



**Economic Impact of the United Way
of Southwest Alabama and its Agencies
on MobileCounty**

CBER Research Report #48

Research Reports

Center for Business & Economic Research
Mitchell College of Business
University of South Alabama
Mobile, Alabama 36688-0002
Tel: (251) 460-6156
Fax: (251) 460-7877

**Economic Impact of the United Way
of Southwest Alabama & its Agencies
on Mobile County**

CBER Research Report #48

by

**Semoon Chang, Megan Farrell, and Shelia Canode
Center for Business & Economic Research
Mitchell College of Business
University of South Alabama
Mobile, Alabama 36688**

June 11, 2001

Executive Summary

This study measured the economic impact that the United Way of Southwest Alabama generated in Mobile County based on 1999 data. Economic impact is defined as the amount of dollars that are brought into Mobile County from outside through activities of United Way's full member agencies. Dollars that are generated and spent locally are not counted as economic impact. Major findings of this report are summarized in this section. The estimate is the impact that the United Way of Southwest Alabama and its member agencies generated. Affiliate agencies are excluded from estimation.

Administrative

1. The percent of United Way administrative expenses relative to total campaign in Mobile is 8.95 percent, which is lower than 12.0% in Montgomery (AL), 14.8% in New Orleans (LA), 9.78% in Cocoa (FL), 13.0% in Corpus Christi (TX), 11.0% in Lancaster (PA), 15.2% in Harrisburg (PA), and 19.1% in Newport News (VA).
2. It is likely to cost significantly more if the government were to provide the same level of services that the United Way agencies provide.
3. The amount of campaign money per person raised in 1999 in Mobile County was \$15.95. The amount is lower in Mobile than in Montgomery (AL), Lancaster (PA), Harrisburg (PA), and Newport News (VA), but higher in Mobile than in New Orleans (LA), Cocoa (FL), and Corpus Christi (TX).

Expenditures Impact

4. The estimated direct expenditures impact is \$33,582,951.
5. These expenditures generated estimated wages of \$19,394,154.
6. Estimated impact in 1999 on the local food industry is \$2,409,161; estimated impact on the housing industry is \$5,245,479; estimated impact on apparel and services is \$939,744; estimated impact on transportation is \$3,400,164; and estimated impact on the health care industry is \$1,008,089.
7. The total expenditures impact of all United Way agencies, which includes multiplier effects, is \$61,604,565. Note that impact of United Way's affiliate agencies are not included.

Employment Impact

8. The direct employment impact is 1,177, while the total employment impact is 1,736. Some of these jobs may exist without United Way, but United Way is instrumental in contributing to the creation of many of these jobs. Note that employment impact of United Way's affiliate agencies is not included.

Table of Contents

Executive Summary	i
Section	
United Way of Southwest Alabama	1
Annual Campaign	1
Cost of Fundraising	2
Funds Raised per Person	4
Measuring Expenditures Impact of the United Way	5
Direct Expenditures Impact	5
Total Expenditures Impact	8
Employment Impact	10

List of Tables:

1.	Annual Campaign of the United Way of Southwest Alabama	2
2.	Percent of Fundraising Relative to Total Campaign	3
3.	Funds Raised per Person - 1999	4
4.	United Way Funds from Outside Sources	7
5.	Total Expenditures Impact	8
6.	Number of Employees: Full Member Agencies	11
7.	Number of Employees: Affiliate Member Agencies	12

Economic Impact of the United Way of Southwest Alabama and its Agencies on Mobile County

This study is prepared to measure the economic impact that the United Way of Southwest Alabama and its agencies are generating each year in Mobile County on the basis of the 1999 data. The United Way has two categories of membership: full and affiliate. Affiliate agencies are excluded from estimation of economic impact primarily because these agencies do not receive allocations directly from the United Way.

United Way of Southwest Alabama

United Way serves as facilitator and conduit for fundraising for many community-based social service organizations. In this role, United Way allows donors – both corporate and individual – to reduce the number of payments they make to charitable organizations. The United Way of Southwest Alabama, referred to in this report as the United Way, provides for people in need by increasing charitable giving, allocating funds according to community priorities and unifying community efforts for enhanced delivery and coordination of social services.

Agencies that belong to United Way are of two types: full members and affiliate members. Full member agencies receive both designations and allocations from the United Way of Southwest Alabama, while affiliate agencies receive designations without fund allocations. Tax exempt 501(c)(3) non-profit organizations agencies can apply for United Way agency membership. If accepted as a United Way agency, affiliate member status is granted for a period of at least 2 years. At the end of 2 years, affiliate agencies are eligible to apply to become a full member agency. The United Way of Southwest Alabama has 31 full member agencies and 11 affiliate member agencies in Mobile County.

Annual Campaign

The amount raised and the amount distributed by the United Way annually since 1990 are summarized in Table 1. In 1999, for instance, the United Way raised \$7.125 million and distributed \$5,561,505 to social service agencies in its service area. The amount raised each year is called an annual campaign. The annual campaign has increased over time although it fluctuated early in the 1990s.

Table 1. Annual Campaign of the United Way of Southwest Alabama

Campaign Year	Amount Raised	Distribution Year	Distribution to Agencies
1990	\$6,165,354	1991	\$4,925,750
1991	\$6,274,867	1992	\$4,915,925
1992	\$6,141,460	1993	\$4,725,315
1993	\$6,064,916	1994	\$4,777,387
1994	\$5,725,024	1995	\$5,151,236
1995	\$6,165,135	1996	\$4,933,182
1996	\$6,284,952	1997	\$5,304,224
1997	\$6,483,757	1998	\$5,480,853
1998	\$7,000,127	1999	\$5,562,465
1999	\$7,125,000	2000	\$5,561,505

Source: United Way of Southwest Alabama, 2000.

Cost of Fundraising

One of the main advantages of having the United Way representing many social service agencies in Mobile County is that it costs less for the United Way to raise the same amount of money. The percentages of United Way administrative expenses relative to total campaign in selected cities are summarized in Table 2.

The percent of United Way administrative expenses relative to total campaign in Mobile is 8.95 percent, which compares favorably with all areas in Table 2.

Table 2. Percent of Fundraising Relative to Total Campaign

City/State	Amount Raised 1999	Admin Budget 2000	Percentage
Mobile, AL	\$7,125,000	\$967,653	8.95%
Montgomery, AL	\$6,226,749	\$750,976	12.0%
New Orleans, LA	\$19,275,000	\$3,819,000	14.8%
Cocoa, FL	\$4,030,000	\$574,775	9.78%
Corpus Christi, TX	\$5,527,746	\$718,607	13.0%
Lancaster, PA	\$8,002,714	\$950,235	11.0%
Harrisburg, PA	\$7,892,179	\$1,200,000	15.2%
Newport News, VA	\$6,806,615	\$1,300,000	19.1%

Source: United Way of Southwest Alabama, 2000.

The 8.95 percent of United Way administrative expenses relative to total campaign in Mobile is very low by national standards. According to the Philanthropic Advisory Service (PAS) of the Council of Better Business Bureaus (CBBB), which is the umbrella organization for the Better Business Bureau nationwide, charities should spend no more than 50% of total funds raised on administrative and fundraising costs. [The Better Business Bureau, “Give...But Give Wisely,” in Better Business Bureau Quarterly Newsletter, Holiday Edition, 1999, pp. 1-13] A recent study by the California Attorney General reports that during 1995, only 40 percent of the total \$144 million contributed to California charities via commercial fundraisers actually went to charities; the remaining 60 percent of the total went to pay fundraisers’ expenses and salaries. [Attorney General, State of California, Attorney General’s report on Charitable Solicitation by Commercial Fundraisers, p.1]

Without United Way, many small agencies will have to spend a large amount of money trying to raise funds from the community. If the standards of the Better Business Bureau and the findings from the Attorney General’s Report for the State of California were applied to the United Way of Southwest Alabama’s \$7 million campaign, then \$3.5 million to \$4.2 million would be consumed by costs instead of United Way’s \$967,000. This represents an annual savings to the community – passed along to United Way agencies providing direct services – of \$2.5 million to \$3.2 million.

Funds Raised per Person

The amount of campaign money raised on a per person basis in 1999 is summarized in Table 3 for selected cities.

Table 3. Funds Raised per Person - 1999

City/State	Population*	Amount Raised	Amount per Capita
Mobile, AL	446,632	\$7,125,000	\$15.95
Montgomery, AL	322,441	\$6,226,749	\$19.31
New Orleans, LA	1,291,433	\$19,275,000	\$14.92
Cocoa, FL	471,700	\$4,030,000	\$8.54
Corpus Christi, TX	482,800	\$5,527,746	\$11.45
Lancaster, PA	460,500	\$8,002,714	\$17.38
Harrisburg, PA	460,600	\$7,892,179	\$17.13
Newport News, VA	421,300	\$6,806,615	\$16.16

*Population includes those of counties in the service area.

The amount of campaign money per person raised in 1999 in Mobile County was \$15.95. The amount is lower in Mobile than in Montgomery (AL), Lancaster (PA), Harrisburg (PA), and Newport News (VA), but higher in Mobile than in New Orleans (LA), Cocoa (FL), and Corpus Christi (TX).

Measuring Expenditures Impact of the United Way

United Way's fundraising campaign and distribution of funds assist many individuals through its social service agencies. The scope of this study, however, is limited to United Way's economic impact, although its impact on social services is considered more important. Economic impact as measured in this report is comprised of expenditures impact and employment impact. Expenditures impact is measured in this section, while employment impact is measured in the following section.

The true economic impact of any organization on the community lies in how much money the organization brings into the community from outside. This is because a community cannot grow economically unless outside dollars are brought to the community. Impact estimation is based on 1999 campaigns.

Direct Expenditures Impact

The expenditures impact relates to the important role of the United Way that enables member agencies to attract dollars from outside in addition to the low estimate. These dollars would not be spent in the local economy without the area's social service agencies, which in turn will have difficulty attracting these funds without the support of the United Way.

Table 4 summarizes the amount of funds that United Way agencies received from sources other than the United Way.

In Table 4, column (1) is a list of United Way agencies that are located within Mobile County. The list excludes affiliate agencies mainly because these agencies do not receive allocations directly from the United Way. Further, although United Way's jurisdiction also includes Clarke County and Washington County, the impact estimation is limited to Mobile County.

Column (2) in Table 4 indicates the amounts that individual agencies were able to attract from government. It is important to point out that donations that agencies received from the City of Mobile and Mobile County are excluded since these donations do not represent net additional expenditures to the community. The total amount agencies received in 1999 from state and mostly federal government is \$19,001,859. This amount is a net addition to local expenditures.

Column (3) figures represent donations that agencies received from sources such as private foundations, civic organizations, and individuals other than those that agencies

received from governmental sources and United Way. The total amount in column (3) is \$26,051,596. Amounts that agencies received from their national headquarters are clearly a net addition to local expenditures. Amounts that agencies received from private foundations and corporate headquarters located outside Mobile County also represent a net increase in local expenditures. Amounts that agencies received from local foundations, local civic groups, corporate headquarters located in Mobile County, and Mobile County individual residents represent a net addition to local expenditures only if these amounts would not have been given to other local agencies or spent locally. Although there is no breakdown of this amount by source, the amount from local sources that would have been given to other local agencies or spent locally is expected to be rather small.

Of the \$26,051,596 in column (3), donations given to five agencies represent two-thirds (66.5%) of the total: Goodwill Easter Seals (5,985,245), Mobile Association for Retarded Citizens (1,934,421), Mobile Association for the Blind (1,597,328), The Salvation Army (1,640,404), and YMCA of Metropolitan Mobile (6,171,326). Telephone interviews with these agencies indicate that these revenues are mostly from sales at stores owned by these agencies, membership dues, donations from local and out-of-town foundations and individuals. Only half of the Other funds is assumed to have come from sources outside Mobile County. The estimate of the direct expenditures impact is:

$$19,001,859 + \frac{1}{2} \times 26,051,596 + 1,555,294 = \$33,582,951.$$

Table 4. United Way Funds from Outside Sources

Agency	Government	Other
American Cancer Society	None Reported	None Reported
American Red Cross	None Reported	\$776,150
Bay Area Food Bank	\$51,182	601,414
Boys & Girls Clubs	3,400,136	526,150
Catholic Social Services	434,893	764,884
Child Day Care Association	578,483	259,103
Contact Mobile	13,028	34,399
Crittenton Teen Services	39,383	89,828
Dearborn Y.M.C.A.	319,661	218,600
Drug Education	1,194,247	85,965
Dumas Wesley Community Center	1,254,320	514,012
Epilepsy Foundation	113,435	50,895
Family Counseling Center	None Reported	830,988
Federation of Jewish Charities	None Reported	None Reported
Girl Scouts	107,170	562,462
Goodwill Easter Seals	1,698,898	5,985,245
Home of Grace for Women	49,500	198,513
Mobile Aids Support Services	297,261	121,742
Mobile Assoc. for Retarded Citizens	3,909,623	1,934,421
Mobile Association for the Blind	543,171	1,597,328
Mulherin Custodial Home	None Reported	311,874
Penelope House	765,129	428,072
Preschool for Sensory Impaired	94,400	20,407
St. Mary's Home for Children	\$1,347,320	\$145,620
Senior Citizens Services	118,807	374,550
The Salvation Army	1,077,764	1,640,404
United Cerebral Palsy	893,115	373,699
Volunteer Mobile	394,182	137,428
YMCA of Metropolitan Mobile	25,000	6,171,326
Y. W. C. A.	262,449	600,994
Boy Scouts	19,302	695,123
Total	\$19,001,859	\$26,051,596

Source: United Way of Southwest Alabama, 2000.

Total Expenditures Impact

Direct expenditures have an additional economic impact through turnovers. For instance, when YMCA pays salaries (direct impact), these salaries are spent on groceries, car payments, clothing, and more. Supermarkets, car dealers, and clothing stores use the money to pay their own employees. This progression of expenditures beyond the first payment is known as turnover. The additional impact generated by turnover of initial expenditures is known as the multiplier effect. Total multipliers include direct and indirect impact. Total multipliers in Mobile County are developed by the Bureau of Economic Analysis, Regional Economic Analysis Division, of the U.S. Department of Commerce. The latest multiplier for the service industry in Mobile County is 1.8344.

Total expenditures impact of the United Way are summarized in Table 5 by local industry. The impact estimate is the sum of dollars that United Way brings in from corporate donations and all dollars that United Way member agencies bring from outside.

Table 5. Total Expenditures Impact

	Estimate
Direct Output Impact	\$33,582,951
Total Output Impact (x 1.8344)	61,604,565
Total Wages Generated	19,394,154
Impact by Local Industry:	
Food	\$2,409,161
Alcoholic beverages	136,690
Housing	5,245,479
Apparel and services	939,744
Transportation	3,400,164
Health care	1,008,089
Entertainment	820,140
Personal care/read/ed/smoking	1,110,606
Cash contributions	512,587
Personal ins/pension, etc	1,503,590
total	\$17,086,250

In Table 5, direct output impact is the amount of money that the United Way and all its member agencies, excluding affiliate agencies, brought to Mobile County from outside sources during 1999. Total output impact is the direct impact multiplied by the multipliers, and thus represents the share of the local economy. Total output impact is comparable in concept to gross domestic product generated by United Way agencies.

The total output impact generated local wages of \$898,182. These wages in turn are spent on a wide range of goods and services in the local industry.

Food includes food at home such as groceries and food away from home such as restaurants. Housing is comprised of shelter expenses, utilities, household operations, housekeeping supplies, and household furnishings and equipment. Transportation includes vehicle purchases, gasoline, motor oil, maintenance & repair, and public transportation. Personal care group is comprised of personal care products & services, reading, education, smoking supplies, and miscellaneous. Finally, cash contributions include contributions made to all charitable organizations as well as churches.

The United Way and its agencies generated during 1999 total local expenditures of \$17,086,250.

Employment Impact

In addition to the expenditures impact, United Way and its agencies generate employment impact. Table 6 is a summary of the number of workers hired by United Way and its full member agencies, while Table 7 is a summary of the number of workers hired by affiliate agencies of United Way. Most, if not all, of these workers are full-time employees. The total number of workers hired by United Way and its full member agencies is 1,177.

According to the Regional Input-Output Modeling System (RIMS II), developed by the U.S. Department of Commerce, Bureau of Economic Analysis, the employment multiplier of the services sector in Mobile County averages 1.4749. Multiplying the direct employment impact by this employment multiplier for the services sector in Mobile County, the total number of jobs in Mobile County that are associated directly and indirectly with the United Way of Southwest Alabama is 1,736. Some of these jobs may exist without United Way, but there is no doubt that United Way is instrumental in contributing to the creation of many of these jobs.

It may be noted that the affiliate members of the United Way also have 1,275 employees as shown in Table 7.

Table 6. Number of Employees: Full Member Agencies

Mobile County Member Agencies	# Employees
American Cancer Society	9
American Red Cross, Bay Area Chapter	23
Bay Area Food Bank	13
Boy Scouts of America, Mobile Area Council	11
Boys & Girls Clubs of Southwest Alabama	112
Catholic Social Services	37
Child Day Care Association	68
Contact Mobile	3
Crittenton Teen Services	5
Dearborn Y.M.C.A.	23
Drug Education Council	39
Dumas Wesley Community Center	59
Epilepsy Foundation of South Alabama	5
Family Counseling Center	27
Federation of Jewish Charities	0
Girl Scouts, Deep South Council	15
Goodwill Easter Seals of the Gulf Coast	190
Home of Grace for Women	13
Mobile AIDS Support Services	12
Mobile Association for Retarded Citizens	140
Mobile Association for the Blind	40
Mulherin Custodial Home	23
Penelope House	41
Preschool for Sensory Impaired	7
Senior Citizens Services	11
St. Mary's Home/Cornerstone	58
The Salvation Army	59
United Cerebral Palsy	29
United Way of Southwest Alabama	18
Volunteer Mobile	15
YMCA	63
YWCA	9
total	1,177

Source: United Way of Southwest Alabama, 2000.

Table 7. Number of Employees: Affiliate Member Agencies

Mobile County Affiliate Agencies	# Employees
Child Advocacy Center	3
Court Appointed Special Advocate (CASA)	1
Franklin Primary Health Care Center	200
Frederick Ozanam Charitable Pharmacy	1
Homeless Coalition of Mobile	4
Mobile Community Action	374
Mobile Mental Health Center	260
Sickle Cell Disease Association	10
Shriner's Hospitals Patient Transport	0
Volunteers of America	389
Wilmer Hall	33
total	1,275

Source: United Way of Southwest Alabama, 2000.