



STRENGTHENING COMMUNITIES

The Impact of the Nonprofit Sector
on Maryland's Lower Eastern Shore

2019

A report highlighting the vitality of the Nonprofit Sector in
Dorchester, Somerset, Wicomico and Worcester Counties

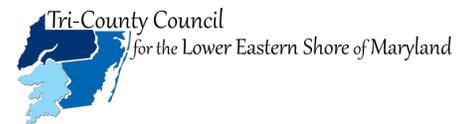




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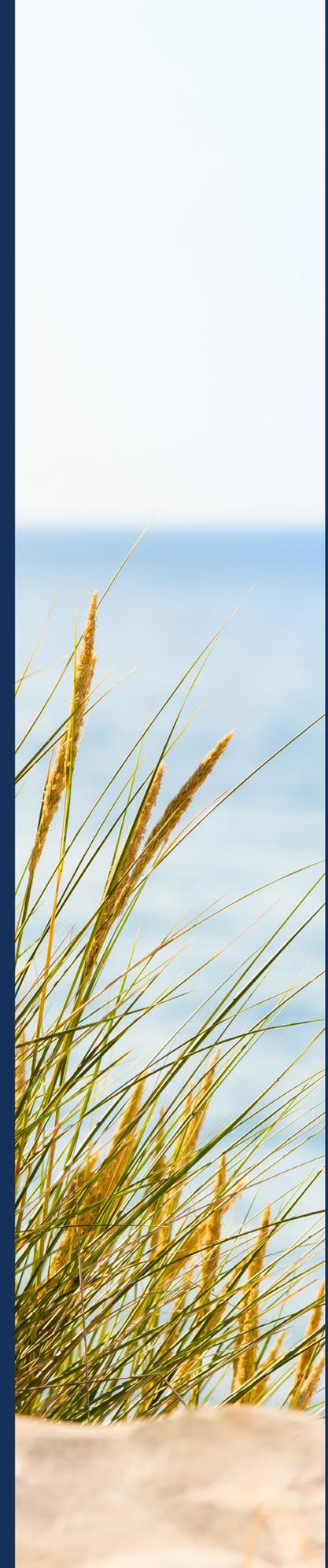


United Way
of the Lower Eastern Shore



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EXECUTIVE SUMMARY

The Lower Shore Nonprofit Economic and Social Impact Study was convened in 2018 to explore and highlight the significant role nonprofits play in the region's economy and quality of life. This first-ever study provides a detailed look at the nonprofit sector in four counties on the Lower Eastern Shore of Maryland: Dorchester, Somerset, Wicomico and Worcester.

The nonprofit sector is a vital part of the Lower Shore's economic and social environment. It provides myriad services to the community in health care, human services, education, arts and culture, and more. The sector provides thousands of jobs, rallies countless volunteers, and generates millions of dollars for the local economy. Each charitable dollar donated directly and indirectly reaches more than 84,000 individuals and families in the region. The integral role of local nonprofits has an astounding ripple effect on the quality-of-life of Lower Shore families and their future generations.

ECONOMIC IMPACT

- Nonprofits on the Lower Eastern Shore have a total **economic impact of over \$695 million annually**.
- The nonprofit sector supports **over 9,200 jobs** on the Lower Eastern Shore.
- Lower Shore nonprofits contributed over **\$379 million** to the region's economy through **wages paid** in 2017, equivalent to **14% of the region's total wages**.
- Nonprofit employment on the Lower Shore grew by 29% between 2006 and 2017. As a result, the **nonprofit share of total private employment in the region grew at an impressive 38.6% rate**—well in excess of the state's overall rate of 17.5%.
- During the 2008 economic recession, **nonprofit sector employment increased by 11%**, while employment in the **for-profit sector decreased by 1.7%**.



COMMUNITY IMPACT

- Approximately **1 in 3 Lower Shore neighbors are served** directly and indirectly by local nonprofits (United Way, 2017).
- **Nonprofits save taxpayers money.** The per-person costs of nonprofit programs are nearly half those of comparable state-run public assistance programs ("Nonprofit Community Services", 2018).
- **Nonprofits improve quality of life.** Services address a vast array of community needs, from critical services in healthcare and education to programs that increase access to the arts and environmental conservation.
- **Nonprofits partner with the government and private sector businesses** to ensure our region is meeting local needs and challenges, while creating a strong and vibrant community.
- **Nonprofit events bring people together and generate revenue for local businesses.** Nonprofit survey respondents reported a 232% ROI from fundraising events held in public venues in 2017. In 2018, the National Folk Festival drew 60,000+ attendees to downtown Salisbury, leveraged 1,500+ volunteer hours from 800+ volunteers, and generated a total transactional impact of \$18 million (<https://salisbury.md/>).

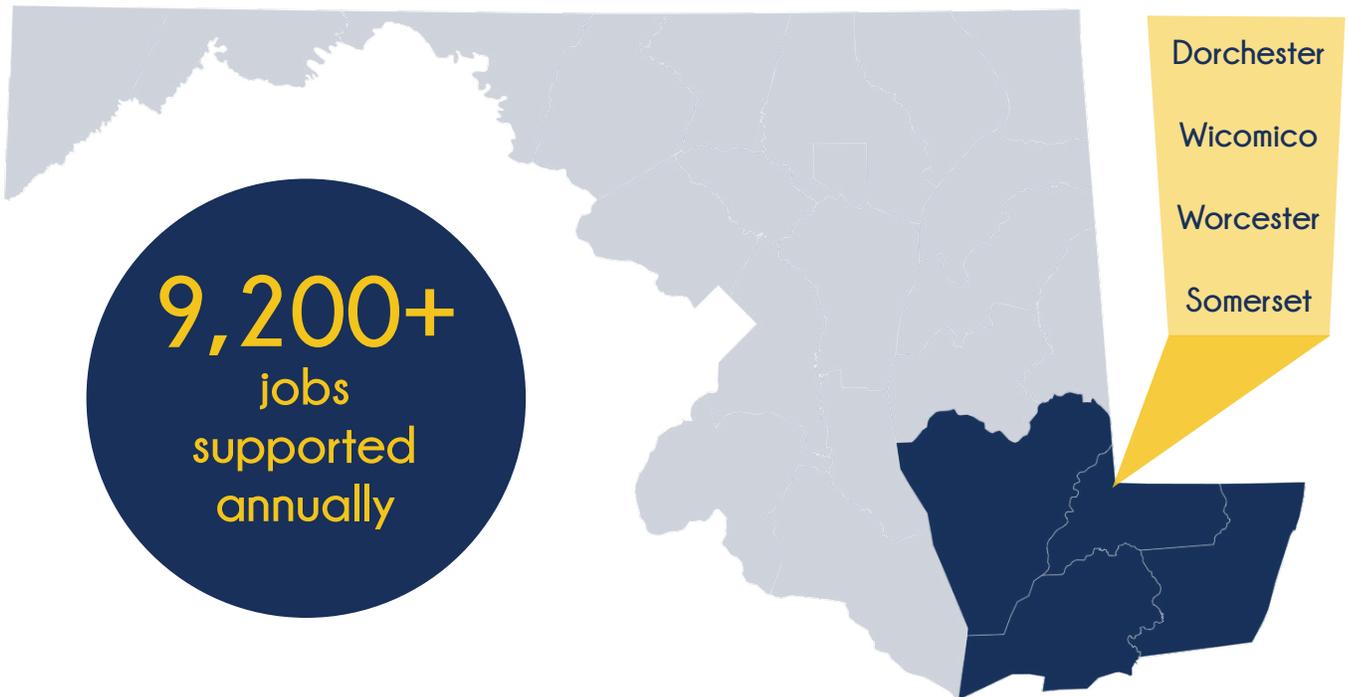
THE ECONOMIC IMPACT OF THE NONPROFIT SECTOR

The impact of the direct investment in each nonprofit “trickles down” through the local economy producing additional indirect and induced impacts. Indirect economic impact includes revenue for other local businesses as a result of purchases made by nonprofits. Induced economic impact includes the additional household spending that results from nonprofit employees’ salaries and the employee salaries of vendors receiving revenue from nonprofit spending. Indirect and induced spending trickles further to support additional full and part-time jobs.

In total, it is estimated that nonprofits on the Lower Eastern Shore have an economic impact of over \$695 million annually. This includes over \$477 million in direct economic impact, nearly \$119 million in indirect economic impact, and over \$99 million in induced economic impact. The total employment impact was approximately 9,265 full and part-time jobs in 2017. This includes 8,850 in local nonprofit employees, 260 indirect jobs and 155 induced jobs supported by economic transactions that occur through nonprofit activities.¹



Not only do nonprofits provide a significant source of employment, they also serve an important role in the economy through their ability to be resilient during times of economic downturn. The nonprofit sector played a pivotal counter-cyclical role in employment during the 2008 economic recession, with an increase in employment by 11% on average while employment in the for-profit sector decreased by 1.7% during this period (“Nonprofits Count”, 2016).



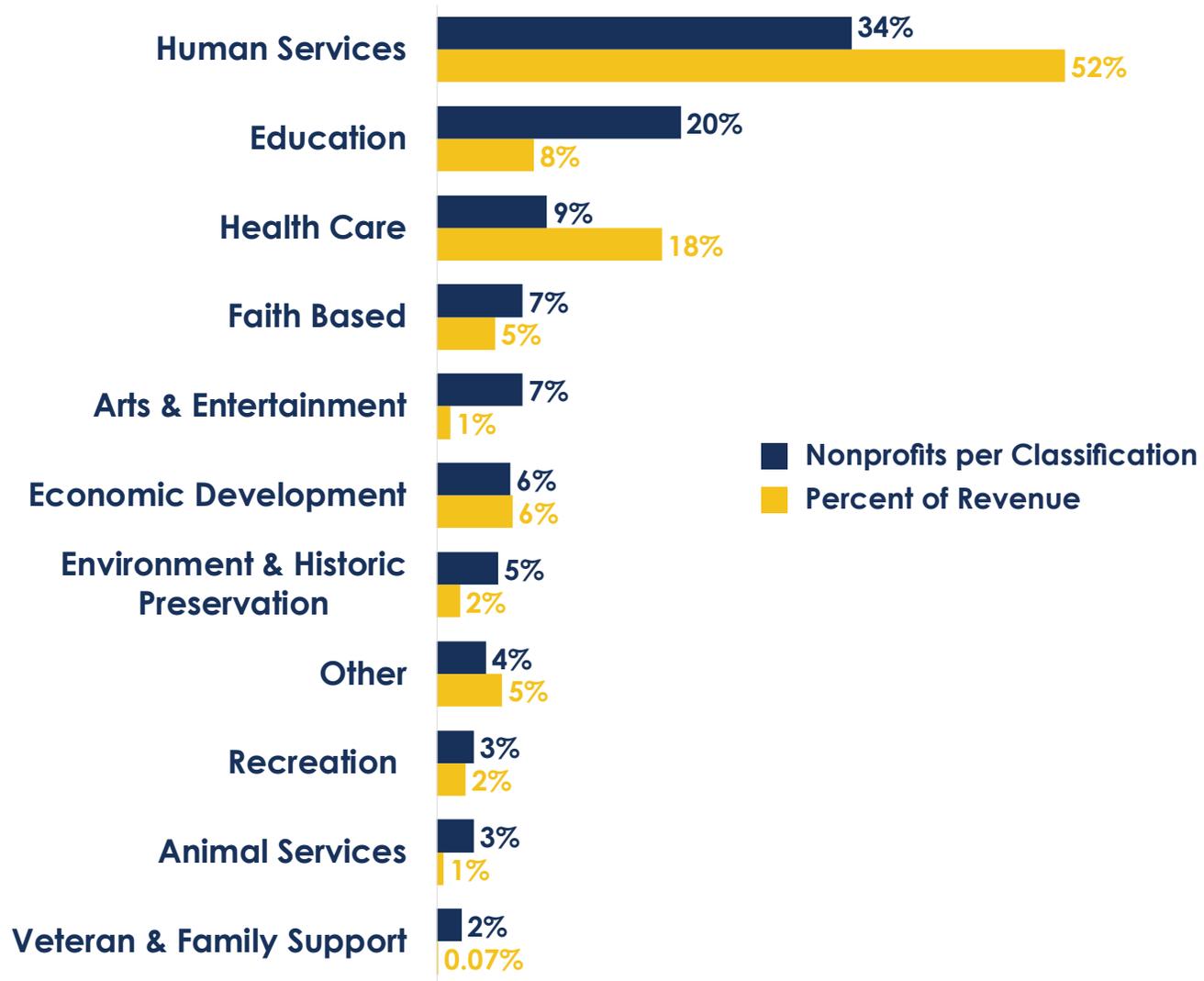
¹ The economic impact of the nonprofit sector of the Lower Eastern Shore was estimated by BEACON using revenue, wage, and employment data included in this report. Industry and county specific economic and employment multipliers developed by IMPLAN were used to estimate the total economic and employment impacts. Results are reported in 2018 dollars and employment numbers.

NONPROFIT SECTOR OVERVIEW

Nonprofits are classified by the IRS into the following service categories: Animal Services, Arts and Entertainment, Economic Development, Education, Environmental and Historic Preservation, Faith Based, Health Care, Human Services, Recreation, and Veteran and Family Support, and Other. On the Lower Eastern Shore, the largest of these by number of nonprofits are Human Services (34%), Education (20%), and Health Care (9%) (see **Figure 1**).²

Over the course of a year, Lower Eastern Shore nonprofits generate over \$477 million in revenue.^{2,3} Human Service nonprofits generated more than half of all nonprofit revenue, followed by Health Care (18.4%) and Education (7.94%) (see **Figure 1**).

Figure 1: Nonprofit Classifications by Number of Nonprofits and Percent of Total Sector Revenue



Source: Prepared by CFES and BEACON using publicly available U.S. Department of Treasury Internal Revenue Service 990 and 990-EZ tax forms data.

² Estimated by BEACON using data from publicly available U.S. Department of Treasury Internal Revenue Service 990 and 990-EZ tax forms filed by tax-exempt organizations and other data sources.

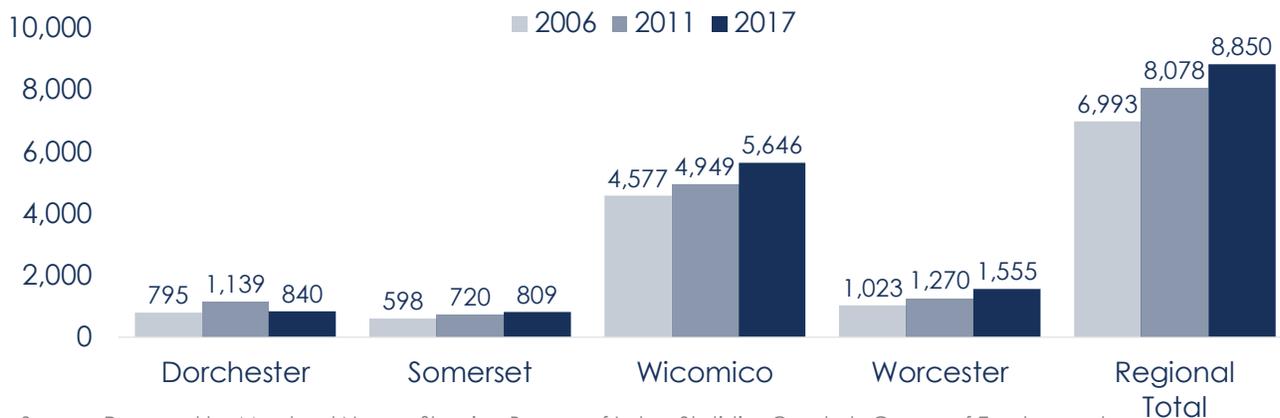
³ Some of these revenues will be retained for future use and some expenditures will have previous years' retained revenues as their source. For this analysis, the fund totals from these two different sources are assumed to be roughly equal. As a result of this assumption, all current year revenues are assumed to be expended in the current year. It is further assumed that the current year expenditures do not exceed current year revenues. For details on the methodology used to produce these estimates please see www.lowershorepimpact.org.

THE NONPROFIT SECTOR IN PERSPECTIVE

EMPLOYMENT

There were 224 nonprofit employers operating on the Lower Shore as of 2017.⁴ These organizations employed 8,850 paid workers—up from 6,993 in 2006. This growth was seen in all counties, with Worcester leading the way. The only exception to this growth was a small loss in Dorchester between 2011-2017, where sector employment contracted by 299 jobs from its 2011 peak, as shown in **Figure 2**.

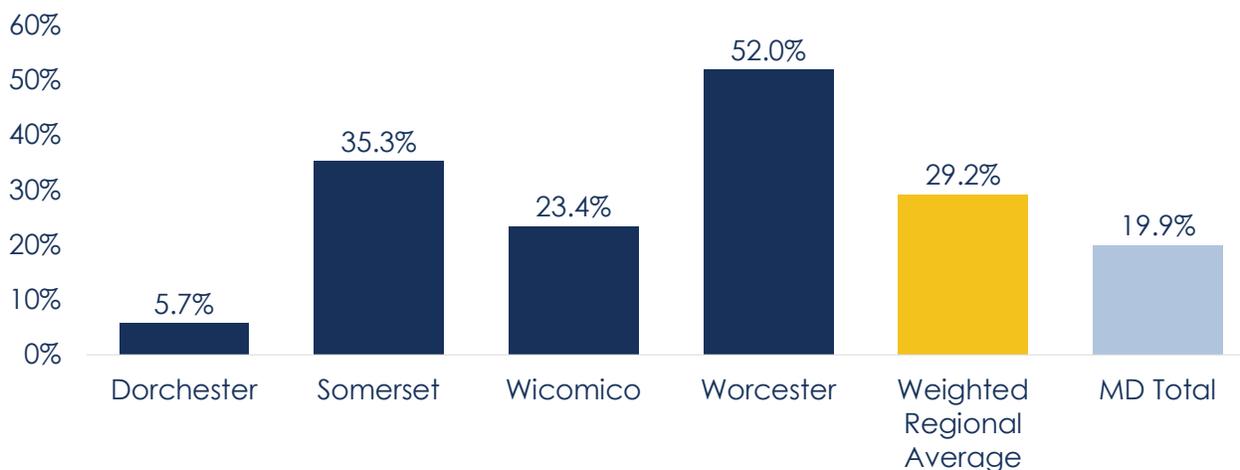
Figure 2: Lower Eastern Shore Total Nonprofit Employment, 2006-2017



Source: Prepared by Maryland Nonprofits using Bureau of Labor Statistics Quarterly Census of Employment and Wages via Johns Hopkins Center for Civil Society Studies' Nonprofit Works Database

The 1,857 jobs added between 2006 and 2017 resulted in a weighted regional average growth rate⁵ of 29.2%—well above the 20% rate seen in Maryland on average, as shown in **Figure 3**.

Figure 3: Change in Lower Shore Nonprofit Employment vs. Maryland Average, 2006-2017



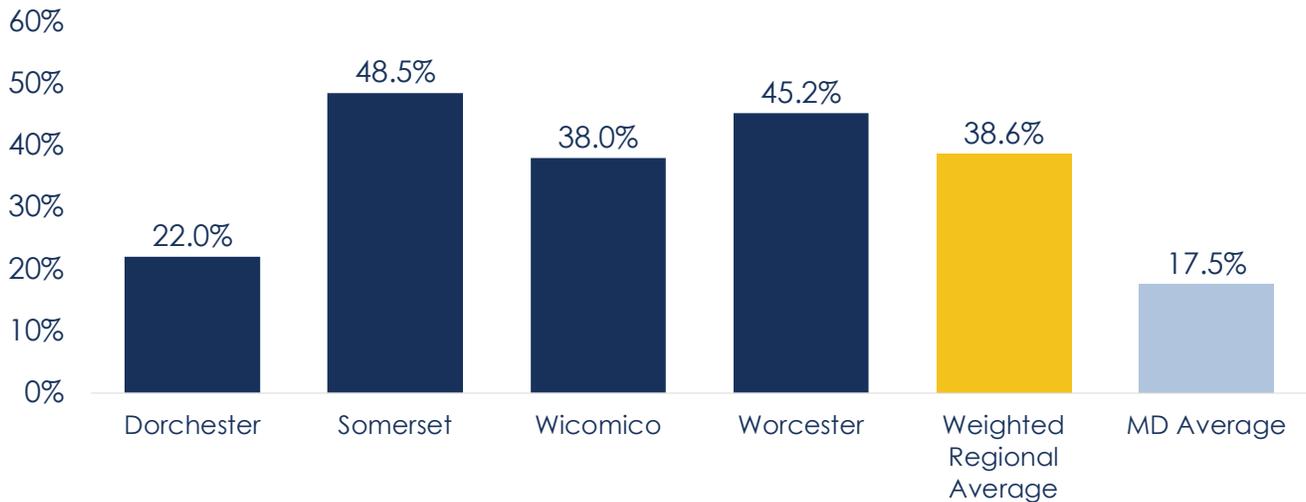
Source: Prepared by Maryland Nonprofits using Bureau of Labor Statistics Quarterly Census of Employment and Wages via Johns Hopkins

⁴ For the purpose of this report, “nonprofit employers” are defined as entities exempted from income taxation under Section 501(c) (3) of the Internal Revenue Code (IRC). Included are private, nonprofit hospitals, higher education institutions, day care centers, nursing homes, social service agencies, museums, orchestras and other cultural institutions, environmental organizations, advocacy groups, clinics, and other similar organizations who employ at least 1 staff person. These data are drawn from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW), an administrative dataset collected by states as a part of the federal Unemployment Insurance (UI) program and draws on the quarterly surveys of workplaces that state employment security offices have conducted since the 1930s. Under Maryland law, all nonprofit places of employment (except for religious organizations) with one or more paid employees are required to participate in the unemployment insurance system. While religious organizations are not required to participate in UI, many choose to do so, and these institutions are included in the dataset.

⁵ Lower Eastern Shore regional averages have been weighted for population by county and cohort when applicable based on 2010 U.S. Census population data.

What is more, this rate of growth far outpaced that seen in the for-profit sector, which contracted by 9.8% in the region over the same period. Due to the high rate of loss of for-profit jobs on the Lower Shore over the decade (-9.8% vs. +5% for the state average), and the continued growth in nonprofit jobs in the region, the nonprofit share of total private jobs grew at an impressive 38.6% rate—well in excess of the state's overall rate of 17.5%, as shown in **Figure 4**. This change was particularly pronounced in Somerset County, where the nonprofit sector went from 14% of total private employment in 2006 to 21% in 2017.

Figure 4: Change in Lower Shore Nonprofit Share of Total Private Employment vs. Maryland Average, 2006-2017

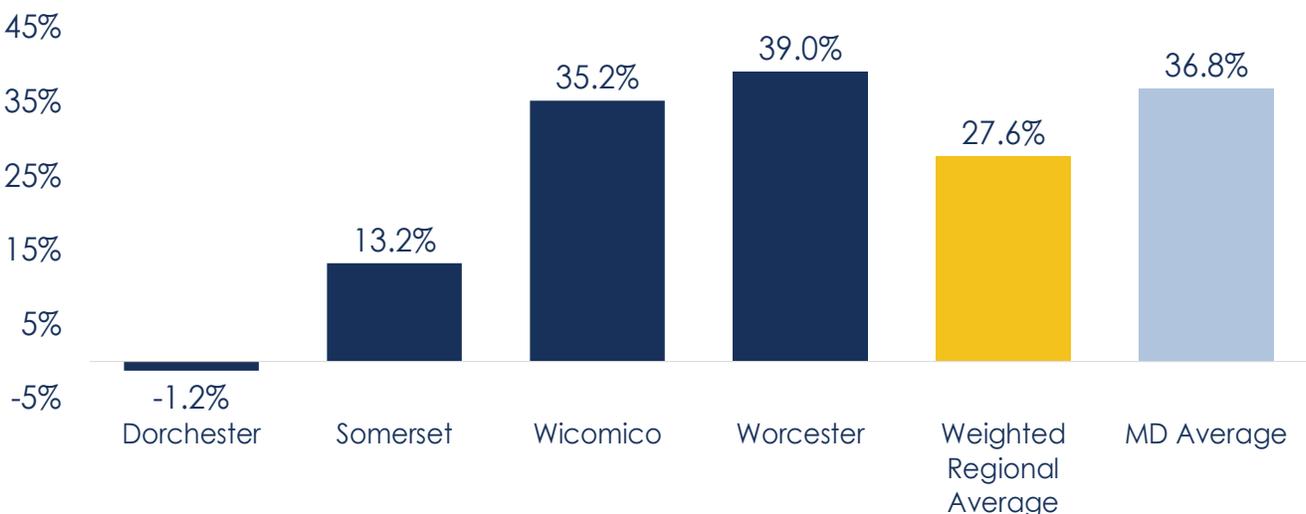


Source: Prepared by Maryland Nonprofits using Bureau of Labor Statistics Quarterly Census of Employment and Wages via Johns Hopkins Center for Civil Society Studies' Nonprofit Works Database

WAGES

Lower Shore nonprofits contributed over \$379 million dollars to the region's economy through wages paid in 2017. This contribution is equivalent to 14% of the region's total wages. Average weekly wages paid by Lower Shore nonprofits increased by 27.6% over the decade. However, this falls well below the state average increase of 36.8%, as shown in **Figure 5**.

Figure 5: Change in Lower Shore Nonprofit Average Weekly Wages vs. Maryland Average, 2006-2017



Source: Prepared by Maryland Nonprofits using Bureau of Labor Statistics Quarterly Census of Employment and Wages via Johns Hopkins Center for Civil Society Studies' Nonprofit Works Database

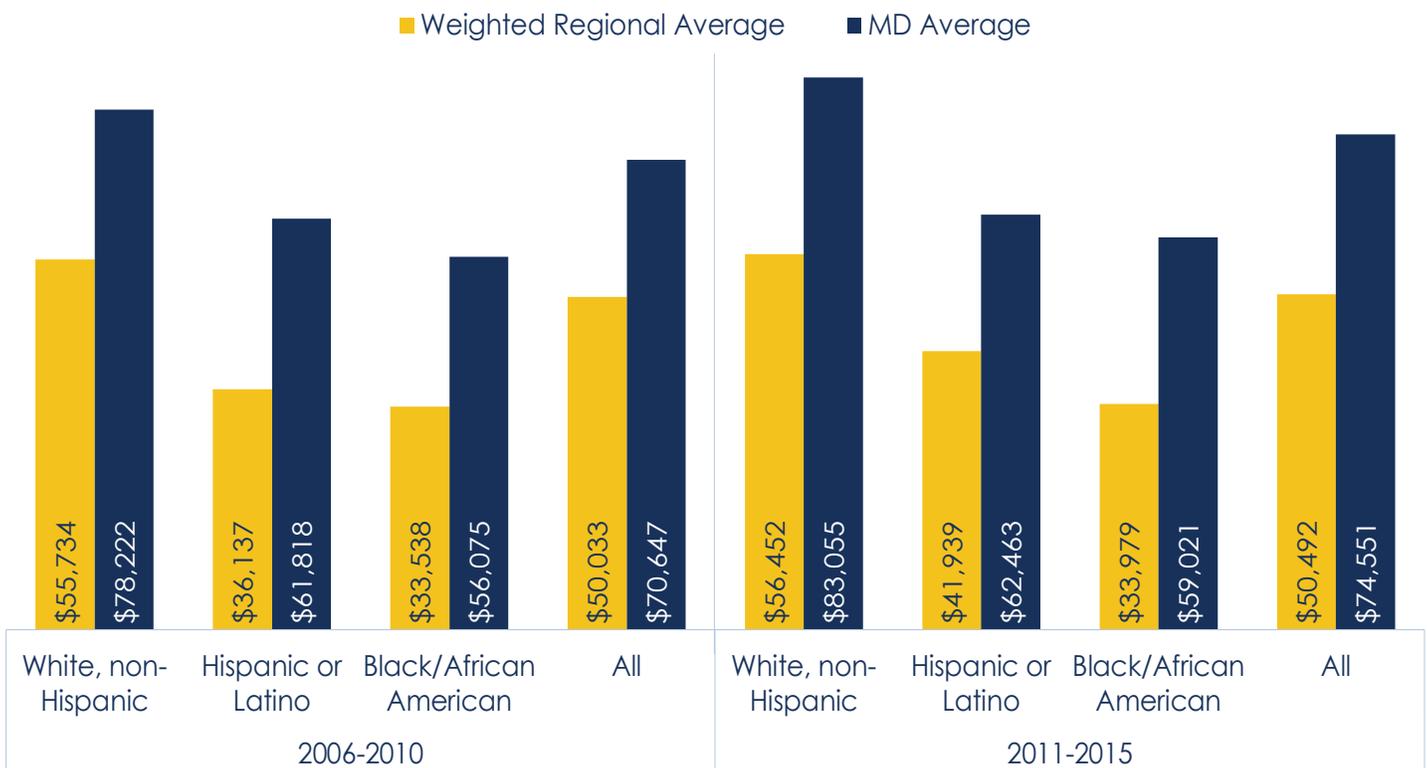
QUALITY OF LIFE INDICATORS

To better understand the context in which the Lower Shore's nonprofit organizations are operating, we examined several "quality of life" indicators compiled by Maryland Nonprofits and compared the region's status to that of the state as a whole. Maryland Nonprofits has identified 12 primary categories and 13 total data indicators as covering a wide range of "what quality of life is and should be." For the purposes of this report, we have focused on five of these indicators—income, education, health and wellbeing, housing affordability, and transportation—which speak to the challenges identified by regional nonprofits during the online survey (see Section 5).

INCOME

Job availability and opportunities was the top concern as identified by survey respondents. As shown in **Figure 6**, income levels on the Lower Shore are overall well below the state averages. In addition, at just .9% overall, income growth lagged significantly behind the Maryland average of 5.5% between 2006 and 2015. This was true for all groups except those of Hispanic or Latino origin, which saw 16.1% growth on the Lower Shore compared to the state average of just 1%. For White, non-Hispanic and Black or African American residents, the income growth rate was just 1.3% compared to the state average of 6.2% and 5.3% respectively.

Figure 6: Lower Shore Average Median Household Income vs. Maryland Averages, 2006-2015



Source: Prepared by Maryland Nonprofits using American Community Survey, 5-Year Summary File

TRANSPORTATION

The second-most pressing need identified by Lower Shore nonprofit survey respondents was access to transportation. An average of 1% of Lower Eastern Shore commuters use public transportation, significantly less than the state average of 8.8% (as shown in Figure 7). This is likely due to the rural nature of the region, the lack of public transportation options, and high out-commuting rates. An average of 28% of people are commuting to work outside of their county of residence. Higher out-commuting rates in Dorchester and Somerset Counties are likely an indication that employment opportunities are limited within the county and/or the cost of living is too high in counties with better employment opportunities.

Nonprofits often identify transportation as a key issue because it is commonly a barrier to access. Oftentimes the residents most in need of critical nonprofit services do not have or cannot afford reliable transportation. For many vulnerable populations on the Lower Shore, transportation deficiencies create a barrier to services like medical care, education and workforce development opportunities as well as employment.

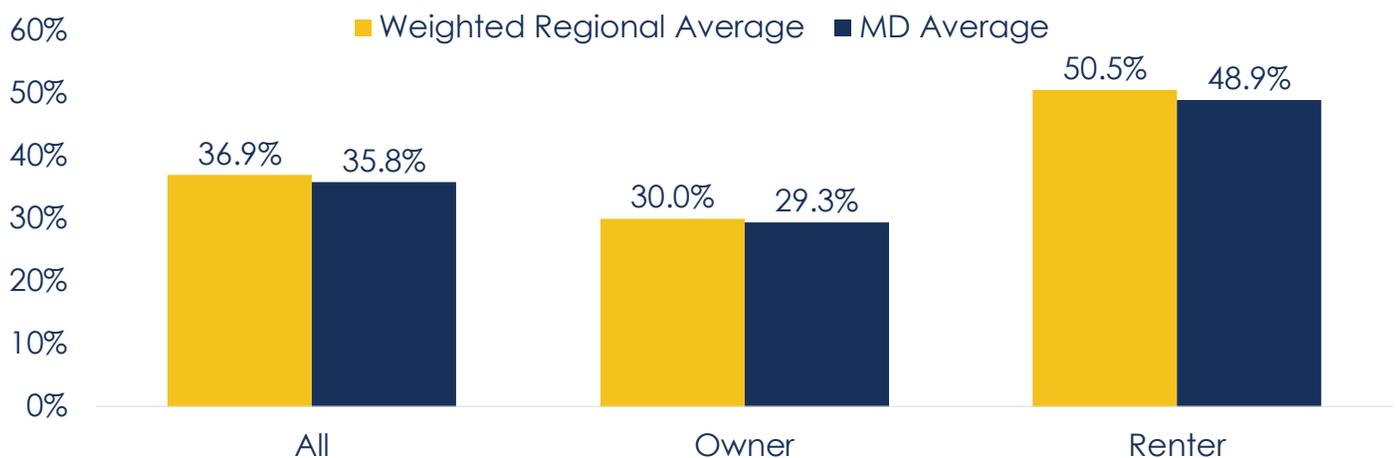
Subject	Dorchester	Somerset	Wicomico	Worcester	MD Average
Public transportation use (excluding taxis)	0.80%	0.80%	0.60%	2.20%	8.80%
Work outside county of residence	35.90%	41.10%	16.00%	19.50%	29.50%
Travel Time to Work					
45 or more minutes	15.90%	15.10%	10.90%	12.90%	27.60%
Mean Travel Time (minutes)	26.3	24.9	21.2	24.3	32.7

Prepared by BEACON using data from the U.S. Census Bureau, American Community Survey, 5-year Estimate 2013-2017

HOUSING AFFORDABILITY

Housing affordability was the third top concern identified by survey respondents. As shown in Figure 8, the Lower Shore region is generally on-par with the rest of the state in terms of the share of residents paying above 30% of household income for housing, though the higher percentage (50.5%) of renters paying above this threshold on the Lower Shore versus the state overall (48.9%) is noticeable.

Figure 8: Share of Lower Shore Residents Paying >30% of Income for Housing vs. Maryland Averages, 2014

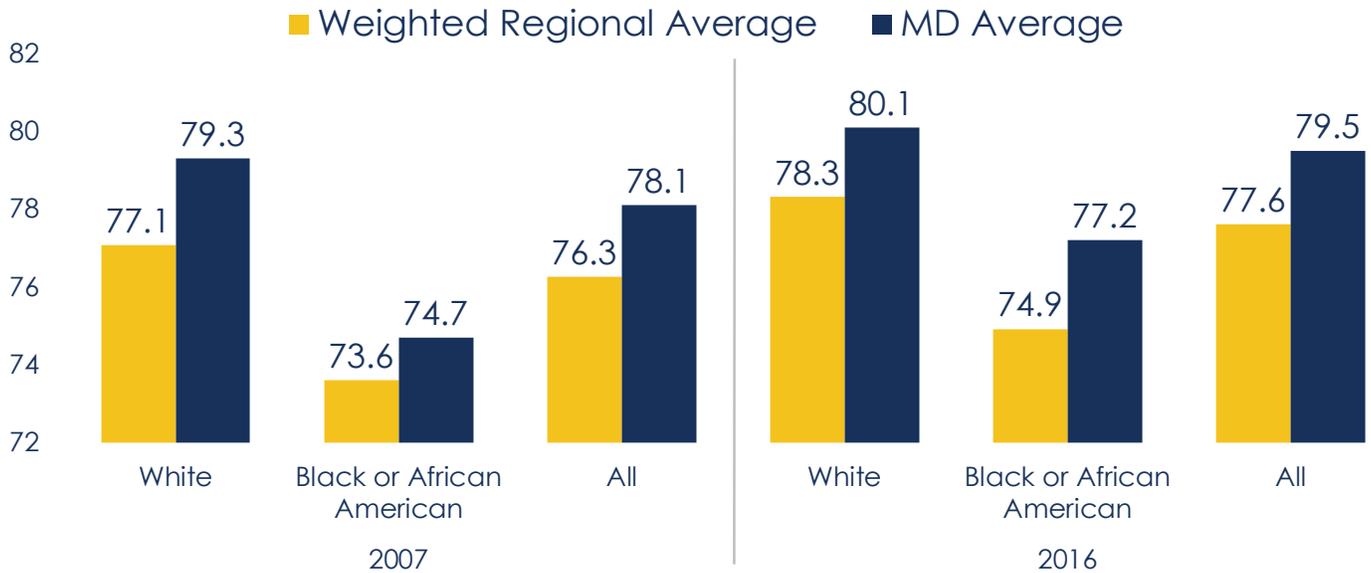


Source: Prepared by Maryland Nonprofits using American Community Survey, 5-Year Summary File

HEALTH AND WELLBEING

Access to health care and mental health services was among the top-5 concerns identified by survey respondents. As shown in **Figure 9**, the Lower Shore's residents have a lower life expectancy at birth across the board when compared to the state as whole, with a nearly 2-year disparity in 2016.

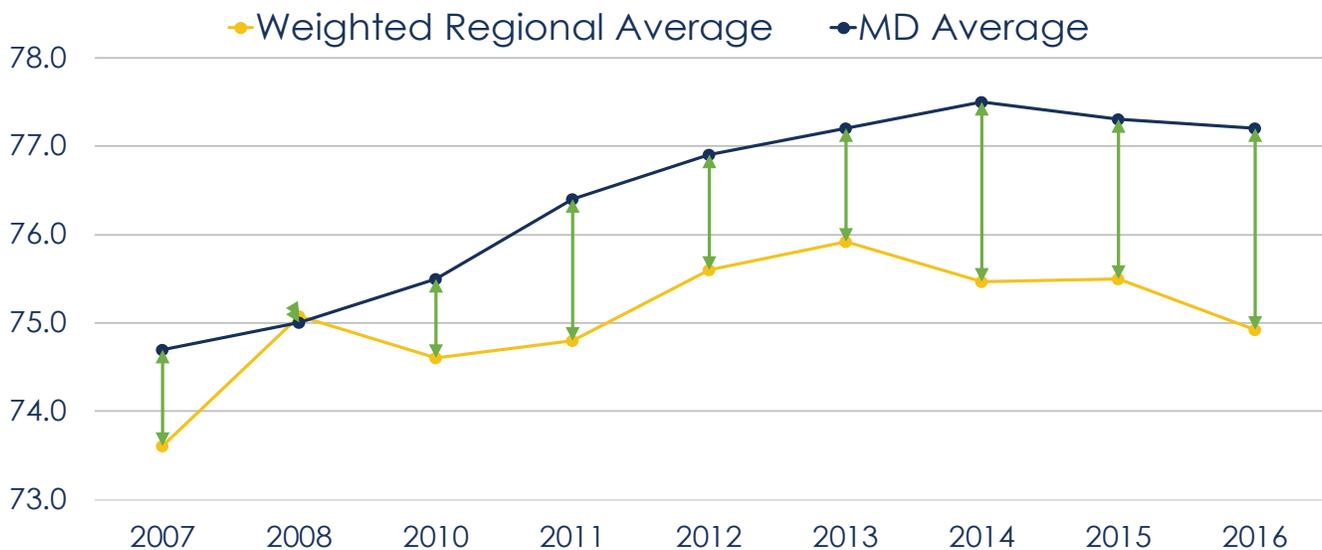
Figure 9: Lower Shore Life Expectancy at Birth vs. Maryland Average, by Race, 2007 vs. 2016



Source: Prepared by Maryland Nonprofits using Maryland Department of Health and Mental Hygiene Vital Statistics Administration

What is more, this disparity is increasing among Black residents. While the Lower Shore saw an overall life expectancy increase equal to that of the state average, it is clear that those gains are accruing to the White population, which saw an increase of .62% over the state average—or 1.3 years—while the Black population is falling behind the progress being made elsewhere in the state, gaining only 1.3 years to the state's 3.5 year increase, a difference of -1.5%. What is more, this trend appears to be long-term, with the gap between the Lower Shore and the state as a whole growing fairly steadily since 2008, as shown in **Figure 10**.

Figure 10: Lower Shore Life Expectancy at Birth vs. Maryland Average, Black or African American, 2007-2016



Source: Prepared by Maryland Nonprofits using Maryland Department of Health and Mental Hygiene Vital Statistics Administration

EDUCATION

Survey respondents identified education as a top-10 concern on the Lower Shore. As shown in **Figure 11**, at 85.9%, Lower Shore high school graduation rates were slightly below the 87.7% seen in the state as a whole in 2017. This disparity is largely due to lower graduation rates among White, Non-Hispanic students in the region, whose 88.9% graduation rate in 2017 was nearly 3% below that seen in the state as a whole. At the same time, graduation rates for both Black or African American and Hispanic or Latino students on the Lower Eastern Shore generally exceeded those in Maryland on average during the study period.

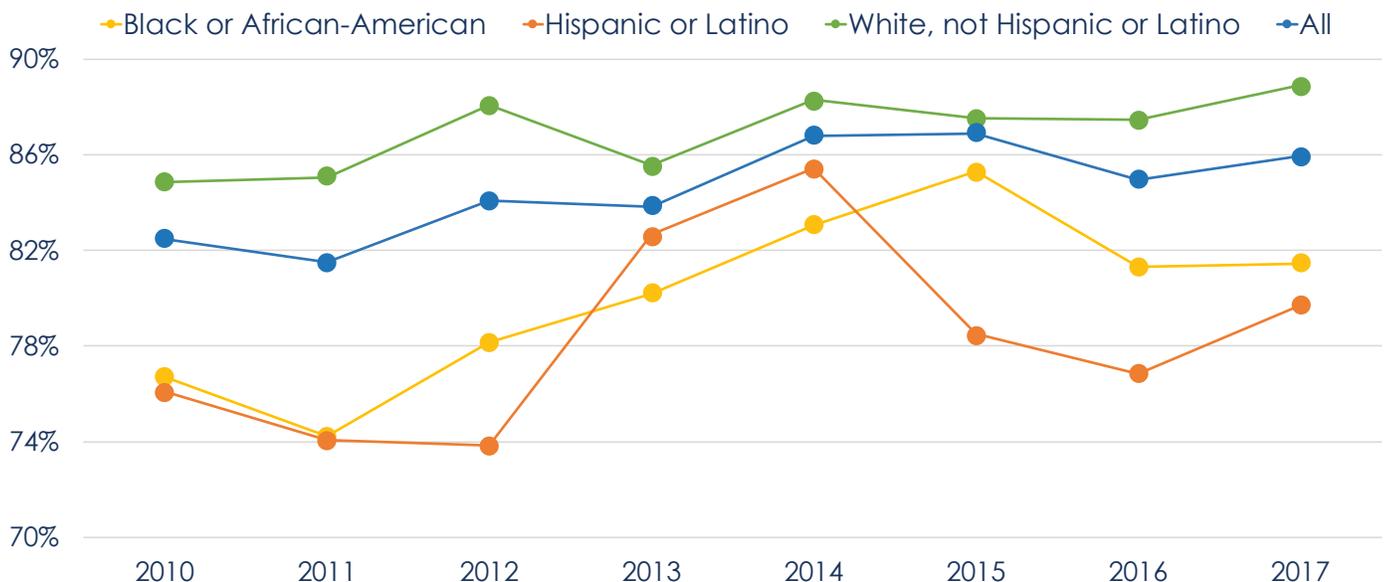
Figure 11: On-time 4-Year Cohort Graduation Rates, Lower Shore vs. Maryland Averages, 2010-2017

	Lower Eastern Shore Regional Average							
	2010	2011	2012	2013	2014	2015	2016	2017
Black or African-American	76.7%	74.2%	78.2%	80.2%	83.1%	85.3%	81.3%	81.5%
Hispanic or Latino	76.1%	74.1%	73.8%	82.7%	85.4%	78.5%	76.8%	79.7%
White, not Hispanic or Latino	84.9%	85.1%	88.1%	85.6%	88.3%	87.5%	87.4%	88.9%
All	82.5%	81.5%	84.1%	83.8%	86.8%	86.9%	84.9%	85.9%
	Maryland Average							
	2010	2011	2012	2013	2014	2015	2016	2017
Black or African-American	74.0%	76.1%	76.5%	78.3%	80.5%	82.3%	84.1%	85.4%
Hispanic or Latino	73.4%	71.8%	72.5%	75.1%	77.5%	76.9%	76.6%	74.0%
White, not Hispanic or Latino	88.3%	89.1%	90.5%	91.1%	91.9%	92.0%	92.4%	92.7%
All	82.0%	82.8%	83.6%	85.0%	86.4%	87.0%	87.6%	87.7%

Sources: Prepared by Maryland Nonprofits using County race/ethnicity data from Annie E. Casey KidsCount; County total data from MD Reportcard county 4-year cohort averages

However, as shown in **Figure 12**, there was a sizable drop from 85.3% to 81.3% between 2015 and 2016 among Black or African-American students, which has not yet shown signs of recovering. A more pronounced drop was seen among Hispanic or Latino students from 85.4% in 2014 to 76.8% in 2016, but this showed some signs of recovery in 2017.

Figure 12: On-time Graduation Rates by Race/Ethnicity, Lower Shore, 2010-2017



Sources: Prepared by Maryland Nonprofits using County race/ethnicity data from Annie E. Casey KidsCount; County total data from MD Reportcard county 4-year cohort averages

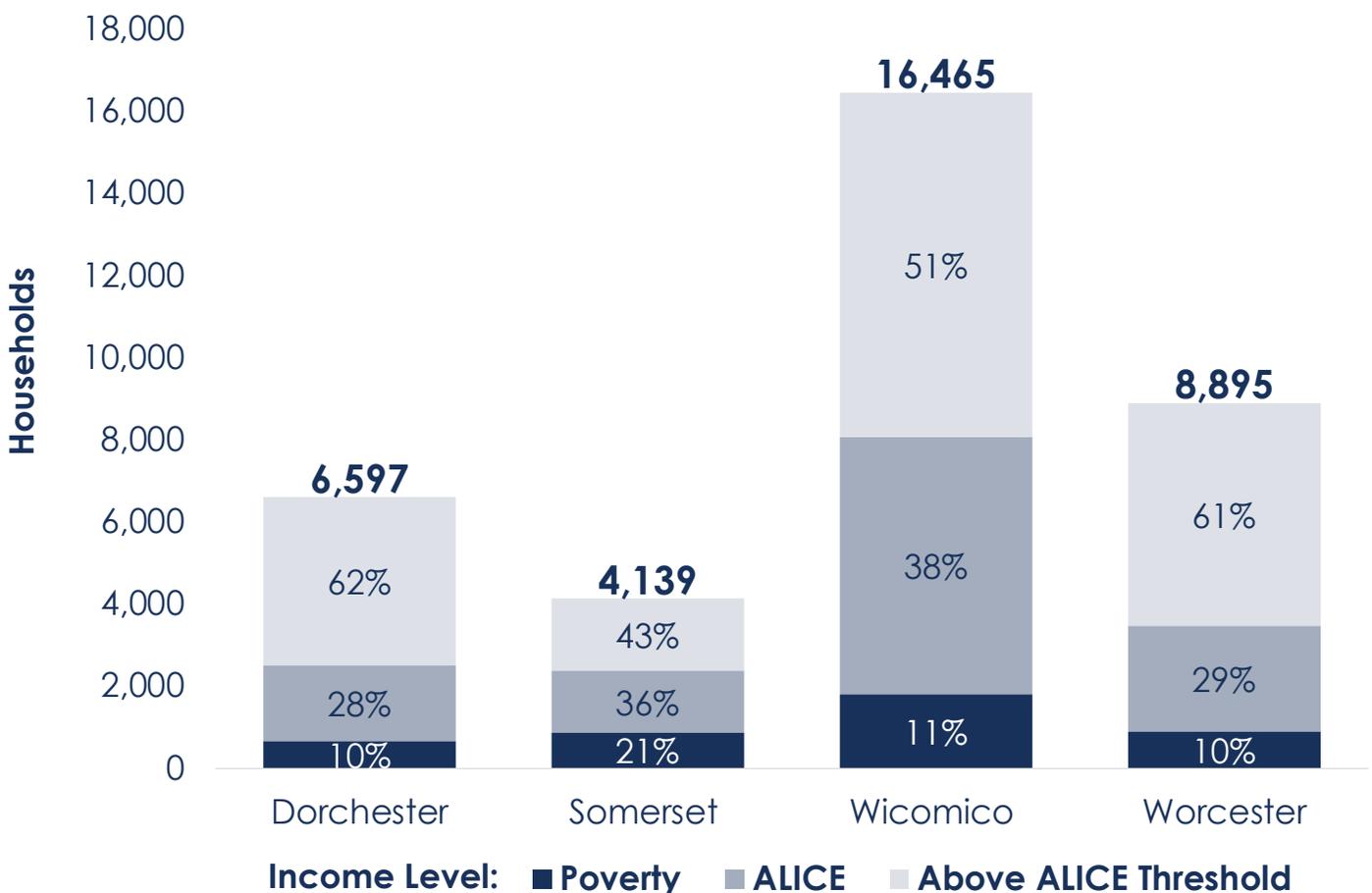
POVERTY AND ALICE HOUSEHOLDS ON THE LOWER SHORE

Perhaps the populations most in need of nonprofit services are individuals in poverty and Asset Limited, Income Constrained, Employed (ALICE) individuals. Biannually, United Way publishes a report focusing on the demographics of these individuals and their population change over time. The report provides two budgets for households in each county in the state: a household survival budget and a household stability budget. The survival budget indicates the minimum amount an individual, married couple, single parent, etc. must make in order to live and work with only the basic necessities, while the household stability budget reflects the cost for household necessities at a modest but sustainable level while accounting for savings ("County Survival", 2016). A household is considered "ALICE" if total household income falls below the survival budget but above the federal poverty line ("County Survival", 2016).

In Somerset County, the survival budget is \$19,572 for a single adult while the stability budget is \$33,084. The single adult survival budgets in Dorchester, Wicomico and Worcester counties are \$23,388, \$21,156, and \$21,504 respectively (ALICE, 2018). In all four counties, the survival budgets are considerably more than the Federal Poverty Level of \$11,800 for a single adult. The Federal Poverty Line for a family of four was \$24,300 in 2016, less than half the household survival budgets which ranged between \$53,664 and \$59,448 in the four counties.

According to the Maryland ALICE Report for 2016, of the 8,328 households in Somerset County, 57% of them are in poverty or below the ALICE Threshold (ALICE: A Case Study of Financial Hardship in Maryland, 2018). In Dorchester County 38% of households are ALICE or in poverty while this figure is 49% in Wicomico County and 39% in Worcester County (see **Figure 13**).

Figure 13: Single or Cohabiting Households by Income, 2016



Source: Prepared by BEACON using household income data provided by the 2018 ALICE Report

FINDINGS FROM THE LOWER SHORE NONPROFIT IMPACT SURVEY

An online survey was conducted from April to July 2018 to examine current conditions and expectations of tax-exempt nonprofits serving the Lower Shore region, including those with and without paid employees. This online survey was completed by small, medium, and large sized tax-exempt nonprofits from across the Shore—exempting universities or large hospitals. Ninety-nine organizations participated in the online survey, which examined the following core research questions:

- What is the current state of service demand?
- Are nonprofits financially and programmatically equipped to manage the demand for services?
- What are the current challenges faced by nonprofits?
- Are nonprofits accessing the capital they need?
- What programmatic and organizational actions are nonprofits taking and planning to improve, grow and sustain their services?

Using key components of the Nonprofit Finance Fund's 'State of the Nonprofit' Survey⁶, the survey contained 71 questions focused on a range of topics, including:

- Demographic information such as location, organization field/service area, budget size, number and type of staff
- Programs and services and the needs of communities served
- The state of organizational finances and revenues
- The greatest challenges faced by organizations
- Financial, operational, and programmatic actions

PROFILE OF SURVEY RESPONDENTS

Sixty percent of survey respondent organizations have been operating on the Lower Shore for more than 20 years. Most organizations are located in Wicomico County (n=54); 25 organizations in Worcester County; nine organizations in Somerset County; and five organizations in Dorchester County. A few respondent organizations are not located on the Lower Shore but reported serving the region's residents. Thirty-four percent of respondents reported providing services outside of the Lower Shore, extending their potential economic and social impact.

Most respondent organizations had annual gross revenues and operating budgets of less than \$1 million in 2017 (70% and 68%, respectively). Twenty-nine percent reported annual revenues of \$100,000 or less, and 28% of respondent organizations reported annual revenues of over \$1 million.

Demand for the programs and services delivered by nonprofits are on the increase on the Lower Shore. Nonprofits report being less able to meet the demand for their services - 64% report being able to meet service demand in 2018 versus 74% in 2017.

Nonprofits report that the top five most pressing and under-resourced needs on the Lower Shore are job availability/opportunities (63%), availability of transportation (62%), affordable housing (54%), access to mental/behavioral health services (54%), and access to healthcare/dental care (52%).

Nonprofits say their top challenges are raising funds that covers the full costs of delivering their programs and service (58%), insufficient staff or volunteers for their workload (56%), offering competitive pay (51%), raising unrestricted revenue or general operating support (51%), and potential policy changes at the state and/or local level, or at the federal level (41%, respectively). Survey respondents also provided information about the composition of their staff and volunteers. Twelve percent reported having zero employees or being an all-volunteer organization in 2017. Over half of respondent organizations (54%)

⁶Nonprofit Finance Fund, 2015 State of the Nonprofit Sector: <http://www.nonprofitfinancefund.org/learn/survey>

had between 1 to 10 employees. A majority of respondents reported engaging volunteers within their organization in 2017 with 61% engaging up to 50 volunteers and almost 25% engaging 100 or more volunteers.

Nonprofits hold hundreds of special events annually in public venues across the region, driving business and generating revenue not only for nonprofits but for the host venues. Eighty-four survey respondents reported a total of 237 special events held at local restaurants/bars, hotels, banquet facilities, golf courses, bowling alleys, marinas, wineries and more in 2017. Attendance at these events totaled approximately 66,543 people, and dollars raised totaled \$3,255,763 (which does not include dollars paid to the public venues for food, drinks and use of facilities). These totals account for less than 10% of the region's 501c3 nonprofits but show that fundraising events are a critically important revenue stream for nonprofits. Nonprofits report expending \$979,165 to hold these fundraising events (ROI 232%).

PROGRAM AND SERVICE DEMAND

As shown in **Figure 14**, approximately 75% of respondent organizations reported serving an estimated 100 to 5,000 clients or customers in 2017. Nonprofits on the Lower Shore are experiencing an increase in demand for their services. Compared to 2016, demand for programs and services in 2017 increased for 82% of respondent organizations.

While 74% of respondent organizations reported they were able to meet the demand for their programs and services in 2017, **Figure 15** highlights the outcomes for clients and customers when nonprofit organizations in the region were unable to meet the demand for programs and services.

Figure 14: Estimated Total Number of Clients/Customers Served in 2017

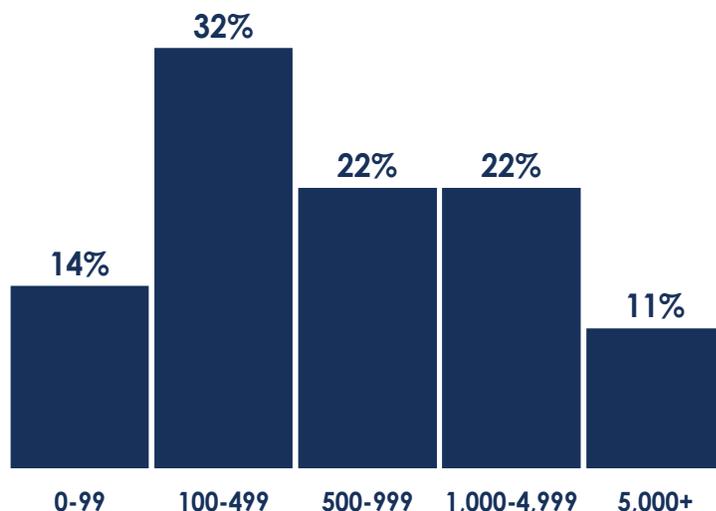
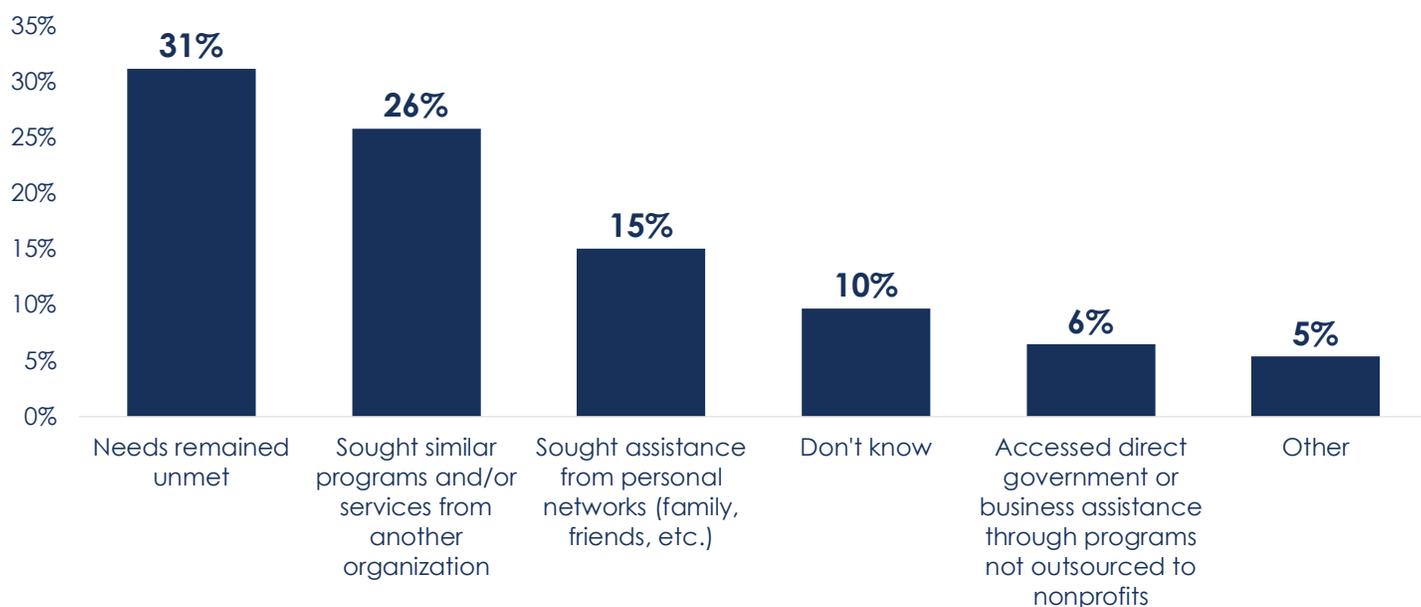


Figure 15: When Unable to Meet Demand, Clients/Customers...



NONPROFIT FINANCIAL HEALTH

The survey examined the financial health of nonprofits on the Lower Shore through their end-of-year financials. Almost half of respondent organizations reported ending 2017 with an operating surplus and 18% ended with an operating deficit. Among those reporting a 2017 surplus, 28% had surpluses ranging from 1%-10% and 12% had surpluses of 10% and greater. The financial outlook for 2018 was positive for a majority of Lower Shore nonprofits with over 80% anticipating they will end the year with a surplus or break-even financials.



CHALLENGES FACING NONPROFITS ON THE LOWER SHORE

Nonprofits in the Lower Shore region reported being faced with several challenges that impact their ability to meet the growing needs in their communities, including challenges in their finances, human resources, and those involving state and federal policy and changing demographics (Figure 16).



FINANCIAL CHALLENGES

- Raising funding that covers full costs (58%)
- Raising unrestricted revenue/general operating support (51%)
- Cuts or delays in government funding (47%)
- Achieving long-term financial stability (41%)
- Having regular, reliable cash flow/increases in unavoidable costs (31%)



HUMAN RESOURCE CHALLENGES

- INSUFFICIENT STAFF OR VOLUNTEERS FOR WORKLOADS (56%)
- OFFERING COMPETITIVE PAY (51%)
- BUILDING LEADERSHIP CAPACITY AMONG STAFF (33%)
- RETAINING STAFF/REDUCING STAFF TURNOVER (24%)
- FINDING/ACCESSING AFFORDABLE TRAINING OR PROFESSIONAL DEVELOPMENT (20%)



EXTERNAL CHALLENGES

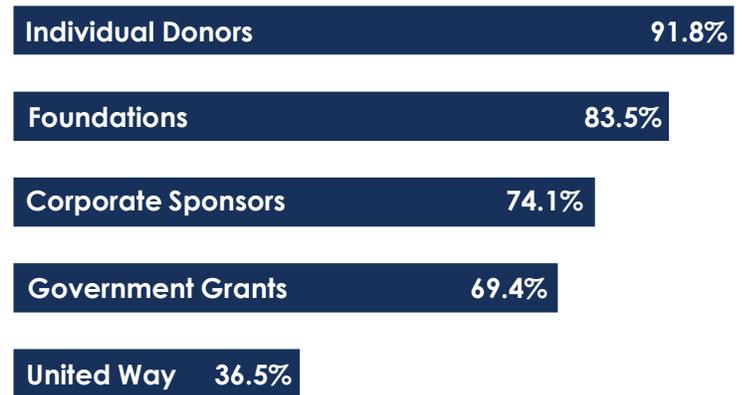
- POTENTIAL POLICY CHANGES AT THE STATE AND/OR LOCAL LEVEL (41%)
- POTENTIAL POLICY CHANGES AT THE FEDERAL LEVEL (41%)
- ADAPTING TO CHANGING COMMUNITY DEMOGRAPHICS (32%)
- OVERCOMING/HEADING OFF ADVERSE PUBLICITY OR PUBLIC PERCEPTIONS (21%)

Figure 16: Top Challenges Facing Nonprofits on the Lower Shore

THE FUNDING LANDSCAPE

Lower Shore nonprofits reported that fund development or revenue generation in the form of government grants, contributions from individual donors, membership fees, or interests from investments were critical to their sustainability. Almost all respondent organizations (92%) reported receiving funding from individual donors in 2017. Other top funding sources included foundations, corporate sponsors, and government agencies (**Figure 17**). Almost a third of organizations reported that government grants or contracts made up over 50% of their total revenue in 2017.

Figure 17: My Organization Receives Funding from...



As shown in **Figure 18**, 87% of organizations reported fundraising events as their leading source for generating revenue, followed by earned income from mission-related goods and/or services. Total revenue and funding received in 2017 greatly varied among respondent organizations as shown in **Figure 19**, with 31% reporting receiving \$1 million or more, 29% reporting receiving between \$250,000-\$999,999, and 38% reporting receiving between \$1-\$249,999.

Figure 18: My Organization Generates Revenue from...

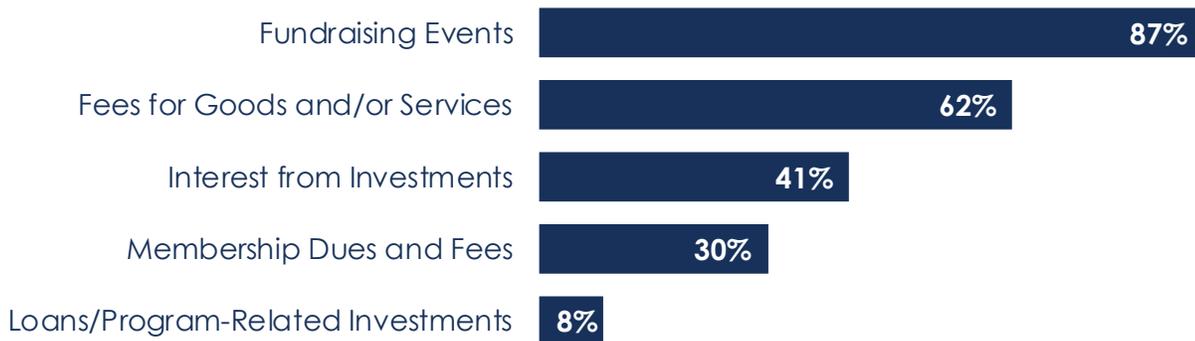


Figure 19: Total Revenue & Funding Received from All Sources in 2017



WHAT IF NONPROFITS DISAPPEARED?

The significance of nonprofits can perhaps be best showcased by considering the consequences of the shrinking or disappearance of the sector. Several states across the U.S. have asked the question, what if Nonprofits disappeared?

- **Nonprofits are efficient and effective partners in providing critical services.**

Studies have found that the per-person costs of state-run public assistance programs are nearly double those of comparable nonprofit programs (“Nonprofit Community Services”, 2018). For example, one study found that the average annual cost to serve an individual with intellectual or developmental disabilities living in a state-operated group home was \$265,000. The cost for a nonprofit organization to provide the same service was just \$113,000. In the same study, the per-patient cost of state-operated Local Mental Health Authorities (LMHAs) was more than double the cost of the nonprofit LMHAs at \$12,638 and \$5,330 respectively. By transferring these services to nonprofits, state governments save more than \$7,000 per client per year.

In the same study, 17 group homes were converted from state-owned to nonprofit-owned. The study concluded that there were nearly 40% fewer deficiencies across all categories following the conversion to nonprofit homes. Nearly 38% of state-owned homes were cited for “plan of correction” deficiencies, versus 13% of nonprofit homes. The study illustrates both the efficiency with which nonprofits operate and the substantial cost to society of transferring services from nonprofits to state-funded programs.

- **The government relies on nonprofits to meet an array of needs.**

The ability to efficiently meet the need for programs and services grows more critical as the demand for these services increases. As the Lower Shore Nonprofit Survey indicated, when nonprofits cannot keep up with client demand, needs often go unmet. If nonprofit services in the community diminish, the portion of unmet needs that fall to the government would grow. If services were to shift from nonprofits to state-funded programs, the state would be forced to increase revenue and/or cut funding to other programs and reduce the level of public assistance.

- **Nonprofits ensure communities focus on charitable endeavors that improve quality of life.**

Due to budgetary constraints, it is not feasible for the state to pick up all services that nonprofits offer. Past budget cuts give some indication of where future cuts could occur. In 2017, Maryland Governor Larry Hogan proposed a \$61 million cut in the state budget (Hicks). The largest reduction was \$22 million to the Department of Health. Another \$8 million was cut from public colleges and universities, \$8 million from The Department of Public Safety and Correctional Services, \$150,000 from The Maryland Humanities Council, and \$200,000 was cut for historic preservation (Hicks, 2017). The Sellinger Program, a planned increase in funding to private education, was cut in half from \$4 million to \$2 million (Depenbrock, 2017). The state’s cycle of cutting programs without a viable option to fulfill those needs in the community could lead to higher levels of poverty and preventable illnesses. In the face of greater demand and budget constraints, programs deemed “non-essential” (e.g. the arts) stand an even greater chance of being cut completely.

LOOKING TO THE FUTURE

On the Lower Eastern Shore, nonprofits are critical to the success of our region – as an economic driver and an integral part of the social fabric that creates a strong community. Most people are served by or engaged with a local nonprofit whether they recognize it or not. From the arts to animal welfare to health and human services, nonprofits add value to our day to day lives in ways many of us don't even think about.

Nonprofits benefit when the communities they serve – business owners, residents, and government officials have a greater understanding of the positive and broad impact nonprofits make in their lives and their county's economy. Nonprofits are nimble, efficient, effective and transparent partners in the region. We hope this research will strengthen support for the Lower Shore nonprofit sector and its important work.

Residents of the Lower Eastern Shore, like many communities across our state and country - face significant challenges. The region's strong nonprofit sector is well positioned to address these issues, growing at a robust rate both during and after the most recent economic recession. However, the needs in the region continue to grow and the demand for nonprofit programs and services is on the rise. Adequate support of the sector through financial support as well as a commitment of time and talent is vital to nonprofits' ability to serve the region to meet the demands of today and the needs of the future.

In Their Own Words...

“We serve people who are both food insecure and living with a chronic illness. Not only do our programs help people get through very difficult times, but our services save significant funds to the overall healthcare system. We strive to Feed people, Fight disease and Foster hope for our clients 365 days a year.” ~ Moveable Feast

“We provide rental assistance, emergency shelter, funds for medicine or gasoline, and financial counseling.” ~ Ocean City Crisis Coalition

“The Zoo serves over 275,000 people a year on the Delmarva Peninsula. The Zoo charges no admission fee making it accessible to everyone. We have been named one of *The Best Little Zoo's in North America*.” ~ Salisbury Zoo

“We have provided disability services in Salisbury since 1996 [and] currently provides physical, speech and occupational therapies to more than 550 children.” ~ Easterseals

“We enhance the lives of children and adults with disabilities by providing therapeutic riding and equine partnership programs” ~ 4Steps Therapeutic Riding Program

“We build homes, communities, and hope.” ~ Habitat for Humanity of Wicomico County

“We help students own their own economic future.” ~ Junior Achievement of the Eastern Shore

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For additional information about the data contained in this report, contact The Community Foundation of the Eastern Shore at 410-742-9911 or visit www.lowershorenpimpact.org