

The Nonprofit Sector in the Franklin County Economy

An Analysis Commissioned by The Columbus Foundation

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Key Findings

- Nonprofits in Franklin County, Ohio, represent a major sector of the county's economy.
- The 1,514 charitable nonprofits filing tax returns as nonprofit entities in 2003 (those with more than \$25,000 in annual receipts) comprise one of the largest groups of employers in Franklin County. Their employment in 2003 totaled 60,390, barely less than the 60,499 employed in leisure and hospitality establishments, the third-largest employer in the county.
- Nonprofits in Franklin County rank sixth as a source of income, despite being the fourth-ranked sector in employment. Nonprofits rank between Public Administration and Health Care & Social Assistance.
- Nonprofit organizations employ thousands of people; thousands more volunteer.
- Nonprofits stand parallel with the private and public sectors as a third major pillar in the local economy in Franklin County.

The Nonprofit Sector in the Franklin County Economy

Nonprofits in Franklin County, Ohio, represent a major sector of the county's economy. Employment in nonprofit organizations employ thousands of people; thousands more volunteer. The nonprofit sector is among the largest employers in Franklin County. Its employment in 2003 was 60,390, barely less than the 60,499 employed in leisure and hospitality establishments. This third sector stands parallel with the private and public sectors as a major pillar in the local economy.

The National Center for Charitable Statistics, a program of the Center on Nonprofits and Philanthropy (CNP) at the Urban Institute, maintains a database of charitable nonprofits that are tax-exempt under Section 501(c)(3) of the IRS code. Only those nonprofits with over \$5,000 in gross annual receipts are required to register with the IRS. Of those, only organizations with over \$25,000 in gross receipts are required to file an annual IRS report or tax return.¹

There were 1,514 reporting charitable nonprofits in Franklin County in 2003, the latest year for which complete data are available. These nonprofits had expenditures of \$7.15 billion and assets of \$8.95 billion. Franklin County's 6,447 tax-exempt organizations represent approximately 11% of the state's tax-exempt organizations. The charitable nonprofits in Franklin County, on which this report focuses, are 12.7% of all such nonprofits in Ohio.

Figure 1. Franklin County and Ohio Nonprofit Sector, July 2003

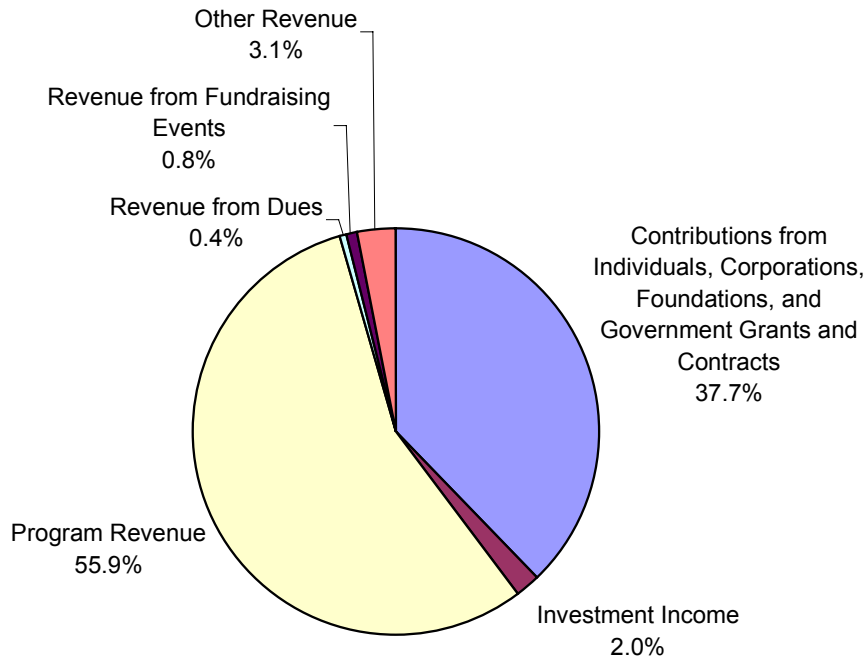
Tax-exempt organizations	Franklin County		Ohio	
	Number Registered	File Annual IRS Report	Number Registered	File Annual IRS Report
501(c)(3)	4,300	1,708	35,246	14,905
Private Foundations	345	194	3,935	3,023
Charitable Nonprofits	3,955	1,514	31,311	11,882
Other 501(c) Subsections*	2,147	970	23,087	7,542
Total	6,447	2,678	58,333	22,447

* Includes 501(c)(4) Social Welfare, 501(c)(5) labor/agricultural, 501(c)(6) business leagues and 501(c)(other)
 Source: National Center for Charitable Statistics, The Urban Institute, <<http://nccsdataweb.urban.org/>>
 Internal Revenue Service, Exempt Organizations Business File (July 2003).

¹ There is a difference between registration and filing. Tax-exempt organizations with more than \$5,000 in annual gross receipts must register with the IRS, but they don't have to file the annual information report until they reach annual gross receipts of \$25,000. Religious congregations have automatic Section 501(c)(3) status and are not required to register or file. Foundations of any size must register and file. Nonprofit organizations with over \$25,000 in annual gross receipts are required to file Form 990 with the IRS. Organizations that have gross receipts between \$25,000 and \$100,000 and less than \$250,000 in total assets at the end of the year can opt to file a shorter form called Form 990-EZ. Private foundations of any size file Form 990-PF. Since some funders require Form 990, some smaller nonprofit organizations do file Form 990 even though they are not required to do so by the IRS.

Franklin County's nonprofits obtain 55.9% of their revenue from their programs, and an additional 37.7% from individuals, corporations, foundations, and government grants and contracts. The remaining 6.4% comes from investment income, fundraising events, dues, and other sources.

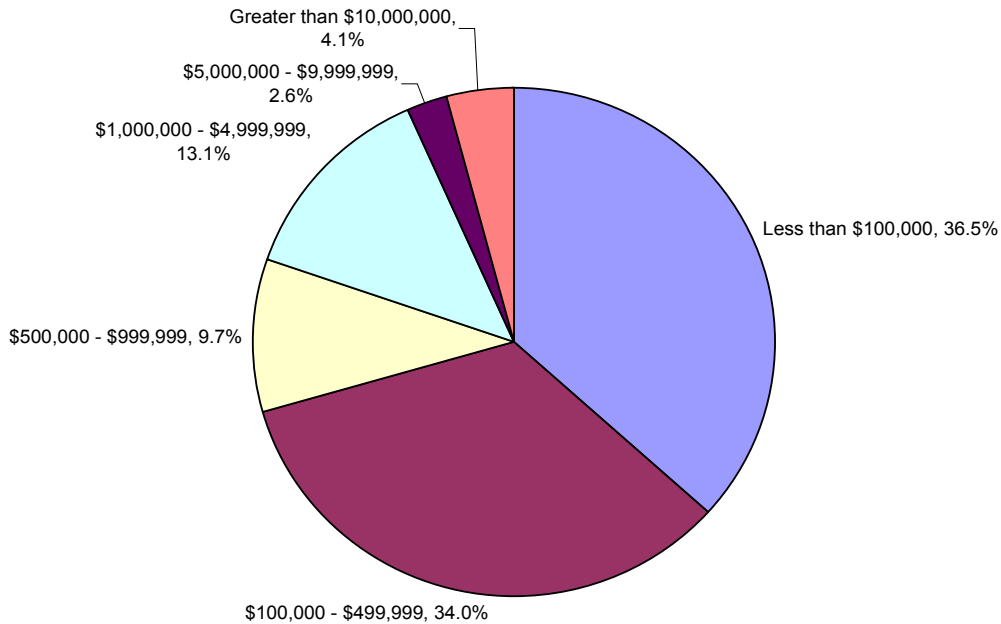
Figure 2. Sources of Program Revenue for Reporting Nonprofits Franklin County 2003



Source: National Center for Charitable Statistics, Urban Institute.

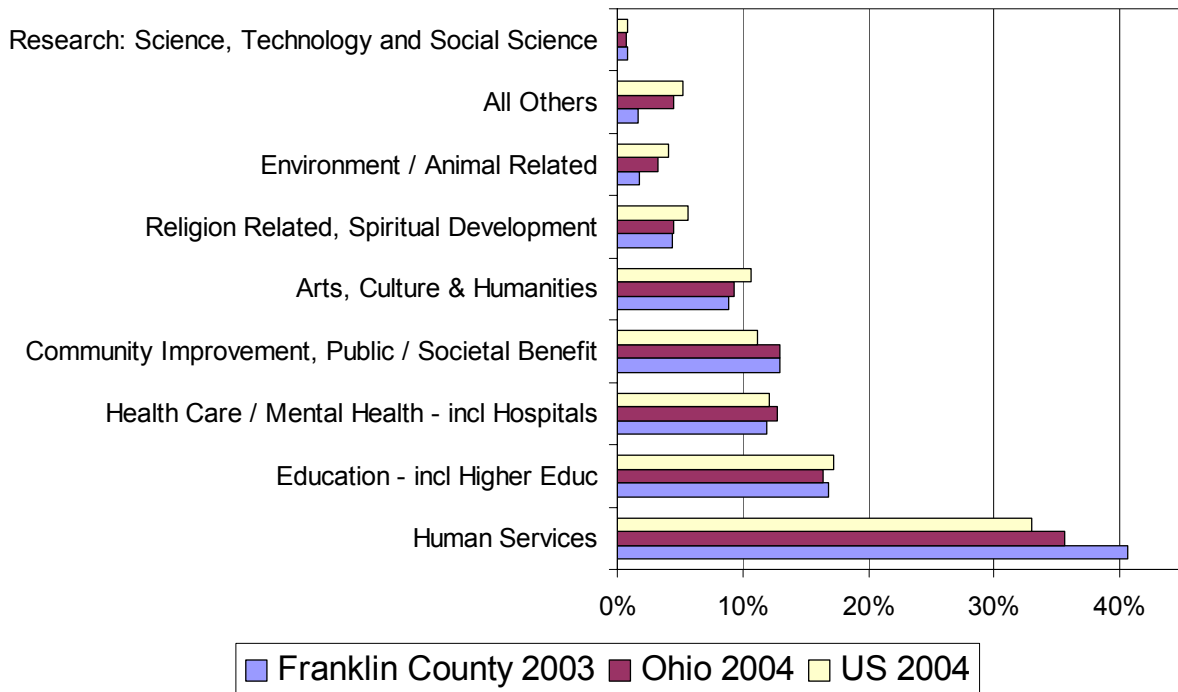
The majority of nonprofits in Franklin County, like their counterparts throughout Ohio and the United States, are small. In fact, 36.5% have annual expenditures of less than \$100,000, and an additional 34.0% have expenditures between \$100,000 and \$499,999. Of the 29.5% of nonprofits with expenditures of \$500,000 or greater, only 6.7% have expenditures of \$1 million or greater, and only 4.1% have expenditures \$10 million or more.

Figure 3. Reporting charitable nonprofits by expenditure level, 2003



Source: National Center for Charitable Statistics, Urban Institute.

Figure 4. Reporting charitable nonprofits by field, Franklin County, 2003, Ohio, 2004, and US 2004

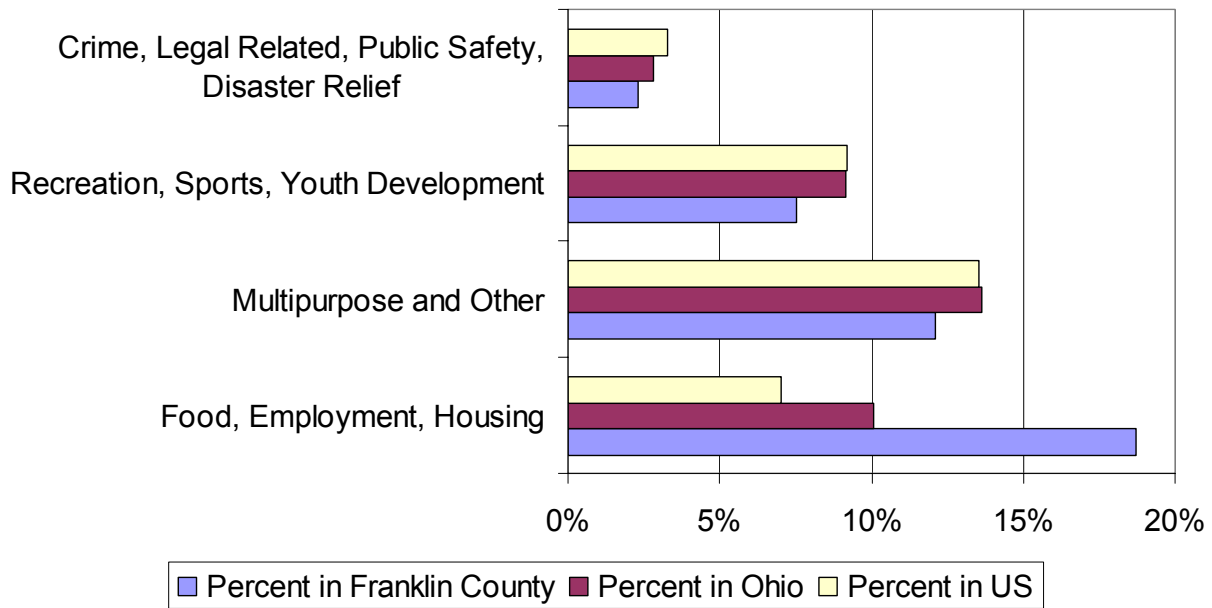


Source: National Center for Charitable Statistics, Urban Institute.

Figure 4 shows that the mix of types of nonprofits in Franklin County is generally similar to that in Ohio as a whole.² The exception is that Human Services is a larger category in Franklin County – 40.6% versus 35.6% in Ohio and 33.0% in the US. Education also is a slightly larger category of nonprofits locally than statewide (16.8% versus 16.4%).

Of all nonprofits in Franklin County, 615 are in Human Services. The larger share of nonprofits in Human Services is attributable to the much greater proportion of nonprofits in Food, Employment, and Housing in Franklin County (Figure 5). Of these, 283 are categorized as Food, Employment and Housing organizations, and 241 provide services related to Housing and Shelter. In fact, nonprofits serving needs in Housing and Shelter alone represent 15.9% of all Franklin County nonprofits, compared with just 10.0% in Ohio and 7.1% in the US as a whole.

Figure 5. Nonprofits in Human Services by Type in Franklin County, 2003, Ohio, 2004, and US, 2004



Source: National Center for Charitable Statistics, Urban Institute.

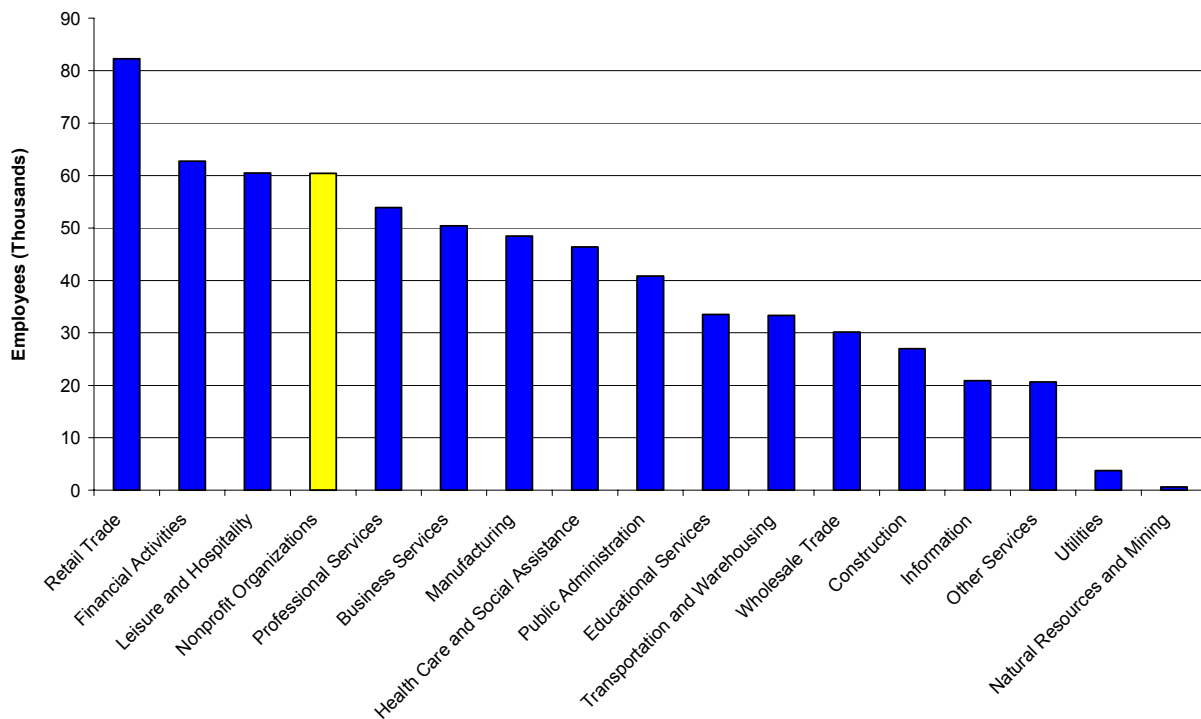
Employment in nonprofits requires a different database from that of the NCCS, which is based on the income tax returns of those organizations. The number of employees is not among the items required on tax returns. The alternative source is the ES202 filings for the Quarterly Census of Employment and Wages conducted for the U.S. Department of Labor’s Bureau of

² Figure 4 represents the NCCS categories, with the exception of a small number of organizations reassigned from “Other” to their appropriate categories.

Labor Statistics. The Department of Job and Family Services collects this data in Ohio.³ Figure 6 shows the employment in the sectors of the Franklin County economy. We removed all nonprofits identified in the confidential NCCS data from their ES202 sectors to create a single nonprofit sector of the economy. Therefore, all remaining sectors in Figure 6 represent other establishments in the private and public sectors of the economy.

In Franklin County, a large number of nonprofit organizations report no paid employees. Of the nonprofits that have paid employees, those organizations employed 60,390 people in 2003. This means that nonprofits are the fourth-largest sector in Franklin County – ahead of manufacturing, public administration (which includes federal, state and well as local governments), transportation and warehousing, and professional services. Only three sectors employ more people in the county than nonprofits: retail trade, financial activities, and leisure and hospitality. In fact, nonprofits employ, at 60,390, nearly as many workers as leisure and hospitality at 60,499.

Figure 6. Employment in Franklin County, Ohio, by Sector, 2003



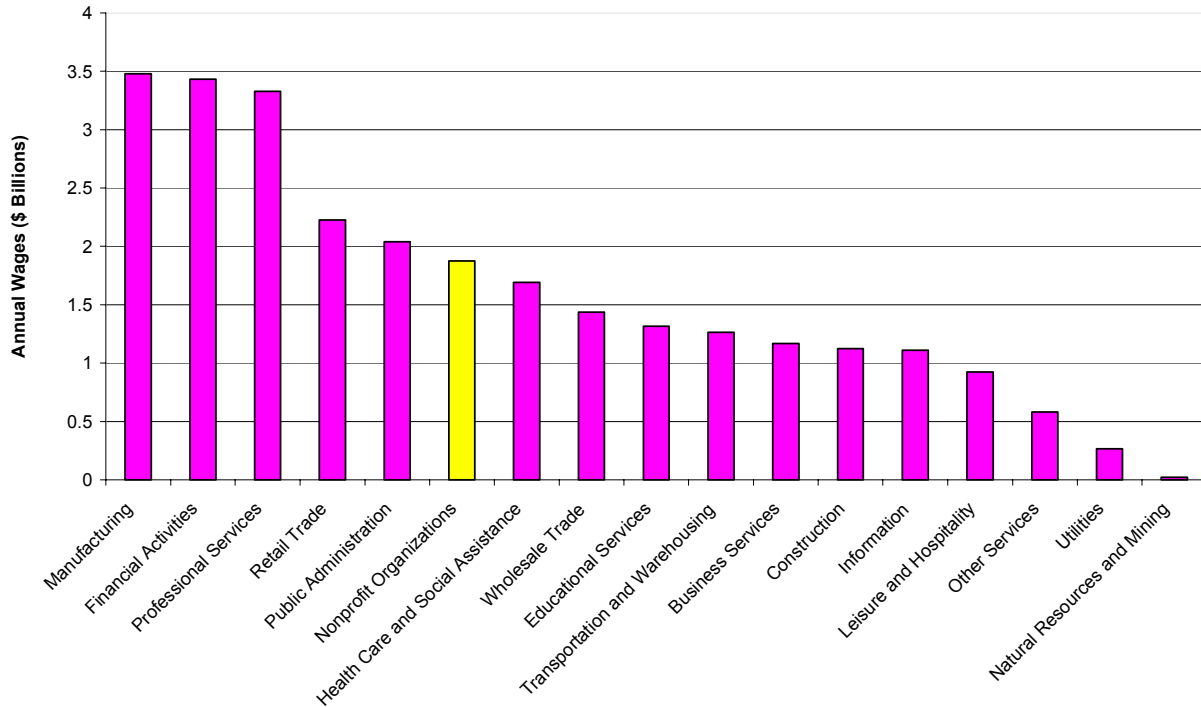
Source: 2003 ES202 Data, first quarter.

Wages and salaries of the various employing sectors differ from their employment; some sectors that employ relatively few people, such as manufacturing, financial activities, professional services, and public administration, pay more than do other sectors, such as retail trade and leisure and hospitality, which tend to pay low wages and hire many part-time workers.

³ We reassigned several separately-reporting entities of Battelle and The Ohio State University into the nonprofit sector from the ES202 sectors into which they were assigned.

Consequently, nonprofits in Franklin rank sixth as a source of income, despite being the fourth-ranked sector in employment (Figure 7).⁴

Figure 7. Annual Wages in Franklin County, Ohio, by Sector, 2003



Source: 2003 ES202 Data, first quarter.

The Contribution of Volunteers

As noted above, many nonprofits in Franklin County have no paid employees, relying on volunteers to provide services to their clientele. Other nonprofits have both paid employees and volunteers. Volunteers provide an in-kind benefit to nonprofits, substituting for employees for whom revenue would have to be found to pay wages.

The number of volunteers in Franklin County's nonprofits involves some impressive numbers. The top 50 greater Columbus nonprofit organizations, as ranked by 2003 income by *Business First*, employed 10,768 people and had 78,466 volunteers who volunteered 2,530,917 hours.⁵ Thus, there were approximately seven volunteers for each paid employee. Based upon

⁴ We are unable to provide comparative data for Ohio because this would entail identification of all nonprofits in the state and their removal from state employment totals for their respective sector. Furthermore, for the US as a whole, ES202 data are generally not available to researchers.

⁵ *Columbus Business First, Book of Lists*, December 24, 2004, pp. 34-36.

Independent Sector's estimate of the dollar value of a volunteer hour in Ohio in 2002 of \$15.43,⁶ volunteers account for approximately \$39.1 million in volunteered labor to nonprofits.

Ranked by the number of volunteer hours, the top 10 nonprofits had 2.3 million volunteer hours valued at \$35.4 million. These 10 nonprofits, listed below, comprised almost 91% of all volunteer hours among the 50 largest nonprofits based on income.

Figure 8. Top Ten Greater Columbus Nonprofit Organizations Ranked by 2003 Volunteer Hours

Organization	Employees	Volunteers	Volunteer Hours
Girl Scouts-Seal of Ohio Council Inc.	111	6,962	1,100,000
Boy Scouts of America-Simon Kenton Council	46	9,500	500,000
Columbus Symphony Orchestra	175	1,200	160,000
United Way of Central Ohio	79	7,500	120,000
LifeCare Alliance	314	3,760	117,291
Lutheran Social Services of Central Ohio	845	10,879	100,281
COSI Columbus	364	1,316	83,798
Columbus Zoo and Aquarium	761	466	46,783
Columbus Association for the Performing Arts (CAPA)	61	14,853	44,559
Heinzerling Foundation	574	922	23,025

Source: *2004 Book of Lists, Columbus Business First*

If volunteers were added to the payroll of nonprofits, this would boost their total payroll by an additional 20%. If all nonprofits – not just the 50 largest – were considered, the nonprofit sector would then surpass Retail Trade as the fourth-ranked sector in annual wages in Franklin County. As an employer, the nonprofit sector would be second, behind only Retail Trade. Clearly, nonprofits are major players in the Franklin County economy.

Acknowledgements.

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⁶ Independent Sector, *Value of Volunteer Time*, <www.independentsector.org/programs/research/volunteer_time.html>. The value is based on average hourly earnings of production and nonsupervisory workers in Ohio in 2002 and includes an estimated 12% fringe benefits rate.