



The Johns Hopkins Center for Civil Society Studies

THE STATE OF NONPROFIT AMERICA

Lester M. Salamon

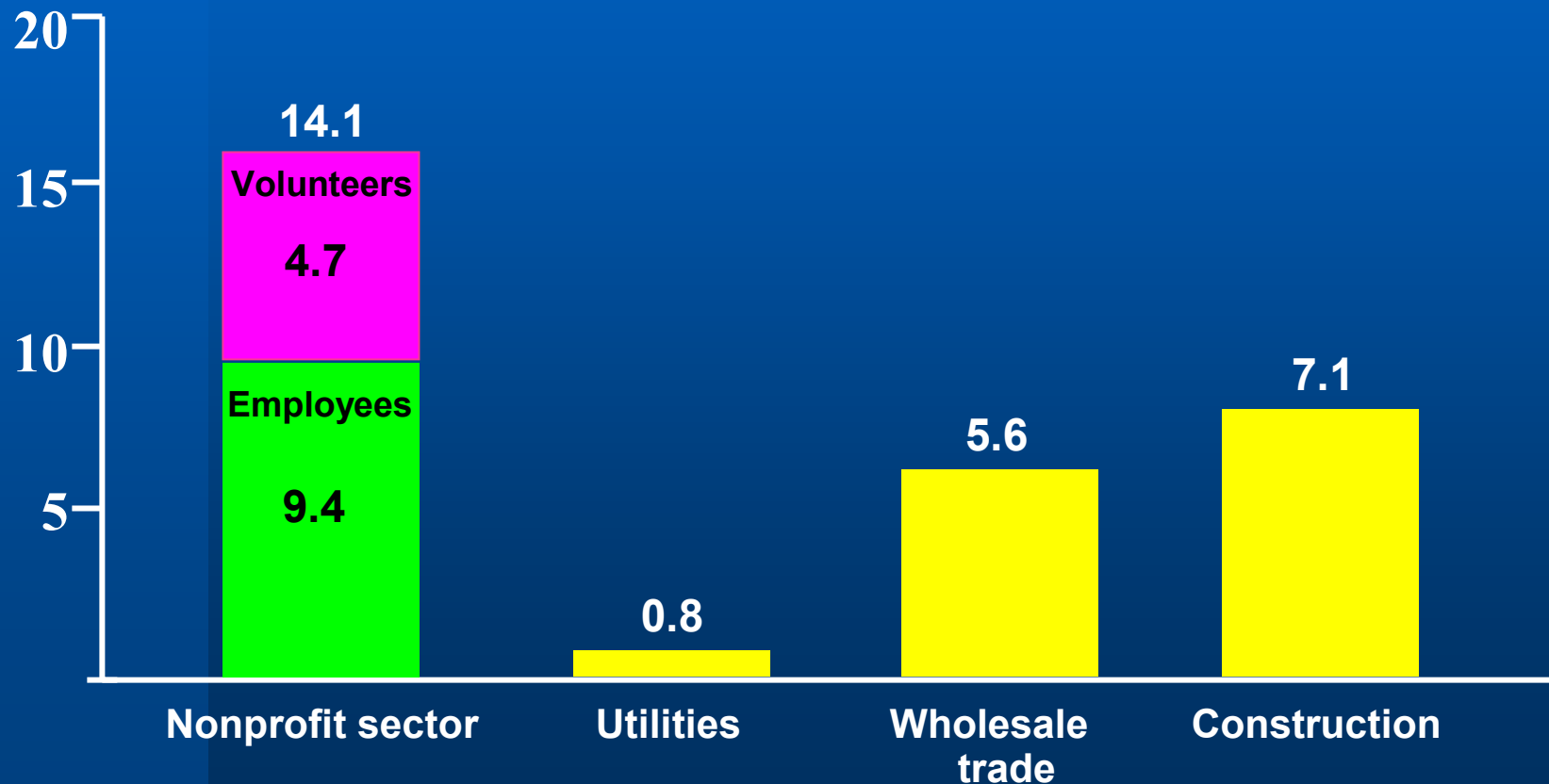
GAO Seminar

Washington, D.C.

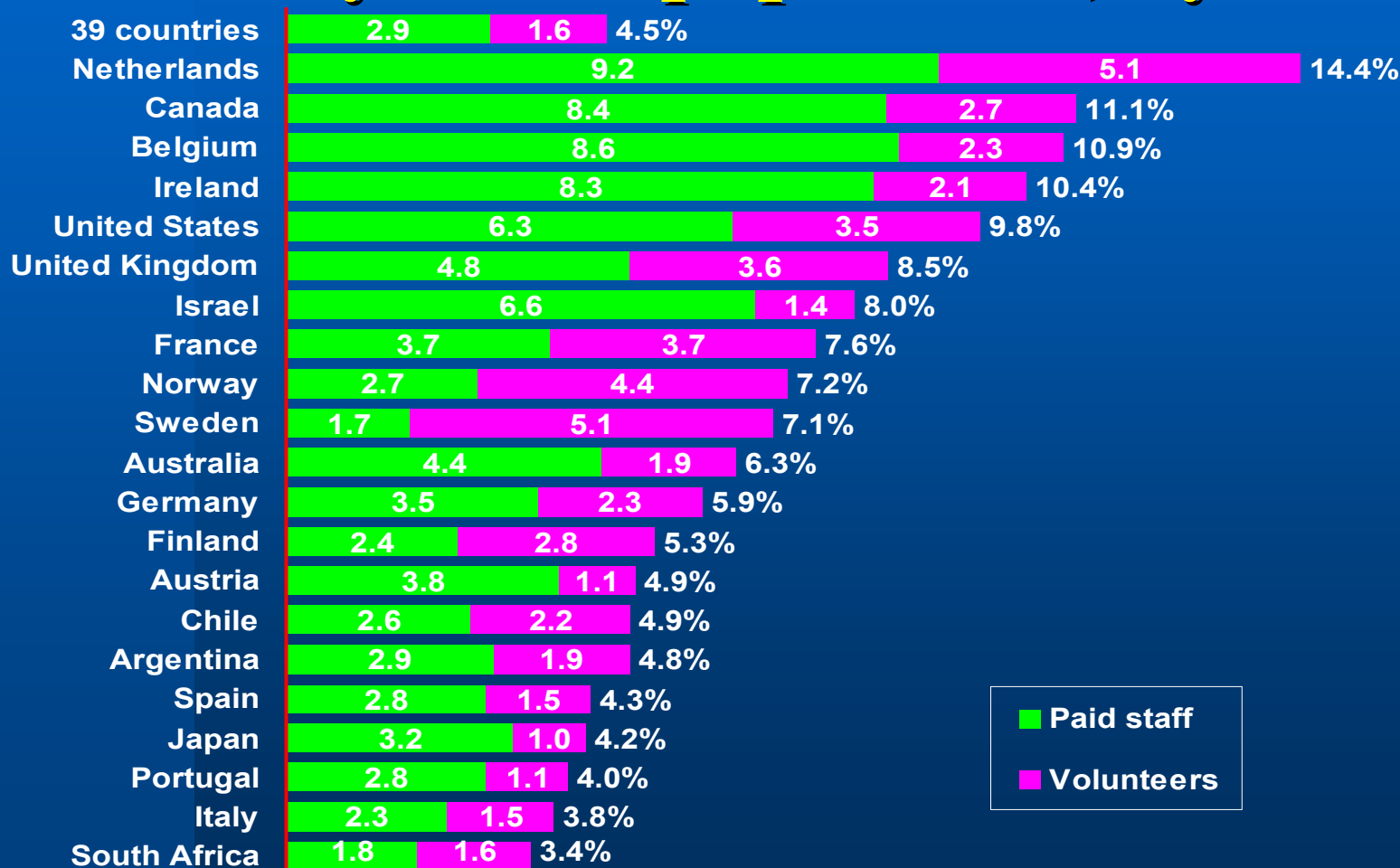
November 28, 2007



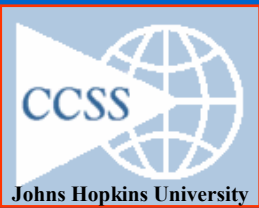
EMPLOYMENT IN THE NONPROFIT SECTOR AND SELECTED INDUSTRIES, 2004 (millions)



CSO workforce as a share of the economically active population, by country



■ Paid staff
■ Volunteers

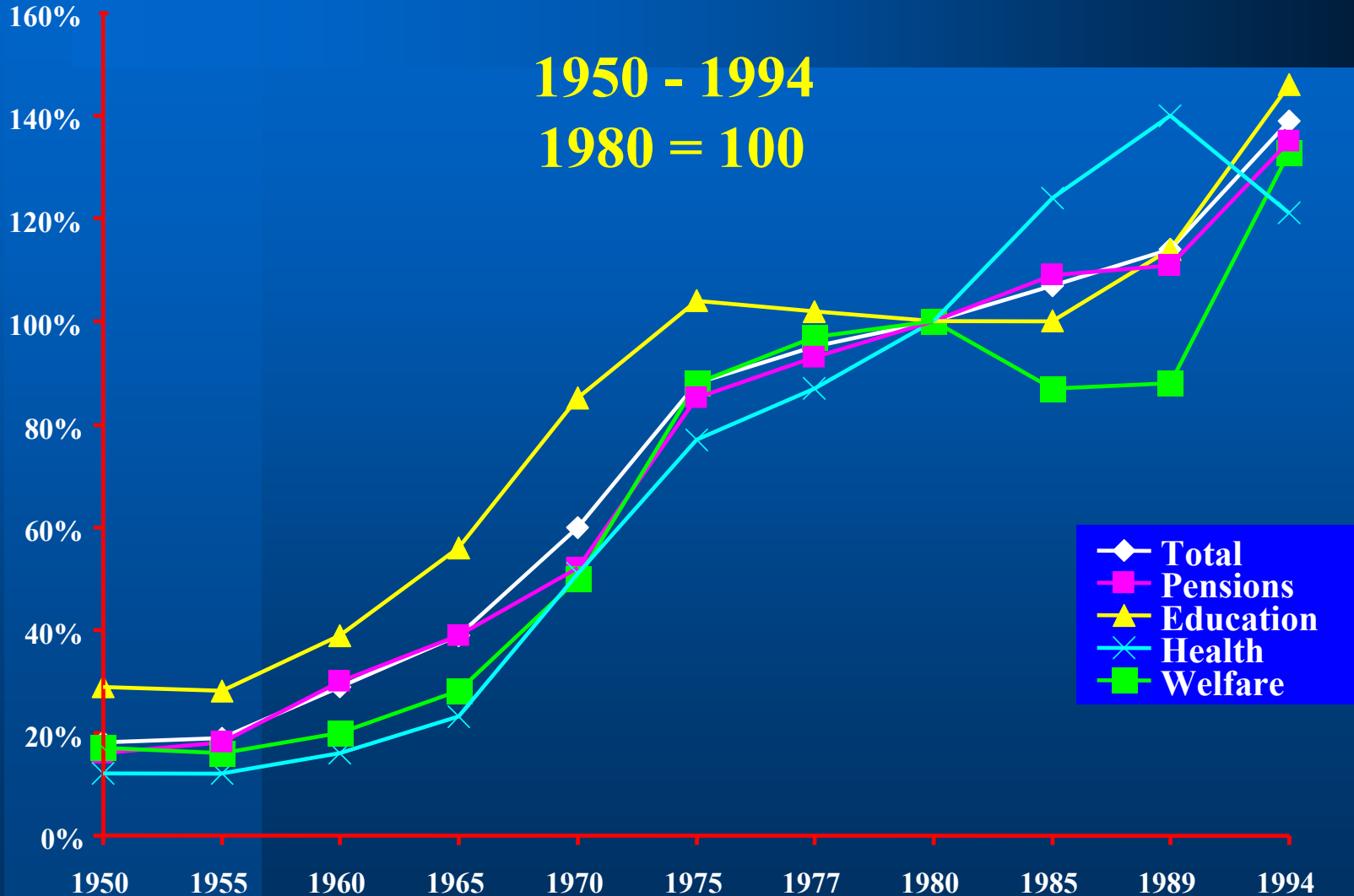


CHALLENGES I: THE FISCAL CHALLENGE

- Federal retrenchment

GOVERNMENT SOCIAL WELFARE SPENDING

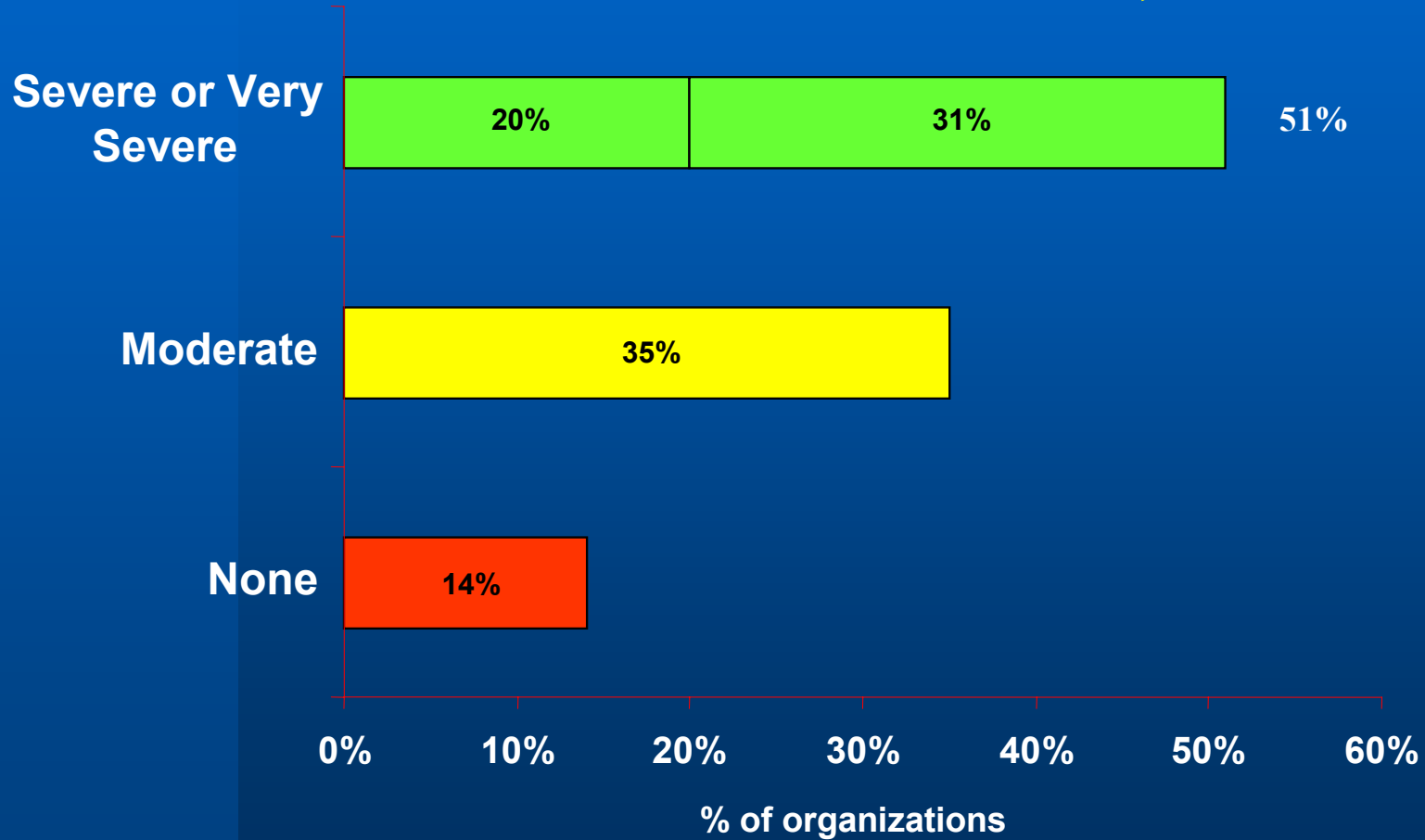
1950 - 1994
1980 = 100





The Listening Post Project

LEVEL OF FISCAL STRESS REPORTED BY NONPROFIT ORGANIZATIONS, 2003

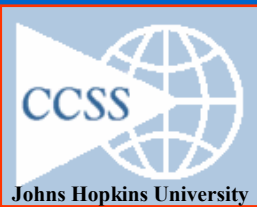


Source: Johns Hopkins Nonprofit Listening Post Project Financial Health Survey, 2003



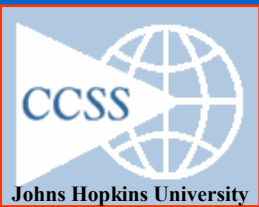
CHALLENGES I: THE FISCAL CHALLENGE

- Federal retrenchment
- Changing forms of government support
- Tepid giving growth



PRIVATE GIVING AS A SHARE OF PERSONAL INCOME, 1970-1997

PERIOD	Giving as % of Personal Income
1970-79	1.86
1980-89	1.78
1990-97	1.64



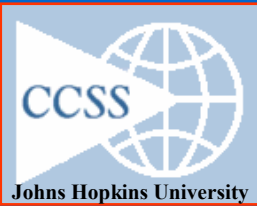
The State of Nonprofit America



GROWTH IN NONPROFIT REVENUE FROM PHILANTHROPY, BY SUBSECTOR, 1977-97

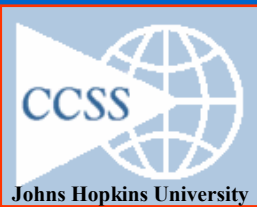
FIELD	% Change, 1977-97	Share of Total Revenue		Share of Rev. Growth, 1977-97
		1977	1997	
Health	3	14	6	0
Education	91	15	16	17
Social Services	91	33	20	14
Civic	106	31	36	42
Arts, culture	307	41	44	45
Religion	131	86	84	83
TOTAL	90	27	20	16
TOTAL, W/O RELIG	62	18	12	8

Source: Lester M. Salamon, *The State of Nonprofit America* (Washington, D.C.: The Brookings Institution Press, 2002)



CHALLENGES

- THE FISCAL CHALLENGE
- THE COMPETITION CHALLENGE



The State of Nonprofit America



**NONPROFIT and FOR-PROFIT ROLES
IN SELECTED FIELDS, 1982-1997**

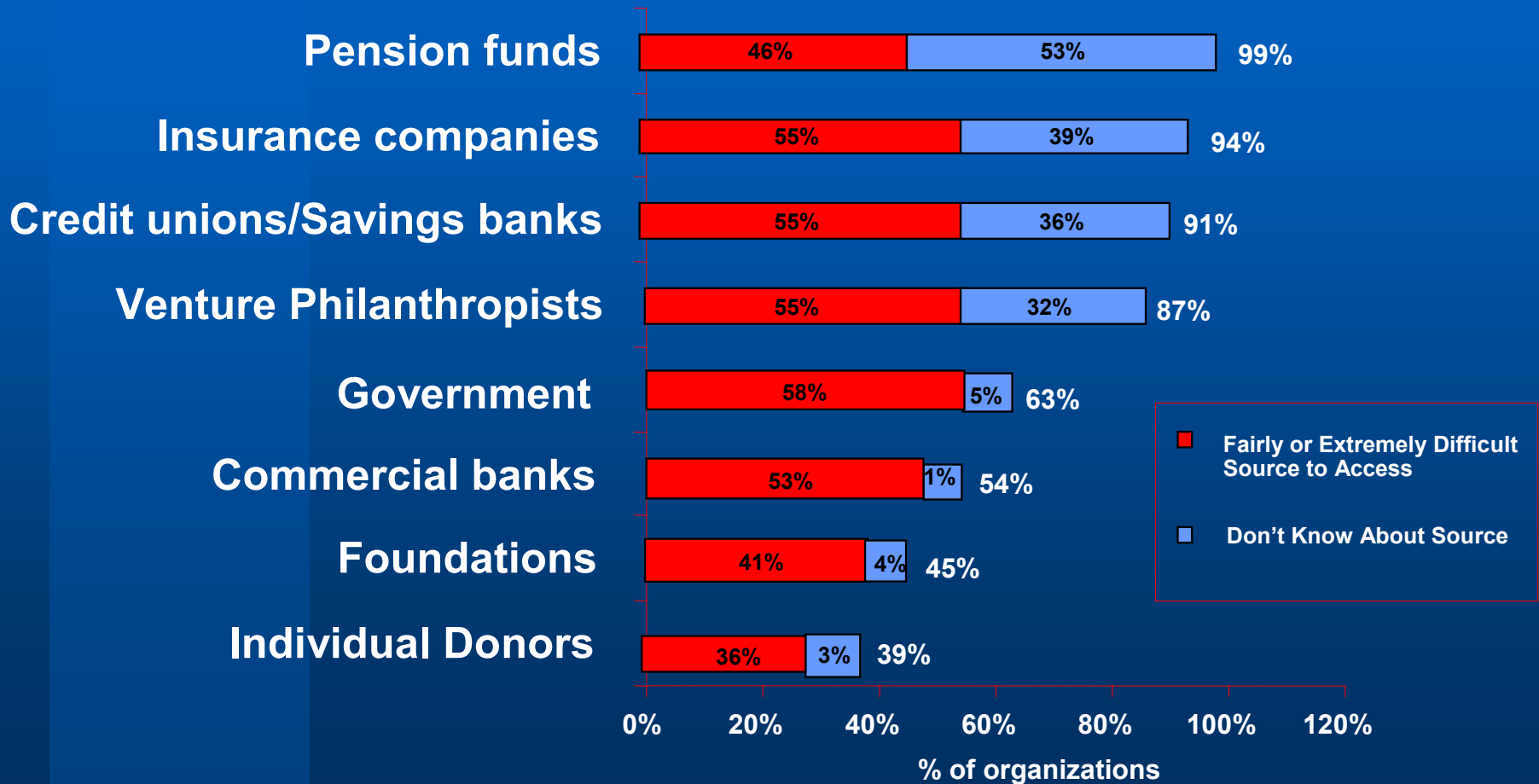
	% Nonprofit		% Change in Relative N/P Share
	1982 ^a	1997 ^b	
<u>Employment</u>			
Child day care	52	38	-27%
Job training	93	89	-4%
Individual and Family services	94	91	-3%
Home health	60	28	-53%
Kidney dialysis centers	22	15	-32%
<u>Facilities/Enrollment</u>			
Dialysis centers	58 ^a	32	-45%
Rehabilitation hospitals	70 ^a	36	-50%
Home health agencies	64 ^a	33	-48%
Health Maintenance orgs.	65 ^a	26	-60%
Psychiatric Hospitals	19 ^a	16	-16%
Hospices	89 ^c	76	-15%
Mental Health Clinics	64 ^b	57	-11%
Higher Education Enrollments	96 ^d	89	-7%

Source: Lester M. Salamon, *The State of Nonprofit America* (Washington, D.C.: The Brookings Institution Press, 2002)



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Nonprofit Problems Accessing Investment Capital, by Source

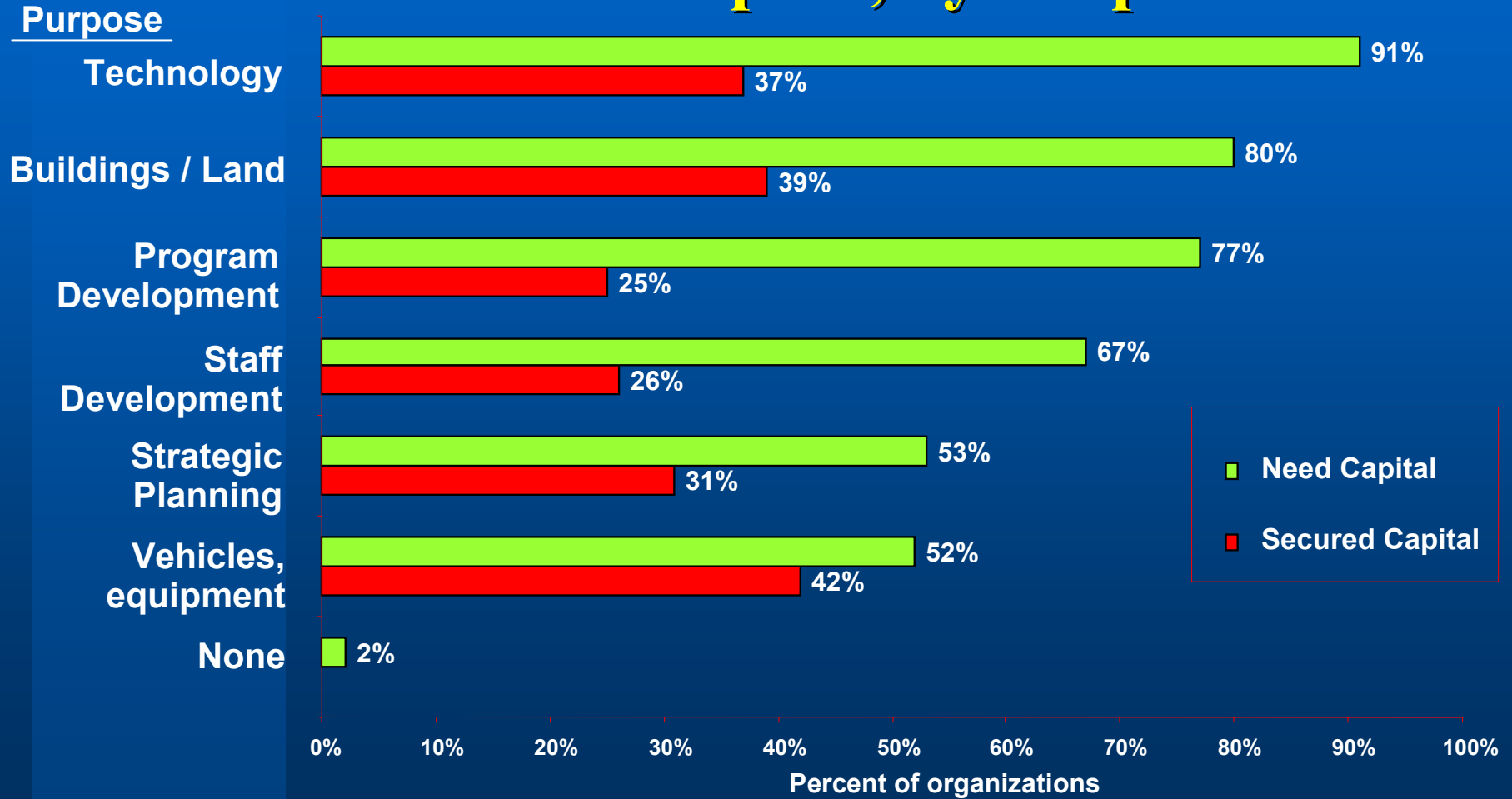


Source: Johns Hopkins Nonprofit Listening Post Project Nonprofit Capital Needs Survey, 2005

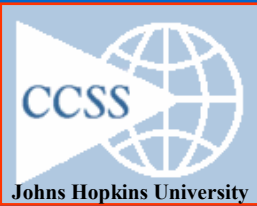


The Listening Post Project

Nonprofit Need for and Success in Raising Investment Capital, by Purpose

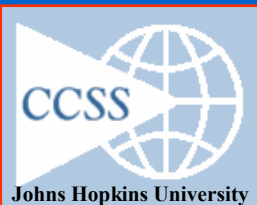


Source: Lester M. Salamon, "Claiming the Future: Nonprofits and Investment Capital," *Nonprofit Listening Post Project Communique No. 5*, (2006)



CHALLENGES

- THE FISCAL CHALLENGE
- THE COMPETITION CHALLENGE
- THE LEGITIMACY CHALLENGE



PUBLIC ATTITUDES TOWARD VARIOUS INSTITUTIONS

1994

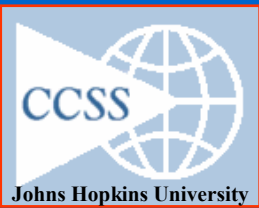
2002

Institution

“A Great Deal” or “Quite a Lot” of Confidence “A Lot” of Confidence

Small business	53%	
The military	49	
Private higher educ.	48	
Health organizations	36	
N/P human service orgs	33	18%
State government	21	
Federal government	19	

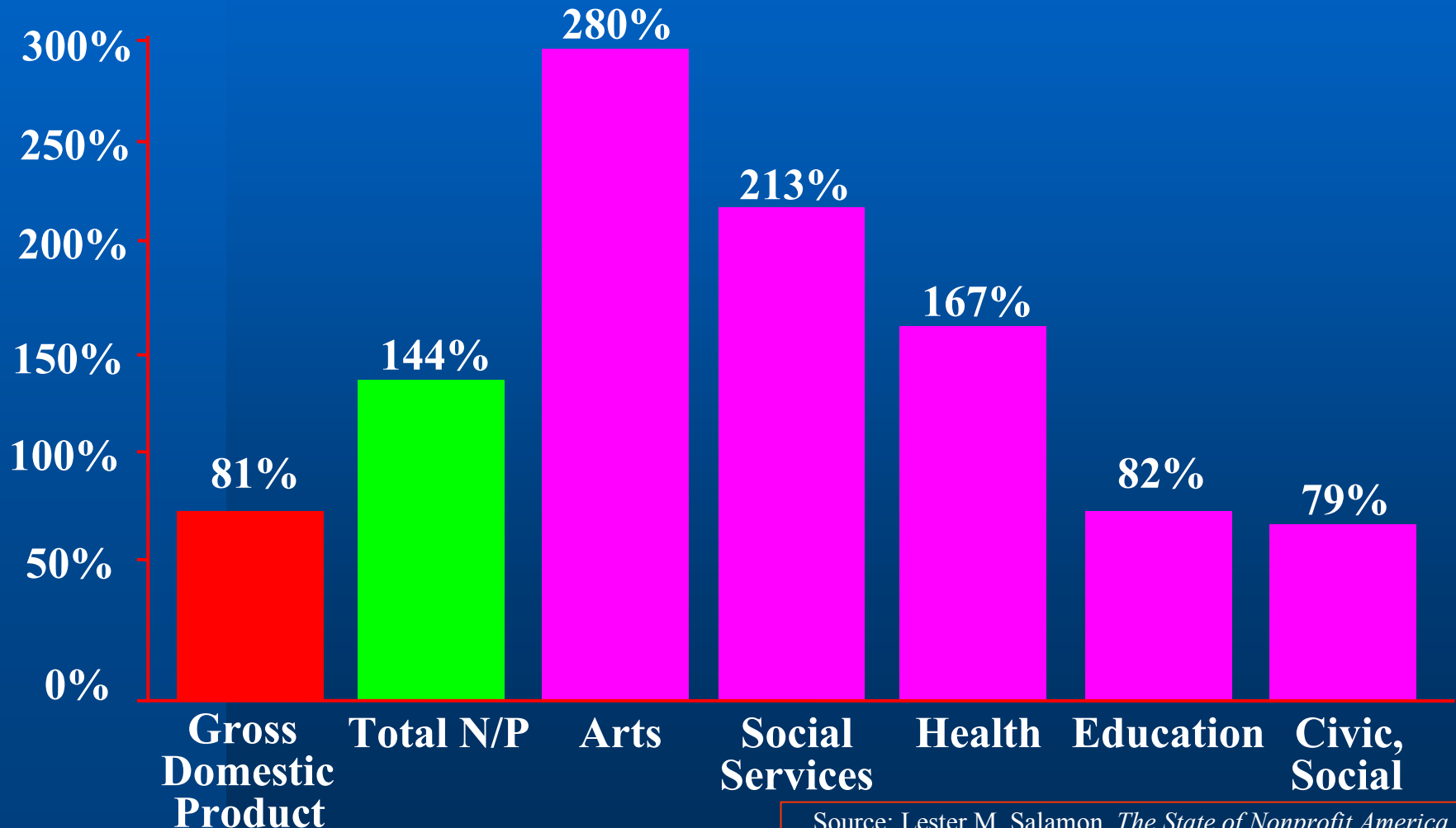
Source: Lester M. Salamon, *The State of Nonprofit America* (Washington, D.C.: The Brookings Institution Press, 2002)



NONPROFIT RESPONSE

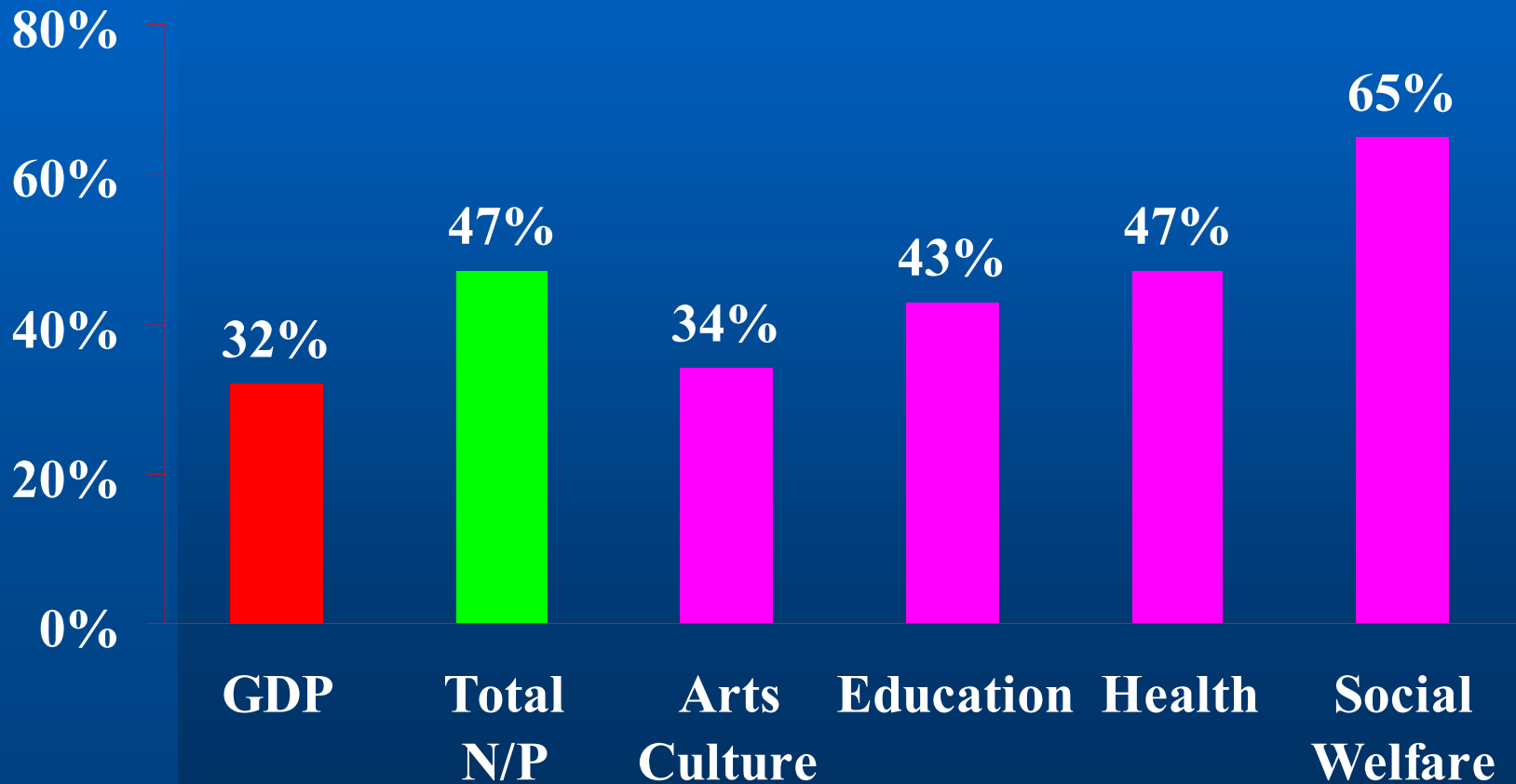
1) OVERALL GROWTH

CHANGES IN NONPROFIT REVENUES, BY SUBSECTOR, 1977-1997, IN CONSTANT DOLLARS



Source: Lester M. Salamon, *The State of Nonprofit America* (Washington, D.C.: The Brookings Institution Press, 2002)

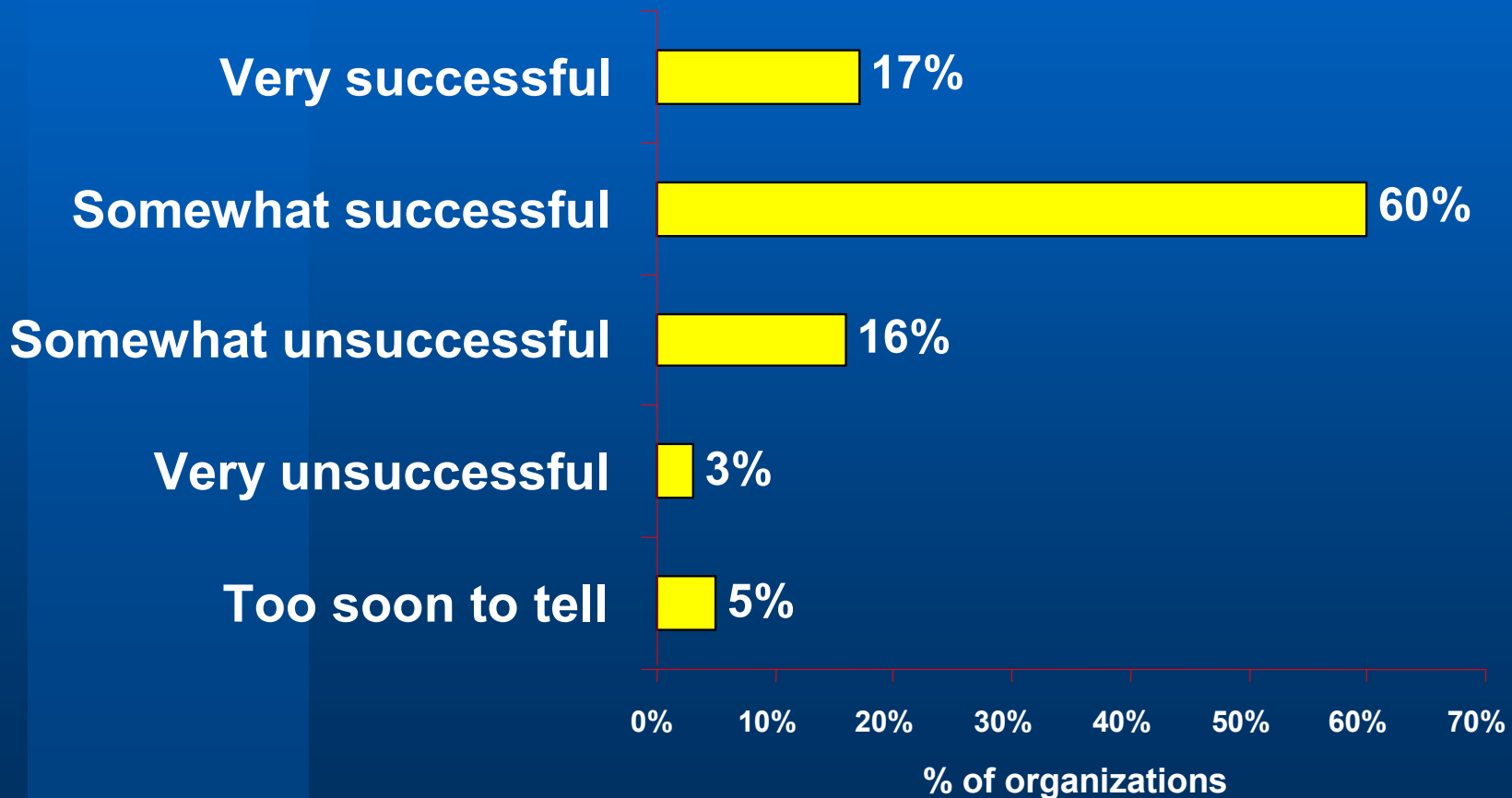
CHANGE IN NONPROFIT EXPENDITURES 1997 - 2003



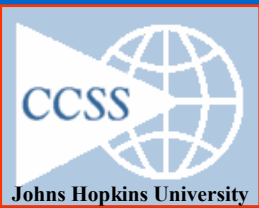


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SUCCESS OF ORGANIZATIONS IN COPING WITH FISCAL STRESS OVER THE PAST YEAR



Source: Johns Hopkins Nonprofit Listening Post Project
Nonprofit Financial Health Communique, 2003



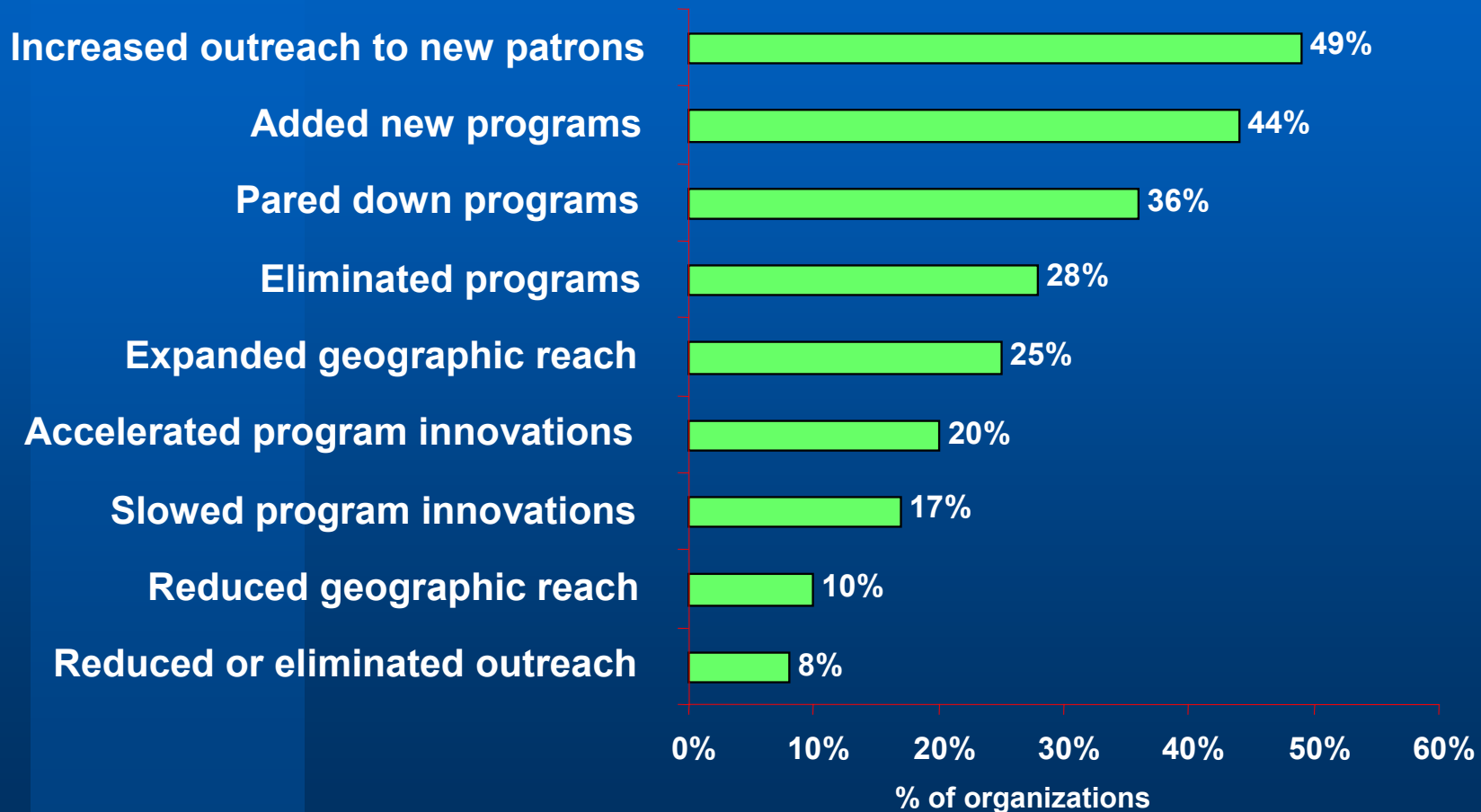
NONPROFIT RESPONSE

- 1) OVERALL GROWTH
- 2) COMMERCIALIZATION



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AGENCY COPING STRATEGIES: PROGRAM INITIATIVES



Source: Johns Hopkins Nonprofit Listening Post Project
Financial Health Communique, 2003



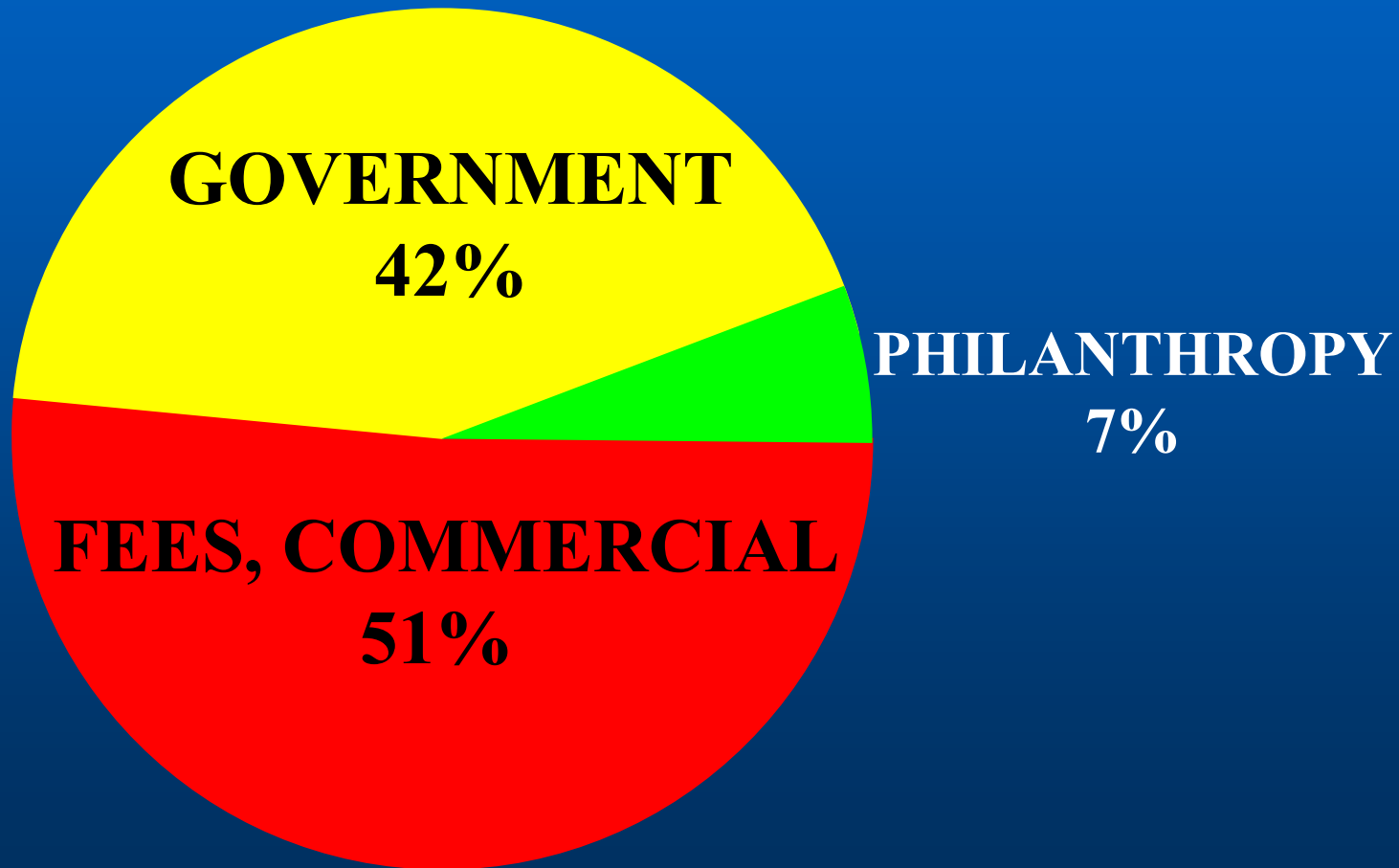
NONPROFIT RESPONSE

2) COMMERCIALIZATION

- Successful marketing to paying customers



SOURCES OF NONPROFIT GROWTH, 1977-1997

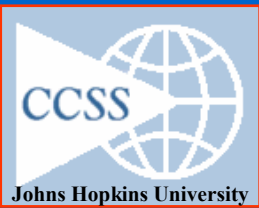




GROWTH OF NONPROFIT FEE INCOME, BY SUBSECTOR, 1977-97

FIELD	% Change, 1977-97	Share of Total Revenue		Share of Rev. Growth, 1977-97
		1977	1997	
Health	162	53	52	52
Education	77	67	65	63
Social Services	587	13	28	35
Civic	220	19	34	53
Arts, culture	272	47	46	46
Religion	163	14	16	17
TOTAL	145	46	47	47
TOTAL, W/O RELIG	144	51	51	51

Source: Lester M. Salamon, *The State of Nonprofit America* (Washington, D.C.: The Brookings Institution Press, 2002)



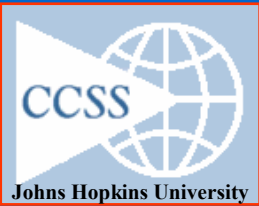
NONPROFIT RESPONSE

2) COMMERCIALIZATION

- Successful marketing to paying customers
- Successful pursuit of public funds

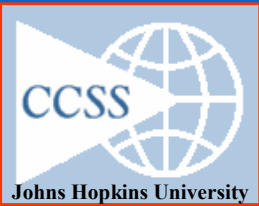
GROWTH OF NONPROFIT REVENUE FROM GOVERNMENT, BY SUBSECTOR, 1977-97

FIELD	% Change, 1977-97	Share of Total Revenue		Share of Rev. Growth, 1977-97
		1977	1997	
Health	248	32	42	48
Education	94	18	19	21
Social Services	200	54	52	51
Civic	8	50	30	5
Arts, culture	214	12	10	9
Religion	0	0	0	0
TOTAL	195	27	33	37
TOTAL, W/O RELIG	195	31	37	42



NONPROFIT RESPONSE

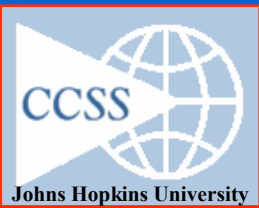
- 1) OVERALL GROWTH
- 2) COMMERCIALIZATION
- 3) PROFESSIONALIZATION



NONPROFIT RESPONSE

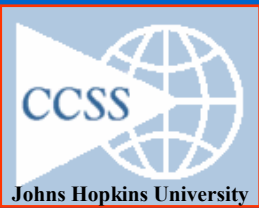
3) PROFESSIONALIZATION

- Infrastructure
- Fundraising profession
- Management support organizations
- Degree/certificate programs



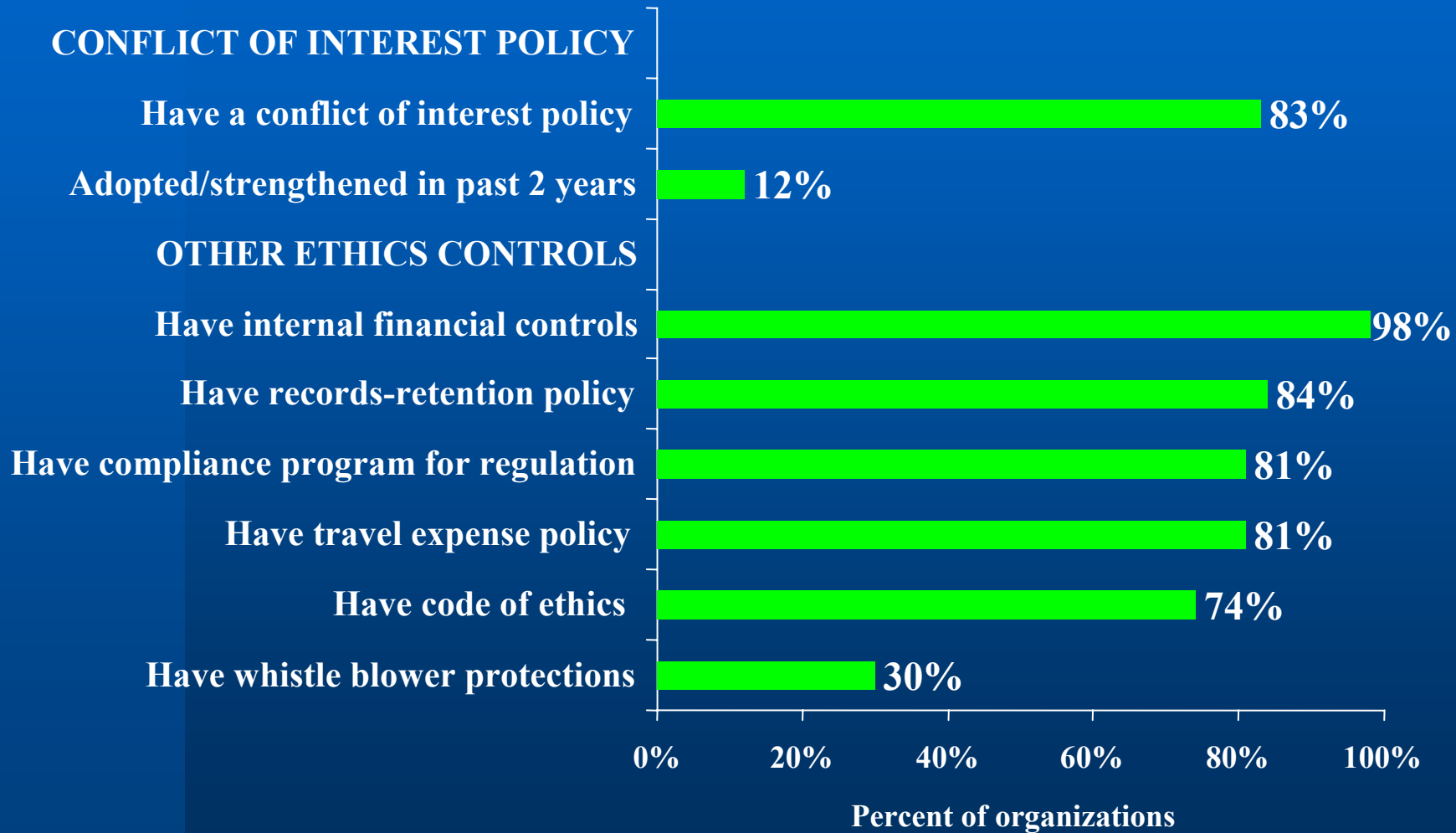
NONPROFIT RESPONSE

- 1) OVERALL GROWTH
- 2) COMMERCIALIZATION
- 3) PROFESSIONALIZATION
- 4) BOOSTING ACCOUNTABILITY

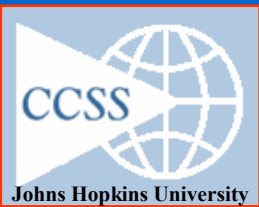


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NONPROFIT ETHICS AND ACCOUNTABILITY PROVISIONS



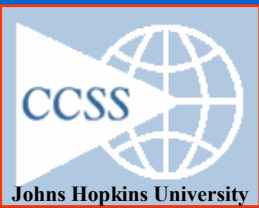
Source: Johns Hopkins Nonprofit Listening Post Project Governance Sounding, 2005 n=194



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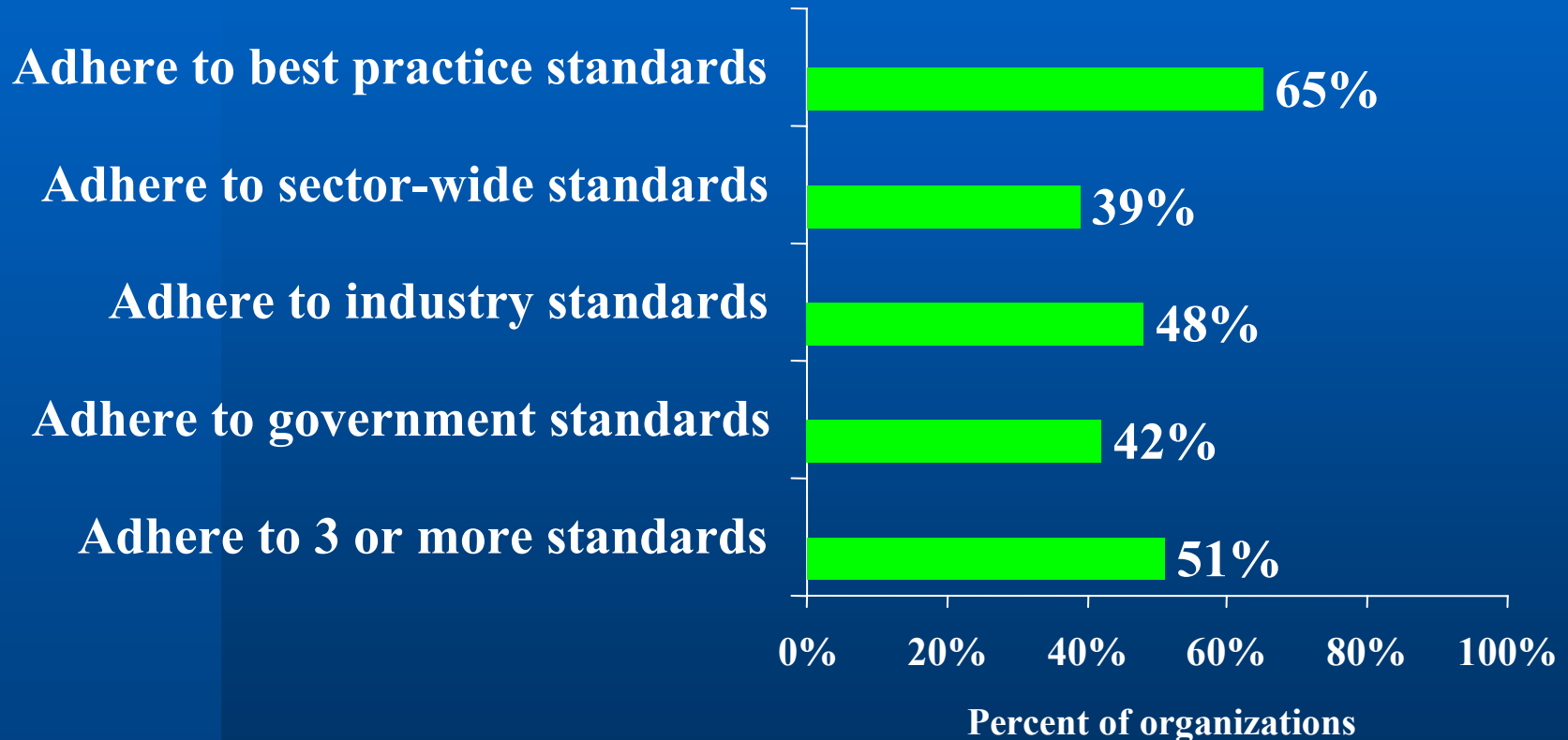
NONPROFIT FINANCIAL ACCOUNTABILITY PRACTICES

PRACTICE	Percent of Orgs
Independent audit within the past two years	97%
Board audit committee	57%
Financial statements distributed to board quarterly	93%
Form 990 signed by CEO or board chair	81%

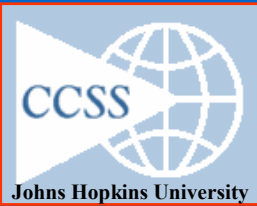


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NONPROFIT ADHERENCE TO BEST PRACTICE STANDARDS

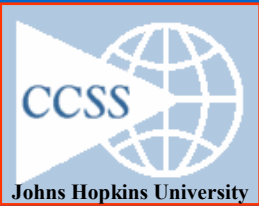


Source: Johns Hopkins Nonprofit Listening Post Project
Governance Sounding, 2005



THE RISKS

- Growing Identity Crisis
- Increased Demands on Nonprofit Managers
- Threat to Nonprofit Missions
- Disadvantaging Small Agencies
- Potential Loss of Public Trust



RESETTING THE BALANCE

- The Distinctiveness Imperative
- The Survival Imperative



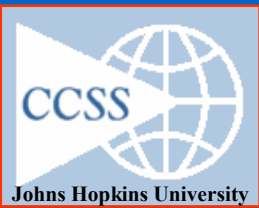
An Agenda For The Future

- Refocus on values/mission
- Improve public understanding
 - Better data on gov't funding (Form 990)
 - Public information campaign
- Deregulate nonprofit advocacy
- Focus on reimbursement rates
- Improve access to capital
 - Philanthropic banks
 - Tax credit for nonprofit investment
- Replace tax deduction with tax credit



An Agenda For The Future

- Refocus on values/mission
- Improve public understanding
 - Better monitoring/ improved accountability
 - Public information campaign
- Deregulate nonprofit advocacy
- Adjust reimbursement rates
- Improve access to capital
 - Philanthropic banks
 - Tax credit for nonprofit investment
- Replace tax deduction with tax credit



CONCLUSION

“It has been said that the quality of a nation can be seen in the way it treats its least advantaged citizens. But it can also be seen in the way it treats its most valued institutions.”