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Smart growth: Expansions and mergers in the nonprofit sector are fueling growth in the nonprofit sector

A new report shows that the state's nonprofits are a major force in economy

St. Paul, MN (October 2, 2007) – Minnesotans are learning that nonprofits are major contributors in expanding employment in the state. According to the *2007 Minnesota Nonprofit Economy Report*, a new report by the Minnesota Council of Nonprofits (MCN) to be released this week, Minnesota nonprofits employed 10 percent of the state's total workforce in 2006, providing close to 270,000 jobs in Minnesota last year.

Nationally, nonprofit organizations employed seven percent of the country's workforce, putting Minnesota well on top of the national trend. In some regions of the state, nonprofit share of the employment was even higher yet. Minnesota's nonprofit employment has grown at a strong pace over the last decade, increasing an average of three percent per year between 1997 and 2006. This outpaces the growth in total employment in the state, which increased an average of 1 percent per year during the same period. Some of the major forces behind growth were nonprofits involved in the health care, social assistance and educational services industries.

What's driving the growth?

The nonprofit sector in Minnesota has been growing steadily since 1997, continuing to expand even during the economic downturn of 2001. In 2006, there were just over 3,600 nonprofit employers in Minnesota, with more than 5,300 employment locations across the state. While the sector saw the number of employers hold relatively steady last year, the number of employment locations expanded by nearly three percent between 2005 and 2006.

"Minnesota's nonprofit sector just keeps growing. Most recently, we've seen strategic growth in the form of some organizations merging and others adding additional locations to deliver more services," said Christina Wessel, MCN's Minnesota Budget Project deputy director and chief author of the report.

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“Organizations like Arc Greater Twin Cities, Animal Humane Society, Tubman Family Alliance and Chrysalis Center for Women have all found that they can do more together than they can do apart.”

The Twin Cities metro area is the central location to some major nonprofit activity. In this region alone nonprofits were responsible for more than 141,000 jobs and \$5.9 billion dollars in wages to nonprofit staff. This growth does not appear to be ending anytime soon. According to MCN's new report, increases in nonprofit employment locations in the Twin Cities Metro have strolled to a beat of three percent per year for the last decade.

Slightly outpacing the Twin Cities growth in the nonprofit workforce is the growth in Northeast Minnesota, which has been increasing an average of four percent per year for the last ten years. A major contributor to this nonprofit activity was St. Louis County, the largest county in this region and home to the city of Duluth. St. Louis County alone accounted for 58 percent of the region's nonprofit employment in 2006.

“There are also a substantial number of organizations in Minnesota that operate without any paid employees,” said Wessel. “Even though these volunteer-run organizations don't show up in employment numbers, their economic contributions in the form of program services should not be overlooked.”

A diverse nonprofit sector

The health care industry comprises a substantial portion of the nonprofit sector in every region of the state; but other industries also play a vital role. A total of close to 6,200 nonprofit organizations in Minnesota (those with employees and with no employees) reported \$49.1 billion in assets, with health care organizations (including hospitals and HMO's) holding 52 percent of those assets, and educational organizations (including colleges and universities) holding another 24 percent.

In 2006, health organizations in Minnesota reported over \$20.1 billion in revenues (with 90 percent coming from program services) and \$18.9 billion in expenses (with 87 percent going to program services). The second largest category of nonprofit organizations were human service organizations, who reported \$3.5 billion in revenues (with 59 percent coming from program services, 18 percent from government grants, and 17 percent from charitable contributions) and \$3.4 billion in expenses (with 87 percent going for program services).

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Educational organizations reported \$2.6 billion in revenues and \$2.2 billion in expenses. Arts, culture and humanities organizations reported \$681 million in revenue and \$553 million in expenses. Environmental and animal related organizations reported \$138 million in revenue and \$129 million in expenses.

Nonprofit wages still lag behind

The nonprofit sector in Minnesota paid \$10.8 billion in total wages in 2006, or 10 percent of all wages paid in the state. This represented a four percent increase in the total nonprofit payroll from 2005, far outpacing the growth in total payroll experienced by the government and for-profit sectors during the same period.

Though the wage gap between nonprofit wages and government and for-profit wages has lessened in recent years, it still exists. Average weekly wages for nonprofit employees is six percent lower than their for-profit counterparts, and three percent lower than their government counterparts.

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About the Minnesota Nonprofit Economy Report

MCN will release the *2007 Minnesota Nonprofit Economy Report* on Thursday, October 4 at its Annual Conference, Stepping Up: Our Part in Guiding What's Next. The annual study describing the role of nonprofit organizations in Minnesota's economy will be released in front of an audience of 800 community leaders who have come together to explore the nonprofits' responsibility in taking stepping up in shaping our economy, cultures and mores. For more information on MCN's 2007 Annual Conference, including sessions, participants and speakers, visit www.mncn.org/conference.

ABOUT MCN

The Minnesota Council of Nonprofits (MCN) is the statewide association of 1,843 nonprofit organizations. Through its Web site, resource publications, workshops and events, cost-saving programs and advocacy, MCN continually works to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector.