

For the Common Good

Update 2014



Executive Summary

Report on the Impact of Our Nonprofits on Monterey County

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**Commissioned by: The Nonprofit Alliance of
Monterey County**

**Designed and Conducted by: Professor Ernest J.
Scalberg, Lauren Bertelson, Alexis Gabriel, &
Judy Mavroleon of the Monterey Institute of
International Studies**

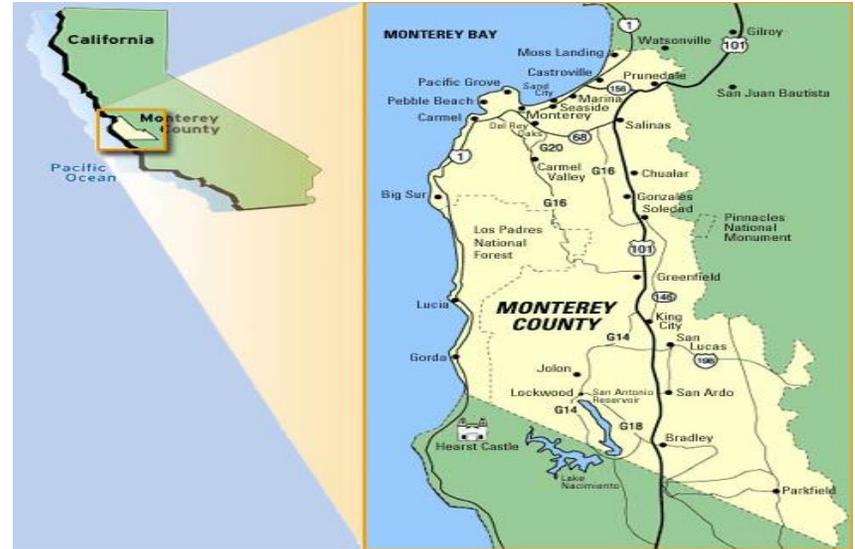
Introduction

This study was commissioned by the Nonprofit Alliance of Monterey County to update and elaborate on a study originally published in 2005 (Action Council of Monterey, For the Common Good, 2005). The intent of the research is to derive a new snapshot, some ten years later, of the impact of the nonprofit sector on the County and its constituents

There are close to 1200 nonprofit organizations in Monterey County that provide programs and services to address community needs and enhance the overall welfare of the County. The 2005 study provided an estimate of nearly \$1.5 billion per year as the contribution to the County's economy provided by its nonprofit organizations (Action Council, 2005, p. 2). Ten years later, the economic impact is estimated to be over \$2 billion.

Of course, nonprofit organizations contribute in many more ways than just economic impact to the welfare of their constituents. For example, they may improve the health of those that they serve through medical services, distribution of nutritious food, physical therapy and sports activities, or by raising the awareness of the population about illness prevention and treatment approaches. Other organizations may help their constituents secure jobs or housing depending upon their particular mission.

As poignantly stated in the Action Council report, "The nonprofit industry plays a vital role in Monterey County's economic and social health. A strong economy requires a healthy, thriving community made up of individuals working and playing together – actively participating and engaged in



IMPACT BEYOND THE NUMBERS

"Beyond the impact in quantitative terms, the community benefits from a thriving nonprofit industry because the work of nonprofits supports the viability of business and the effectiveness of government. Nonprofits provide vital services and activities that benefit local employees: low-cost healthcare, affordable housing, enriching childcare, assistance for seniors, and after-school programs empowering youth. Nonprofits also do the work of creating and preserving the quality of life in the community that makes it attractive to employers and employees: art museums, theaters, music festivals, and environmental and wildlife preservation. Nonprofits play a fundamental role in educating the public sector through its advocacy for the needs and interests of the diverse constituencies in our community. They support the public sector by providing services that the community would otherwise expect from Government – and do so at considerably lower cost" (Action Council, 2005, p. 18).

improving their lives and the community as a whole. Nonprofits play a major role in building community, preserving culture and helping residents to prosper” (Action Council, 2005, p. 3).

In an effort to provide a broader picture of the overall impact to the many stakeholders of Monterey’s nonprofits this study was designed to go beyond the traditional economic impact analysis and extend it to include a variety of other factors. The analytical technique that serves as a framework for the study is a PESTLE Analysis.

PESTLE is a mnemonic for **P**olitical, **E**conomic, **S**ocial, **T**echnological, **L**egal, and **E**nvironmental analytical frameworks. It is common for organizations to analyze economic trends such as growth in certain industries or market segments or the impact of predicted economic downturns on their overall success. But it has become clear that as organizational environments become more complex and challenging, areas such as government funding and regulation, demographic and immigration changes, technological innovations, and climate change may have an equal or even greater impact on organizations and their constituents than swings in the economy.

Methodology

The 2005 report focused solely on nonprofit public benefit corporations in Monterey County. As indicated in the report, “the term nonprofit refers to a classification that indicates an organization exists to benefit the public rather than for the

benefit of its founders or employees” (Action Council 2005, p. 5).

The 2005 study gathered data on Monterey County’s nonprofits using IRS tax reports filed by nonprofits as well as a survey of the approximately 400 501c3 organizations in the county. The current study replicates that methodology and survey sample, but extends the research to begin to identify other important impacts in addition to economic forces.

The results of the PESTLE impact analysis are briefly summarized in the pages that follow. In order to further illustrate the specific impacts of different types of nonprofits, examples from respondent “stories” drawn from the survey are integrated into the report.

Key Findings

There are a total 1152 nonprofit organizations in Monterey County, about 60 fewer than were registered in 2002. This decline is consistent with the trends that have occurred at both the California and national levels. Following 2010, the numbers of nonprofits began to decline at all levels and did so through 2012. Recent numbers reported at the national level for 2013 suggest that the numbers of nonprofits are again increasing (NCCS, 10/2013).



Political Impact

Nonprofits work not only to adapt to the constantly shifting political arena, but to strengthen our community through public policy advocacy. Only 30% of survey respondents do not engage in political advocacy activities. For the 70% that do engage, over half conduct education and outreach (including for volunteers), nearly 1/3 engage in local, state or national political hearings and meetings, and 22% send letters, emails, or petitions to public officials.

Our respondents have helped to shape legislation and political outcomes pertinent to their constituent bases. The top three areas of influence are environmental, fundraising (e.g., laws regarding charitable giving), and social issues. The policy issues in which organizations are active include working to strengthen California and federal policies on marine protected areas, non-lead ammunition laws, and extending foster care benefits.

Our nonprofits are also required to be accountable to a variety of entities in addition to their immediate constituents. Nearly 90% of our respondents evaluate and report on the impact of their programs and services for those that they serve, and about 80% measure on an annual or more frequent basis.

The boards that manage or advise our nonprofits are quite diverse. The average number of board members is ten but numbers range from 3 to 21. Women comprise 53% of board members, and 50% of boards have Latino, 29% have Asian, and 16% have African American members. Most boards (79%) include professionals with business acumen, while nearly half include attorneys and financial advisors or accountants. Almost 2/3 list professionals with program related

expertise as members. More than 1/3 have marketing and/or communication professionals included. Only 1% of board members are under 20 years of age and half are 51 or older. Term limits or staggered term limits are required by 86% of responding boards.



Sun Street Centers

- Reuniting broken families - families in recovery, reunited with children that have gone into the foster care system; and teaching parenting skills.
- Avoiding the next DUI injury or death through education and counseling.
- Developing the next community leaders through regular volunteer and employment opportunities for teens age 14 through college years.

Economic Impact

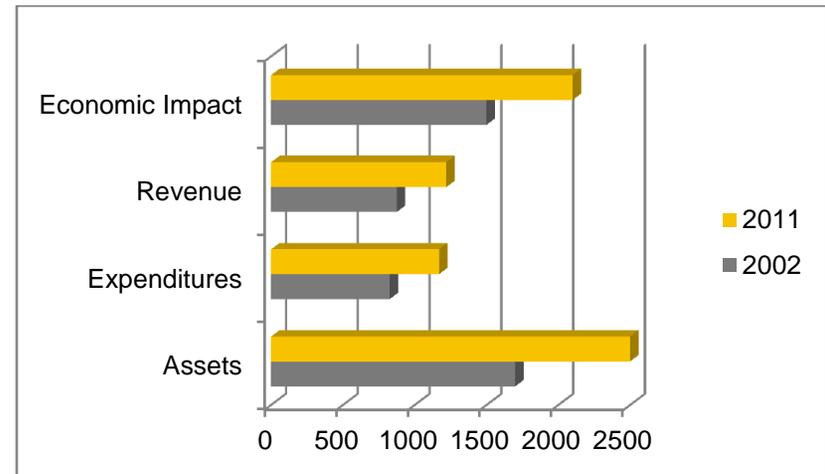
County nonprofits had a direct economic impact as measured by expenditures, of \$1,169,000,000 in 2011. This is an increase of nearly 42% over the \$824 million in expenditures reported for 2002 in the *For the Common Good* report. Even when the growth is adjusted for inflation (approximately 25% during the ten year time period), there was a healthy gain in expenditures on programs and services for a wide range of constituents by an overall smaller number of nonprofit organizations.

Nearly ¾ of the total expenditures are estimated to have been spent in Monterey County through purchase of goods and services from local businesses and payment of salaries and wages to nonprofit employees residing in the County. The salaries/wages and other compensation totaled nearly \$328 million vs. \$212 million ten years earlier. Payroll taxes accounted for an additional \$14.3 million in expenditures in 2011.

Revenues were up \$50 million over expenditures and again showed a healthy 39% increase over 2002 revenues. Contributions were up 18.5% to \$265 million, but trailed inflation for the period. This was more than compensated for by an increase in program revenues such as program and service fees (e.g., admission fees to the Monterey Aquarium), special events, and rent revenues. Investment income was down more than \$2 million from 2002.

The total economic impact of Monterey's 501c3's, including direct and indirect effects, was almost \$2.1 billion in 2011 vs. \$1.5 billion in 2002 (projections are based upon the same economic multipliers used in the previous report).

Comparison of Monterey County Nonprofits (501c3's) Finances 2002 vs. 2011 (in \$M)



Even during a difficult economy, a solid majority (58%) of the nonprofits surveyed reported an increase in the number of programs and services offered over the last five years, while only 8% reported a decrease. An even greater proportion (80%) reported an increase in the number of individuals served.

Among the reasons for the increase in programs/services are more staff and volunteers (36%), greater resources (51%), the addition of services for unmet needs (58%), and increased management efficiency (22%). About ¾ of the respondents expect that the demand for their programs and services will increase over the next five years and an equal number anticipate that the number of individuals served also will continue to increase during the same period.

Monterey County nonprofits employ an estimated 8,000 people. Our survey results indicated that the average number of full time employees per organization is 16 but the median of 2 better reflects the typical organization. The average number of part time employees is 7 while the median is 2.5. Almost 30% of responding organizations have no full time employees and almost 20% have no part time employees. A total of 13% have no paid employees at all.

The preceding paragraph underscores the importance of volunteers. Our survey sample reported close to 542,000 volunteer hours provided by 13,160 volunteers (only 5% of respondents do not use volunteers). Although the average number of volunteer hours per year per volunteer is 41, on average, the typical nonprofit adds the equivalent of almost 4 full time employees by having volunteer help.

Our survey sample reported serving more than 5.7 million constituents in 2012 (these numbers include serving individuals more than once during the year as well as visitors to our County through programs like Point Lobos or the Aquarium). The median number served per organization was 2060 people.

The Great Recession

Monterey County is diverse in so many ways that nonprofits have extraordinary challenges in serving their broad constituencies. The 2005 report reflected the impact on nonprofits of the reduction in public sector support for safety net services (e.g., food, shelter, basic healthcare) that occurred during the 2001-2003 period. "The impact of this shift in fiscal priorities is amplified through the nonprofit sector. The immediate consequence is a greater reliance on nonprofit organizations to provide the safety-net needed to support the most at-risk members in our community" (Action Council, 2005, p.18).

The 2009-2011 "Great Recession" had even more impact on all elements of society. Yet, the nonprofit sector in Monterey County again demonstrated the resourcefulness and resiliency to increase programs and to provide valuable services to an even larger number of constituents.

CHISPA

CHISPA (Community Housing Improvement Systems and Planning Association, Inc.), the largest private, nonprofit housing developer in Monterey County, has built more than 2,300 affordable **single family homes** and **multi-family and senior apartments** since its incorporation in 1980. CHISPA's Mission is to improve people's lives and create healthy neighborhoods by developing, selling, owning and managing affordable homes.



Social Impact

Monterey County reflects a rich diversity in lifestyles, industries, population densities, demographics, and culture. Nearly 60% of those organizations surveyed provide their services to all of Monterey County and 28% serve constituents outside of the county as well as within it. Of those focusing in more specific regions, 28% serve the Salinas area, 25% serve the Monterey Peninsula, and about 15% serve the North and/or South County.

The income groups served are predominantly lower income with 51% of the respondents in three lower income categories and only 15% in moderate to high income levels. Another 31% focus on all income levels.

The primary non-English language served is Spanish speakers (91% of organizations). More than 20% of organizations serve Chinese, Vietnamese, Japanese and Korean language speakers and around 15% serve Tagalog and Arabic speakers. As many as 100 other languages are also served. Non-English language speakers are served through language specific printed materials (55%), Websites (24%), and translation and/or interpretation services (42%). About 1/3 of the organizations provide no non-English language services.

Kernes Adaptive Aquatics

Programs are designed to help children and adults maintain and improve health and well-being through adaptive aquatic exercise. These exercises can reduce the incidence of secondary health conditions, such as diabetes, obesity, and heart conditions. People who are healthier remain more independent and productive, and place less of a burden on other health and social services, such as hospitalization and long-term care.

Lyceum of Monterey County

The Lyceum's mission is to inspire a life-long love of learning through enrichment programs and academic events. For example, the Expanding Your Horizons program reaches about 300 pre and teenaged girls to engage them in STEM careers. The Cyber Adventures and Space Camps encourage interest in sciences. The academic programs are designed to inspire youth to strive for academic and personal success.



Technological Impact

Ten years ago there was no Facebook, Twitter, or YouTube. Now, new technologies are used by 80% of County nonprofits to contact and serve constituents, to publicize activities, and to remain in regular contact. Nearly two-thirds of the respondents report that they use social media for fundraising activities. Top media platforms include websites (92%), email (89%), Facebook (80%), print newsletters (45%), Telephone (27%) and Twitter (25%).

Other technological tools used to serve constituents include financial transactions such as PayPal and Square (70%), and software applications or "apps" such as Office 365 or eTapestry (cloud based office suites or cloud based fund raising --31%). Tools such as GPS tracking and big data analytics are used by less than 10%, but only 15% of the respondents use no social media.



Everyone's Harvest

In its ten years of operations, Everyone's Harvest (EH) has developed a network of certified farmers' markets, farm stands, and events that engage people in healthy food and inspire families to eat more local fresh fruits and vegetables.

The organization's current projects include the facilitation of community gardens for the underserved through partnerships.

EH accepts Electronic Benefit Transfer (EBT) - the modern food stamp - called "Fresh lime," allowing access to healthy food for low - income families. In 2013, EH markets conducted \$7,994 in EBT transactions and distributed \$3,184 in EBT bonus vouchers through to the Market Match program.





Environmental Impact

Over half (52%) of those organizations surveyed are tracking their environmental impact and are promoting ways to preserve or conserve our environment. Nearly 30% are conducting recycling or waste diversion and 20% are practicing water conservation. Another 12% are using compostable materials, solar energy, and building green facilities and about 6% are already LEED certified.

Environmental nonprofits comprise about 8% of the respondents and between 8% and 16% of all respondents work on issues such as open space, park development, land use or endangered wildlife concerns. Smaller numbers are involved in educational workshops, environmental advocacy, and funding support.

The Offset Project

The Offset Project works with individuals, municipalities, businesses and special events to establish sound waste policies and implement best practices in environmental stewardship. The Offset project involves participants from other nonprofits such as the drug and alcohol rehabilitation program of Sun Street Centers and the after school activities of Girls Inc. in their environmental program operations. In return, funds go back into these vital social and economic programs.



Other Areas of Need

The organizations that we surveyed were asked to identify needs in the County that are currently inadequately served by the nonprofit community. Between 25-30% of respondents identified each of the following concerns: housing issues, rising costs of living, inadequate services for those with mental or physical disabilities, health issues and access to health care, and unemployment or underemployment of the workforce.

Conclusion

It has been a difficult economy for the past five years. The unemployment rate in Monterey County has finally dipped back below 10% as of April, 2014 (Fenit Nirappil, Monterey Herald, May 17, 2014). The nonprofit sector was also severely impacted by the economic downturn as reflected in declining numbers of organizations, and the need to find greater efficiencies and new approaches to deliver programs and services.

The sector has proved to be resilient and resourceful in increasing expenditures and providing a more than \$2 billion boost to the economy of the County. The nonprofit community is a major part of the Monterey County economy trailing only the largest industry sectors that include agriculture, tourism, government, wholesale/retail trade, and professional and business services.

It is clear that beyond the significant economic impact that nonprofits provide, they also provide important benefits in

many other ways. Seventy percent of the County's nonprofits are engaged in advocacy for social and environmental issues. Over 80% provide assistance to low income families and 2/3 provide programs and services in multiple languages. Nonprofits are employing new technological tools in transformative ways to address their missions faster and more effectively. A majority is tracking and minimizing their own environmental impact as well as helping their constituents conserve and preserve.

Yet, even more compelling needs, such as insufficient housing, less than adequate services for those with disabilities, and stubborn unemployment rates remain to be fully addressed. The information gathered through this study suggests that with continuing strong public support, the nonprofit sector has demonstrated that it will be up to the challenge to address the next decade of need.

