue, and expenses have increased across all of the organizations. At its height in 2010, the industry reported assets in excess of \$147 billion, revenue of \$66 billion, and expenses of \$62 billion.

Figure 1 shows the average assets, expenses, and revenue of Texas nonprofits. While assets and revenue did decrease between 2007 and 2009, the Texas nonprofit landscape weathered the recession much better than the broader US nonprofit industry. Between 2007 and 2012, Texas nonprofits reported average increases in revenues of .52% and average increases in assets of 9.66%, compared to 13.1% decreases in revenue and 6% decrease in assets in the US nonprofit sector.

Figure 1: Average Asset, Revenue, and Expenses



Growth by Type of Organization
Human services organizations represent the largest portion of the sector, reaching over 25,000 organizations (23.8% of the Texas in-

dustry) at their peak. They also show the largest average annual growth of all organizations (6.2%). Religious organizations follow close behind, with an average annual growth of 5.8% (see **figure 2**).

Where finances are concerned, hospitals and institutions of higher education represent the largest share. Although they account for less than 1% of all nonprofits in Texas, they have 92% of the sector's assets (see **figure 3**).

Figure 2: Growth of Nonprofits by Type

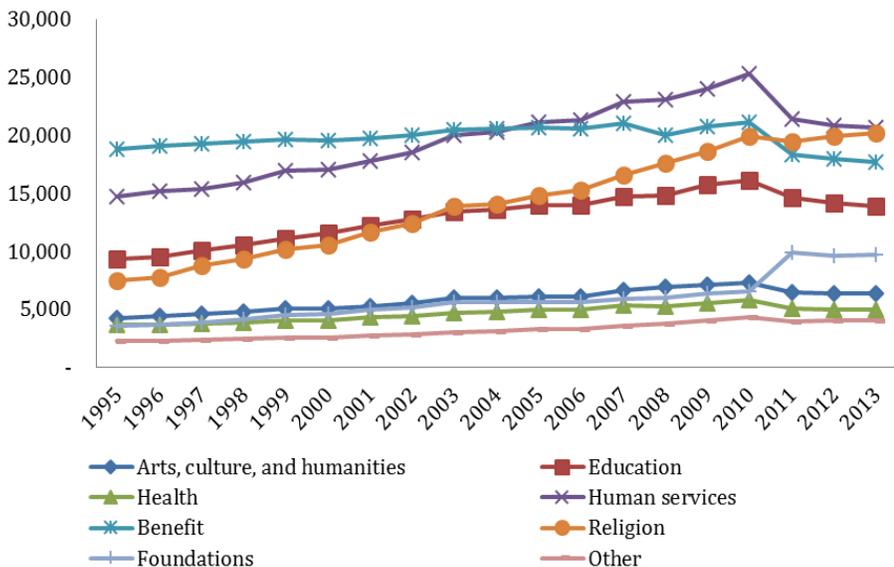
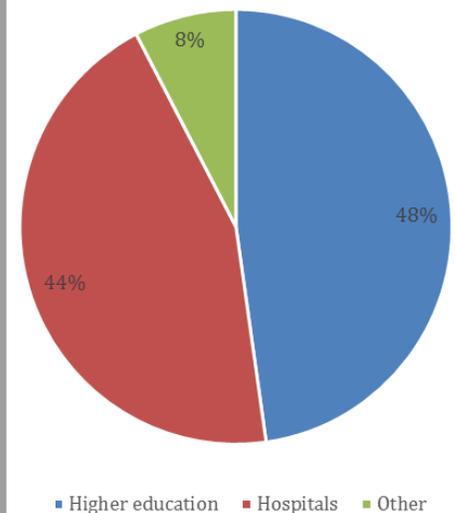


Figure 3: Distribution of Assets Amongst nonprofits



Hospital revenues and expenses have grown from \$80 million in 2000 to \$150 million in revenues and \$140 million in expenses in 2011. Higher education has not shown the same rapid growth, but revenues and expenses have risen over time. The rest of the sector has seen increases in revenue and expenses; however, median-sized nonprofits saw limited, even stagnate, financial growth over the 18 years analyzed in the report. Combined with historically volatile revenue modest-sized nonprofits often struggle from year to year.

Growth by Region

Texas was divided into four metropolitan regions and four geographical regions. DFW and Houston represent over 50% of the population, while the geographic areas represent over 50% of the total land area in Texas.

The number of nonprofits has increased in all eight of the regions. As seen in **figure 4**,

growth has been largest in the metropolitan areas (Houston and DFW). DFW showed the greatest amount of growth, increasing by 4.2% since 1995, while the western region showed the least growth, only gaining .42% in 18 years. When controlling for population, the results are markedly different.

Figure 5 shows the number of nonprofits per 10,000 people in each of the eight regions. Texas ranks towards the bottom amongst other states, with a ratio of 29 nonprofits per 10,000 people. In comparison, Montana, which ranks at the top, has an average of 68 nonprofits per 10,000 people. Houston and Dallas rank below the state average. However, they show the most growth over time, growing by 25% and 18% respectively. Although the Central region maintains the fewest nonprofits, its ratio of nonprofits to people is the highest in the state, with an average of 57.79 nonprofits per 10,000 people.

Figure 4: Growth of Nonprofits by Region (1995-2013)

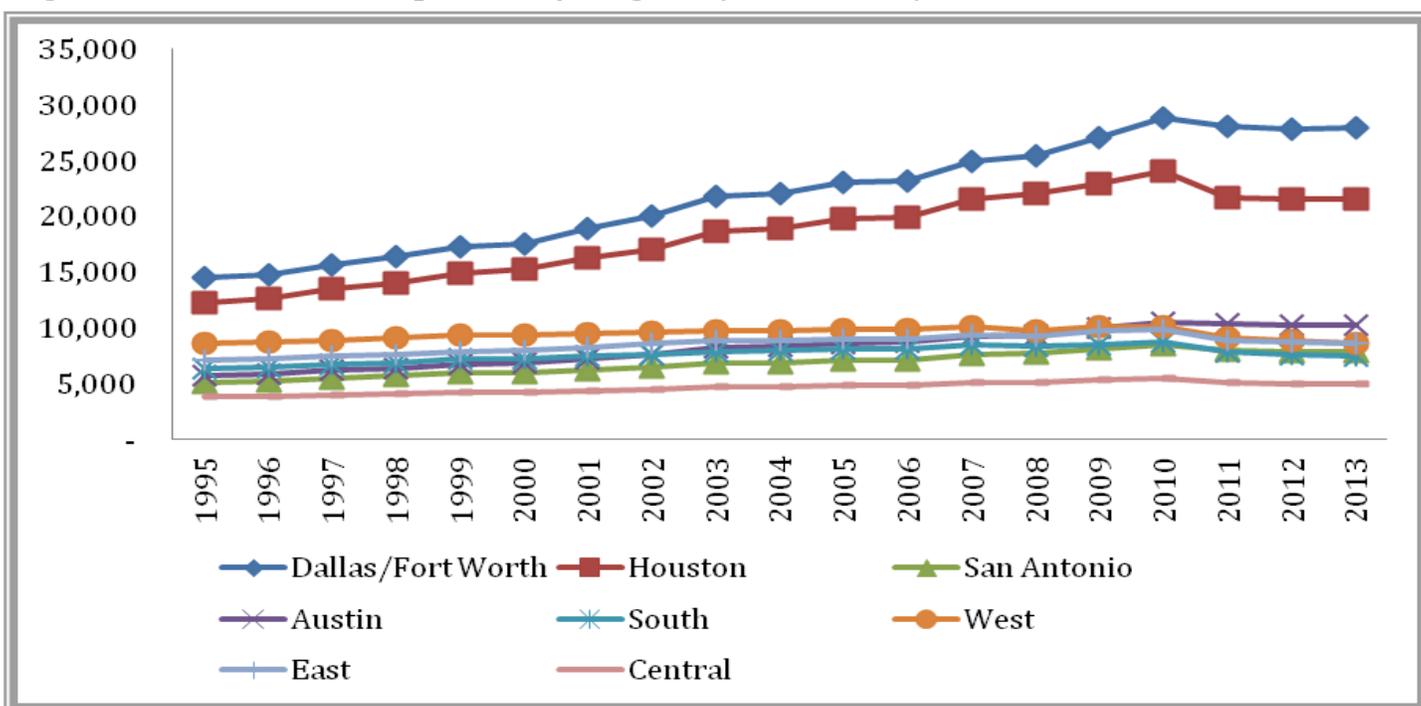
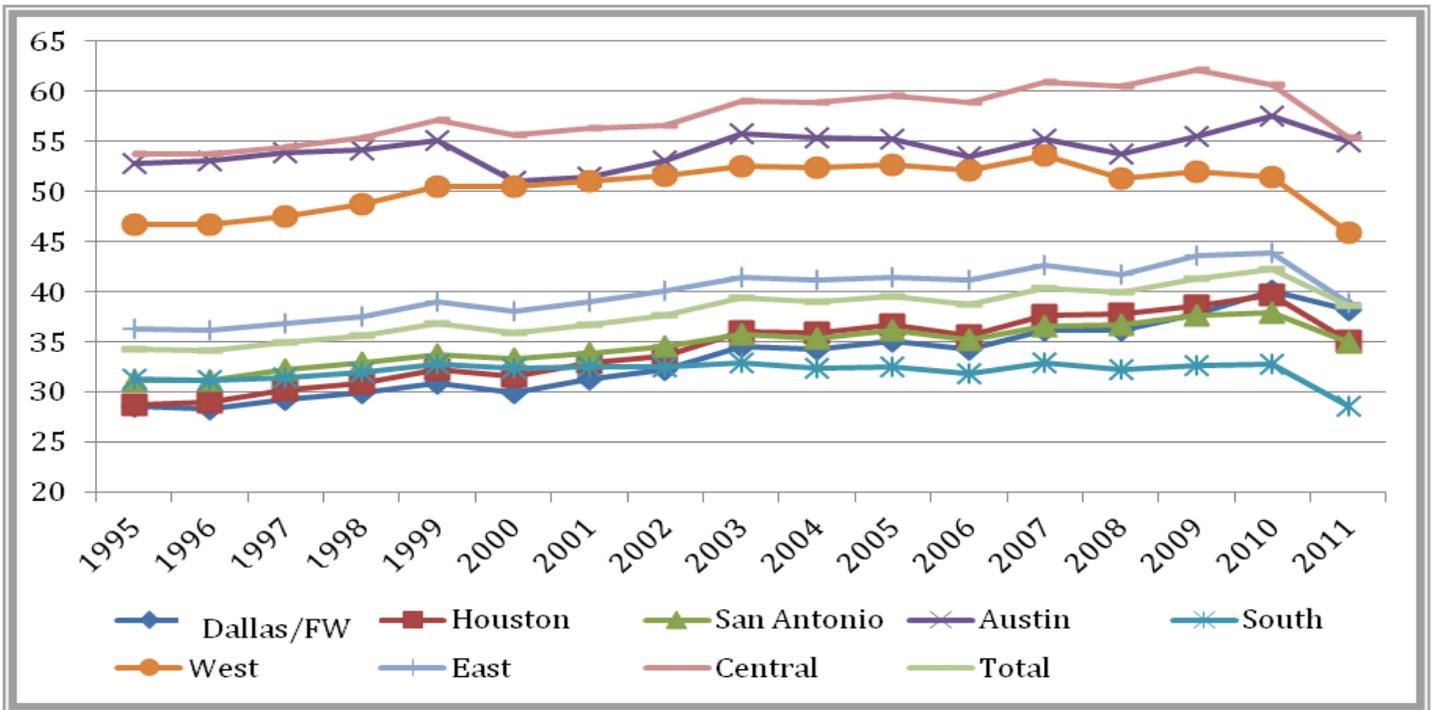


Figure 5: Growth of Nonprofits by Region (1995-2013)



Conclusion

The Texas nonprofit sector remains vibrant and continues to show growth. This trend of growth, even through a recession, highlights the extreme resiliency of the nonprofit sector. However, analysis at the organizational level raises some concerns. There are substantial

disparities between the top 1% of nonprofits and the majority of the nonprofits in the state. Possibly most concerning is the stagnation of the “typical” Texas nonprofit when compared to the considerable growth of the largest charitable organizations in the state.



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