

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



Report of the

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- Graduate Certificate in Nonprofit Management,
- Professional Development Training and Workshops, and
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Abstract

There are over 100,000 registered nonprofits operating in Texas, and together they account for 3.8% of the total workforce in the state. Of these nonprofit organizations, 501c(3) organizations have maintained an average annual growth of 4.1% since 1995. Even during the worst of the recession, from 2007 to 2012, the Texas nonprofit sector posted increases in total revenue and assets, while the broader United States nonprofit sector posted losses. Although the sector has seen robust growth, typical nonprofits have experienced stagnation in financial gains.

Human services organizations represent the largest portion of the sector and reached over 25,000 organizations at their peak in 2010—representing 23.77% of all nonprofit organizations in Texas. Human service and religious organizations had the largest average annual growth at 6.2% and 5.8%, respectively. Texas hospitals and private institutions of higher learning represent a small portion of the total nonprofits (less than 1%) but hold 92% of nonprofit assets. The number of nonprofits has increased across the state. However, growth has been largest in the metropolitan areas. Texas has a nonprofit to person ratio of 29 to 10,000, which ranks 42nd of the 50 states.

Introduction

This report explores the growth of the Texas nonprofit sector over an eighteen-year period from 1995 to 2012. Today an estimated 1.3 million IRS registered nonprofit organizations operate in the United States, contributing over \$800 billion dollars to the economy.¹ Texas is home to over 100,000 nonprofits; and they contribute substantially to the state economy, employing over 400,000 people (3.8% of the total Texas workforce)². Texas nonprofits are still recovering from one of the most challenging economic times ever to face the nation. In order to help the nonprofit sector recover and thrive, there is a need for valid information about Texas nonprofits and the environment they operate within. This report provides valuable information about the fiscal environment of Texas nonprofits and in particular illustrates the effect of the most recent economic recession. The report discusses findings about the industry as a whole, by organization type, and across the regions of Texas.

Methodology

The data used in this report were compiled and made available by the National Center for Charitable Statistics (NCCS). NCCS data sets are drawn from annual filings of tax-exempt organizations in the United States. One NCCS data set used for this study was the Core Data Files, which contain detailed financial information from 501(c)3 organizations. It is important to note that these filings are not a perfect representation of the Texas nonprofit sector. Consistent with the federal tax code, only tax-exempt organizations with income over \$25,000 (for the tax year 2010, this threshold increased to \$50,000), excluding religious congregations, are required to file the 990 tax form. Additionally, there are sometimes differences between the information reported on the 990 and other financial information, such as audits. This being said, NCCS data is generally accepted as the most reliable information source available.

¹ Blackwood, A., K.L. Roeger, and S.L. Pettijohn. (2012). *The nonprofit sector in brief: Public charities, giving, and volunteering*. 2012. Washington DC: Urban Institute.

² The national Center for Charitable Statistics. <http://nccsdataweb.urban.org/PubApps/profile1.php?state-TX>

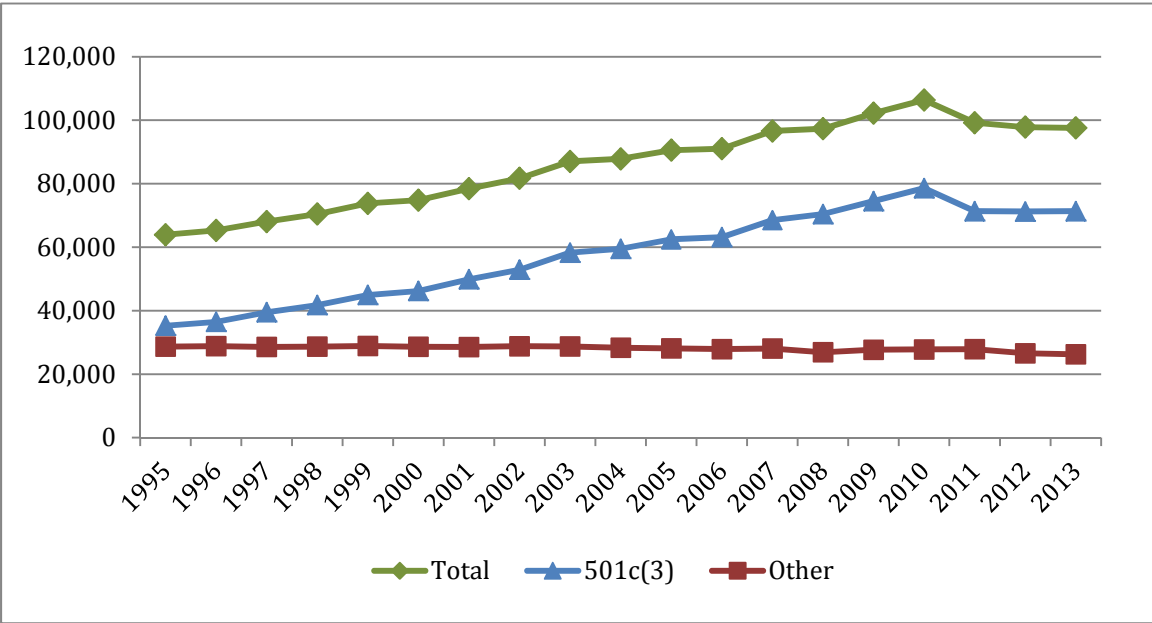
Overview of the Sector

Overall Growth

Since 1995, the Texas nonprofit sector has grown at an average annual rate of 2.4%. The majority of this growth is attributable to 501c(3) organizations, which posted an average annual growth of 4.1% from 1995 to 2013. Other tax-exempt nonprofits have declined slightly by 0.5%. Between 1995 and its peak in 2010, the Texas nonprofit sector grew by 39.91% compared to a national growth of 33.44%. Nonprofit growth in Texas also outpaced population growth, which increased by 26.03% between 1995 and 2010.³

Nonprofits peaked in numbers in 2010, reaching 106,352 total registered organizations (see **figure 1**). There were 78,580 501c(3) organizations in 2010 followed by a marked reduction in 501c(3) organizations in 2011 and 2012. Much of this reduction can be attributed to the federal government’s cleaning of the nonprofit lists. In 2010 and 2011, the IRS began to remove non-reporting organizations from its database. Now organizations are required to submit documentation annually.

Figure 1: Nonprofit Growth between 1995 and 2013

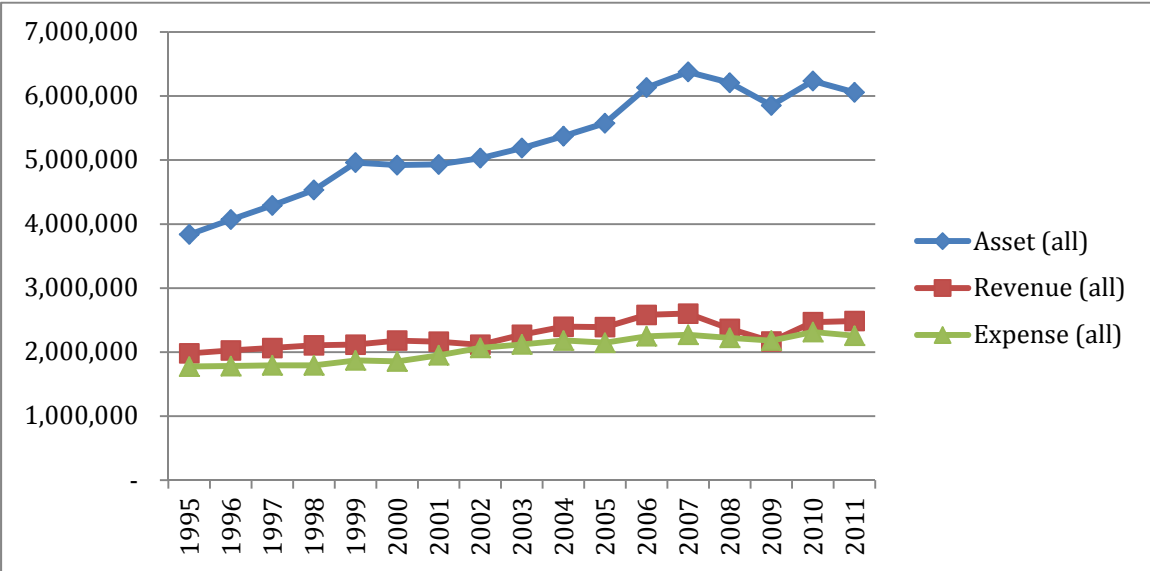


³ Data collected from the Texas State Library and Archives Commission. <<https://www.tsl.texas.gov/ref/abouttx/census.html>>

Assets, Revenue, and Expenses

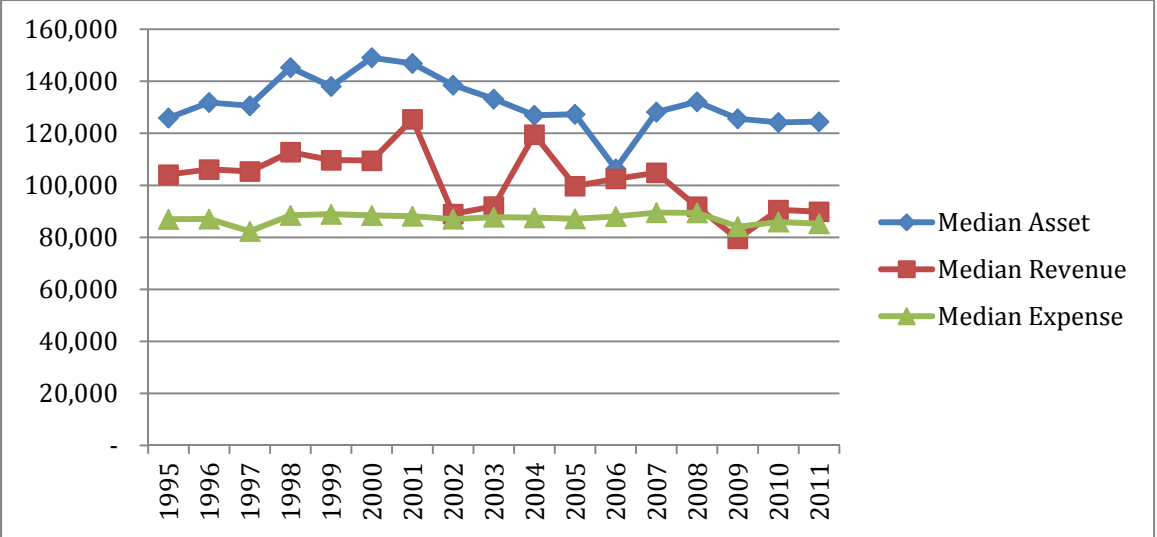
Assets, revenue, and expenses increased across the sector from 1995. At its height in 2010, the Texas nonprofit sector reported assets totaling \$147 billion. In that same year, total revenue reached \$66 billion, while expenses totaled \$62 billion. As seen in **figure 2**, average assets and revenue decreased in 2007 after the recession and reached a low point in 2009. Between 2007 and 2009, average revenue dropped by 12.87%, while average assets decreased by 7.60%. Although the US nonprofit economy did contract after 2007, between 2007 and 2012, the Texas nonprofit sector still posted increases in total revenue (.52% increase) and assets (9.66% increase). On the other hand, the broader US nonprofit sector posted losses of revenue (13.1% decrease) and assets (6% decrease).

Figure 2: Average Assets, Revenue, and Expenses of Texas Nonprofits



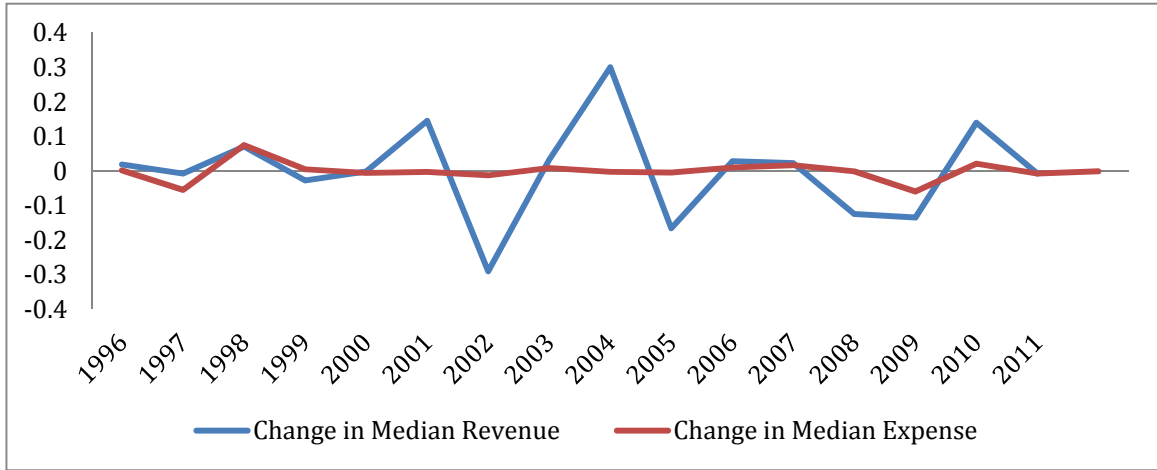
While average revenue, expenses, and assets increased fairly consistently over time, median revenue, expenses, and assets paint a different picture. Median revenue and expenses are more representative of the typical nonprofit in Texas than are the averages because of the disparity between a few very large organizations and the large number of small- to moderate-sized organizations. **Figure 3** shows that median expenses held steady at about \$85,000 annually, while median assets and revenues were variable from year to year and trend downwards over time. So while the sector as a whole experienced robust growth, a typical nonprofit organization has experienced rather stagnant financial growth. When considering inflation, most nonprofits have less financial wherewithal in 2012 than 1995.

Figure 3: Median Assets, Revenue, and Expenses of Texas Nonprofits



It is interesting to note the relative stability of expenses compared to the volatility of revenue. This is evident in the changes in median revenue and expenses depicted in **figure 4**. For instance, median income dropped almost 30% in 2002 but increased 60% by 2004. The variation in revenue reflects the challenges that small- and medium-sized nonprofits face in managing their financial futures. While some years provide surplus, there is no guarantee what the next year will bring.

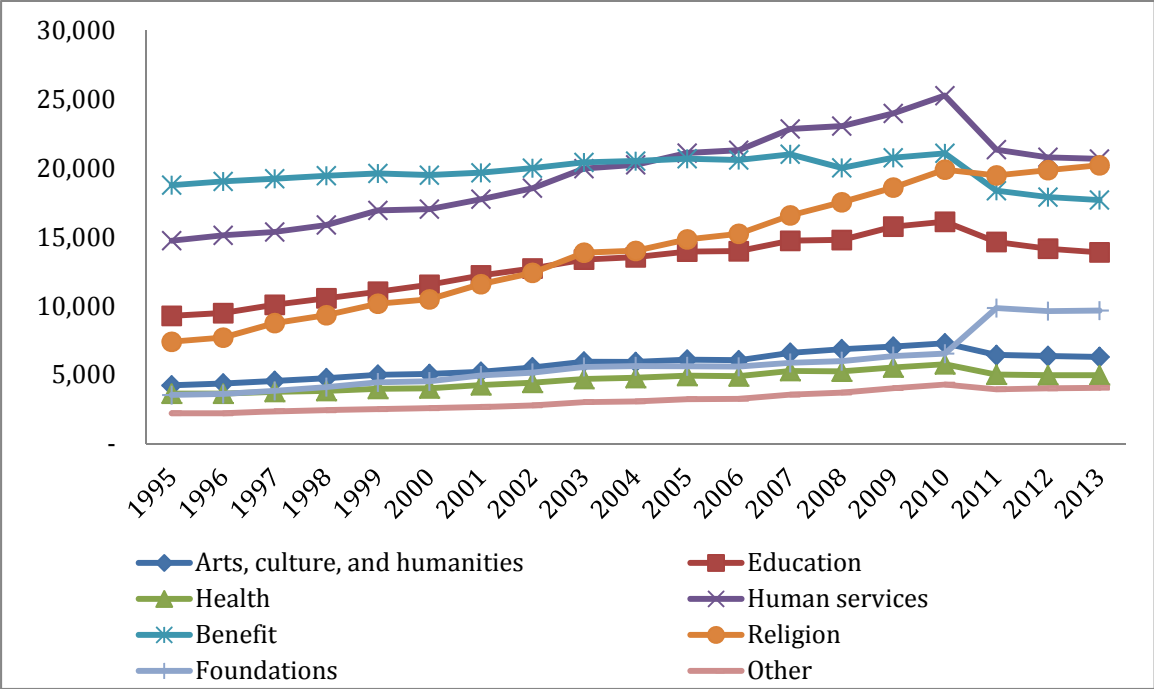
Figure 4: Changes in Median Revenue and Expenses



Analysis by Type of Organization

Human services organizations represent the largest portion of the sector and reached over 25,000 organizations at their peak in 2010—representing 23.77% of all nonprofit organizations in Texas. Human service and religious organizations had the largest average annual growth at 6.2% and 5.8%, respectively (see figure 5).

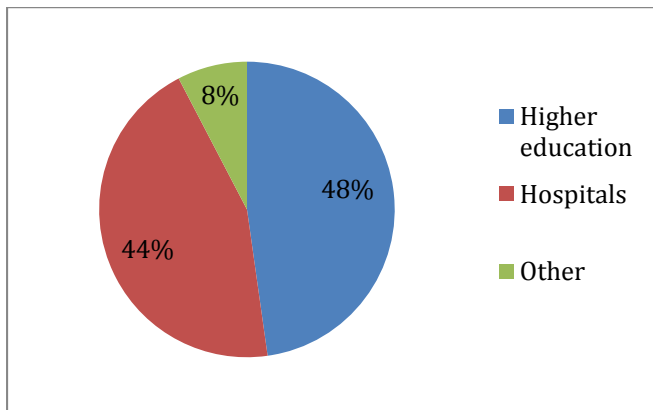
Figure 5: Number of Nonprofits by Type of Organization (1995-2013)



Hospitals and Higher Education

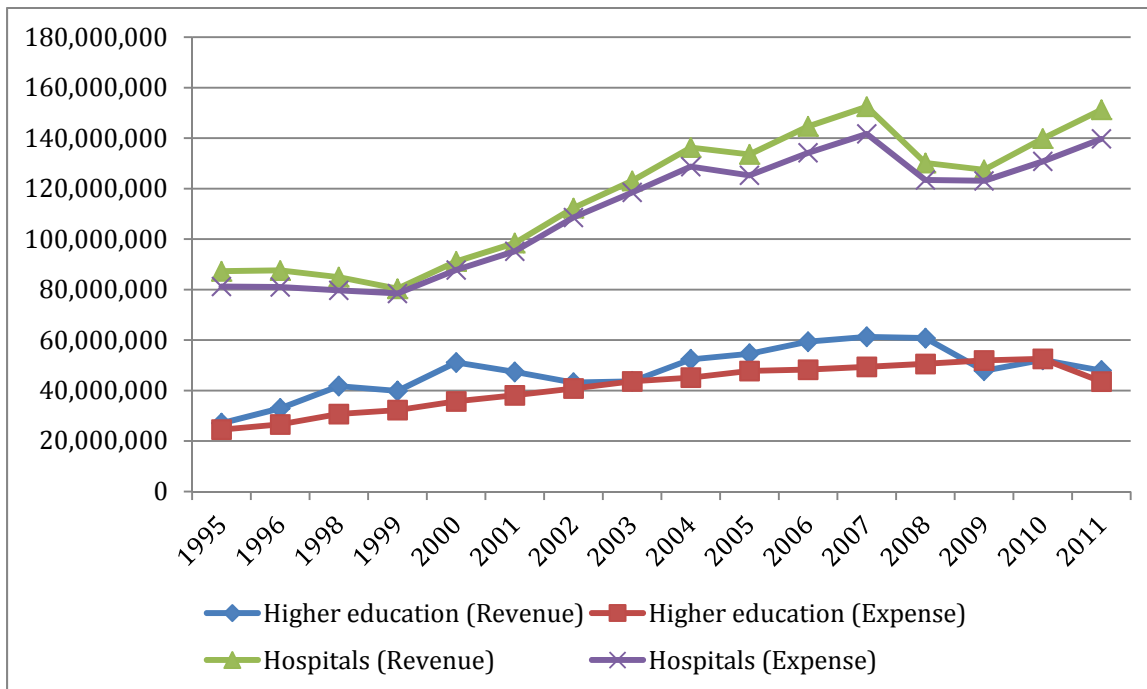
Texas hospitals and private institutions of higher learning represent a small portion of the total nonprofits (less than 1%) but hold 92% of nonprofit assets (see **figure 6**).

Figure 6: Percent of Assets Held by Hospitals and Higher Education (1995-2011)



Hospital revenues and expenses grew rapidly beginning in 2000, while institutions of higher education have made fairly consistent but smaller gains since 1995. Revenue dropped substantially in 2007, while expenses grew post 2007 for higher education. Hospitals, on the other hand, sharply decreased expenses to compensate for the drop in revenue (see **figure 7**).

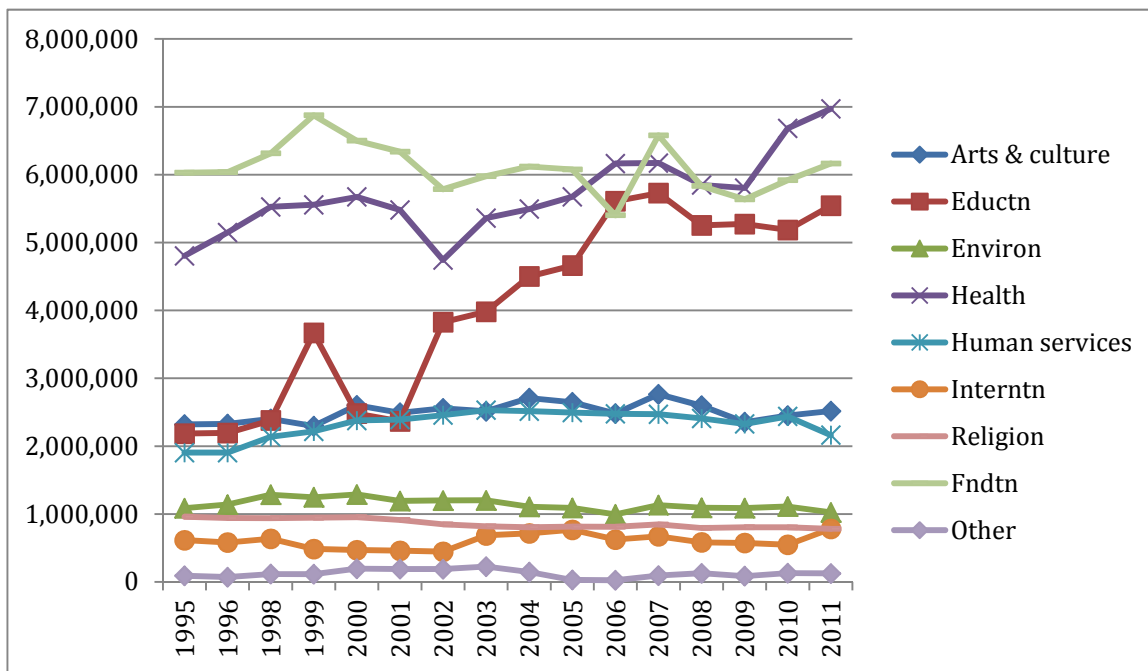
Figure 7: Average Revenue and Expenses of Hospitals and Higher Education (1995-2011)



All Other types

Of the remaining 8% of assets in the sector, foundations, non-hospital health organizations, public benefit organizations, and education nonprofits hold the lion’s share. However, as depicted in **figure 8**, these four organization types also show the largest variations in average assets from year to year. Education organizations show dramatic increases in holdings after 2001. Foundations show fairly stable average assets that tend to fluctuate with investment markets.

Figure 8: Average Assets of Nonprofits Excluding Hospitals and Higher Ed

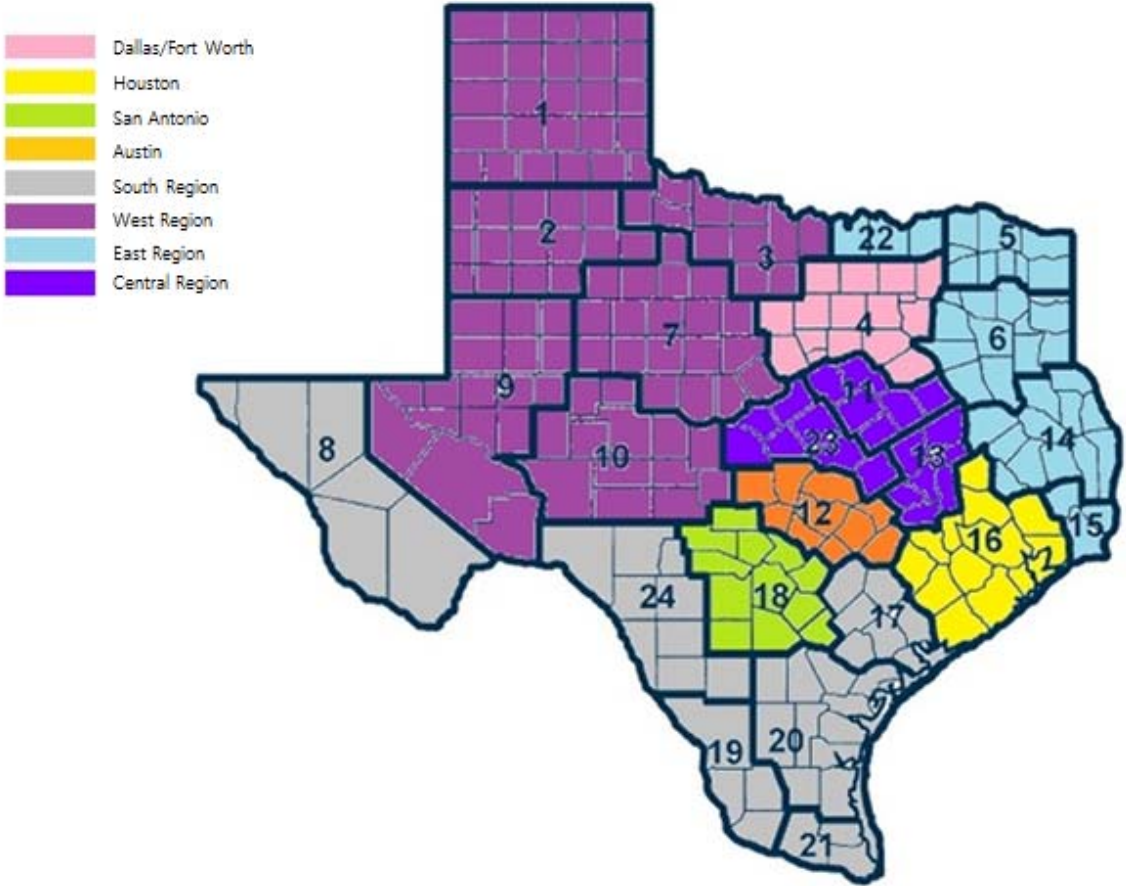


Average revenue follows a pattern similar to average assets, while average expenses are more stable and behave similarly to those depicted for the industry as a whole in **figure 3**. Human services organizations, public benefit organizations, and education organizations all show upward trends in revenue, including spiked increases after the recession of 2007. Human services organizations report the highest revenues of the organizations yet typically have fewer assets.

Overview by Region

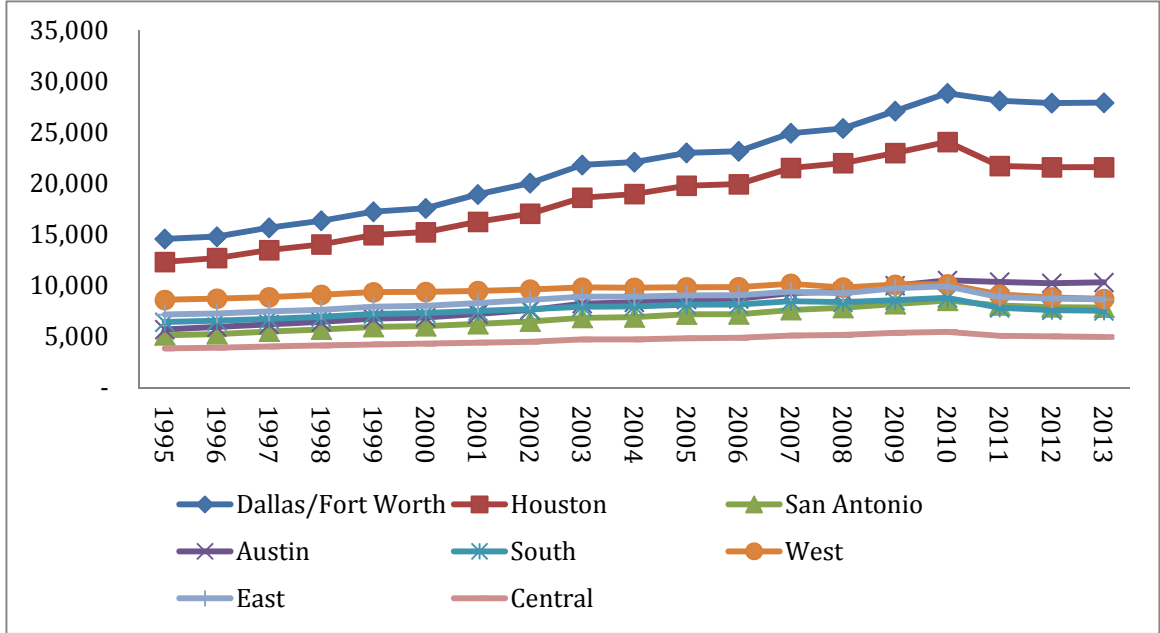
This analysis used eight regions of the state, corresponding to the established Council of Government areas. The eight regions consist of four metropolitan areas and four geographic regions. Dallas/Fort Worth and Houston regions contain over 50% of the state’s population, while the four geographic regions have much larger land areas and much less dense populations (see **figure 9**).

Figure 9: Map of Eight Regions of Texas



The number of nonprofits has increased in all of the eight regions. However, growth has been largest in the metropolitan areas with the largest population (see **figure 10**). Growth in the remaining areas has remained stagnant over the past decade. DFW showed the greatest amount of growth in the sector, increasing by 4.2% since 1995. The Western region showed the least growth, gaining only .42% over eighteen years.

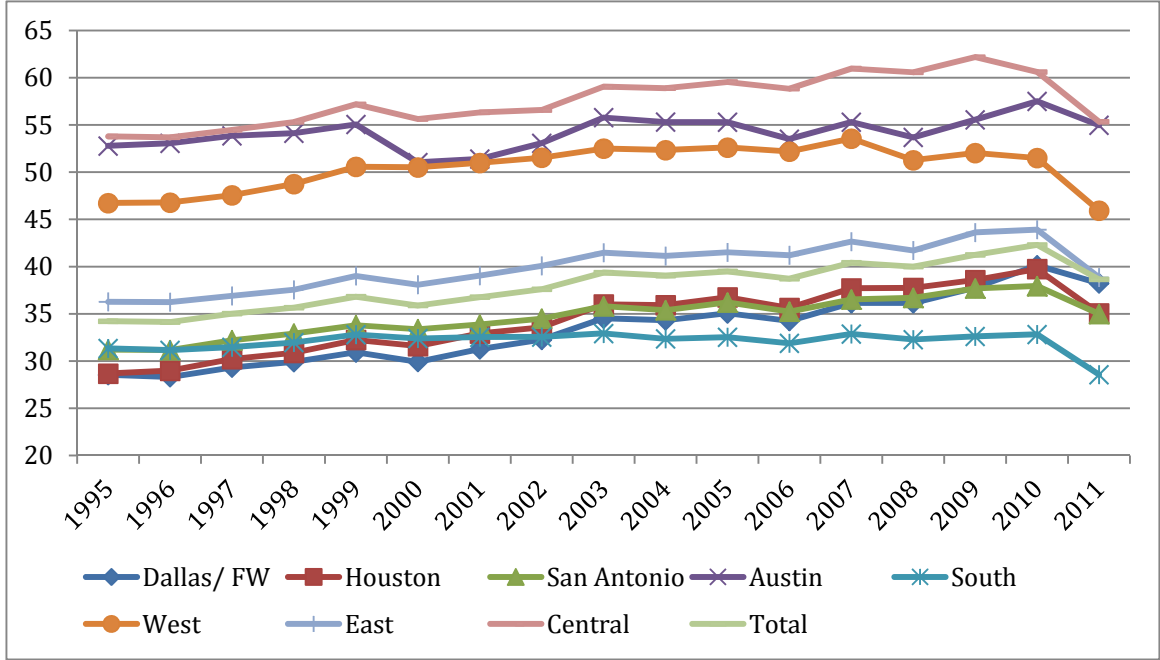
Figure 10: Growth of Nonprofits by Region (1995-2013)



When considering the ratio of nonprofits to population, Texas has a nonprofit to person ratio of 29 to 10,000 which ranks 42nd out of the 50 states in the nation. That is well below Montana, with 68 nonprofits per 10,000 people, but better than Nevada, which maintains the lowest number of nonprofits per 10,000 people (21 to 10,000).⁴ Figure 11 shows the number and growth of nonprofits per 10,000 people in each of the eight regions. Although the Central region maintains the fewest nonprofits, its ratio of nonprofits to people is the highest in the state, maintaining an average of 57.59 nonprofits per 10,000 people. Dallas and Houston rank below the state average; however, Dallas and Houston show the most growth in nonprofits per 10,000 people, growing by 25% and 18%, respectively.

⁴ Data provided by Guidestar. Information can be found at: <http://www.guidestar.org/downloadable-files/people-per-c3.pdf>

Figure 11: Growth of Nonprofits per 10,000 Residents by Region (1995-2013)



Conclusion

The Texas nonprofit sector remains vibrant and continues to grow even considering the hardships and limited resources available over the past decade. This seems to highlight the extreme resiliency of the Texas nonprofit landscape and of the nonprofit industry at large. However, analysis at the organizational level raises some concerns. There are substantial disparities between the top nonprofits in Texas and the majority of nonprofits in the state. In fact, among the majority of Texas nonprofits, growth in numbers and financial support has stagnated compared to the considerable growth of the top 1% of charitable organizations.



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