

Foraker Research on the Economic Impact of Alaska's Nonprofit Sector

Below is testimony by Laurie Wolf, President and CEO, to the House Judiciary Committee on February 3, 2025

To members of the committee:

Thank you for the opportunity to share a few pieces of information from the most up-to-date data on Alaska's nonprofits and their impact on the state's economy.

My name is Laurie Wolf, President and CEO of The Foraker Group. I am a lifelong Alaskan born in Elmendorf and raised in Anchorage. I have had the pleasure of being with Foraker since the beginning in 2001.

Many of you already know about Foraker, but you may not know all the ways we are dedicated to and prepared to strengthen Alaska's nonprofits and tribes. As both a capacity builder and the state's nonprofit association, we are positioned to support the diverse needs of Alaska's staff, boards, and volunteers in a wide variety of ways.

It is our role as Alaska's state nonprofit association that brings us to you today. In that role, we are a trusted nonpartisan voice for the nonprofit sector – advancing goals that strengthen our ability to deliver our missions and position us well to partner with business and government at every level.

Specifically, today I hope to provide you with data to inform your decision-making and serve as a resource to answer your questions.

In the last few weeks, the Trump administration has rapidly issued an array of executive orders. We are not here to offer an opinion on those orders but only to say that they have caused widespread confusion and are already having a significant impact on Americans and Alaskans, regardless of how they voted.

Additionally, last week, the administration attempted to stop all federal funding tied in any way to those executive orders.

It is no secret at this point, since I am already on the front page of the paper calling that action "catastrophic," that we are greatly concerned. And we are not alone. The week has been a whirlwind of trying to understand what happens when we face the potential loss of roughly 33% of Alaska's budget.

Since that initial memo, several lawsuits have been filed to prevent its implementation. The result has been a stay for some funds but not all, and at this point, it's a temporary stay. The administration has said the funding freeze remains on the table. Importantly, executive orders further froze other funds not included in that memo, and they remain unavailable even though they have been approved by Congress and signed into law.

Foraker has sprung into action, as it is our nature. By Friday, we had added a page to our website to serve as a one stop for timely information, specifically with an eye toward nonprofits. We are committed to updating this site with current information for as long as necessary. Our colleagues at the Alaska Municipal League are equally ramping up information on the AKFederalFunding.org website with an eye toward municipalities.

We also launched a survey early last week to learn how the executive orders have – or may – impact nonprofits and their ability to serve Alaskans and Alaska communities. We received more than 150 responses in a few days – unheard of by our standards. I will share highlights of what Alaska nonprofits are telling us at the end of my presentation.

Friday we also launched a more comprehensive survey to help us understand in greater detail how federal funding cuts will impact our work. We are sharing that information with our congressional delegation and other partners in this work. We expect those results in the coming weeks.

Before I get ahead of myself, I want to provide a moment of context about the data that I will be sharing and where it comes from. Late last year, we conducted our seventh study on the impact of the nonprofit sector on the state's economy. Our partner in this project is the University of Alaska Anchorage Center for Economic Development.

Every three years, we embark on this significant analysis to better inform policymakers, businesses, and nonprofit leaders about Alaska's nonprofit sector. We are confident that we are using the best and most trusted sources available both for raw data and research from the field. Please note that this data, which is from 2023, is the most current available for a comprehensive, non-survey report. This is why we launched our survey last week to gather additional data that is current at this point to better understand Alaska today.

It's important to note that every day Alaska's nonprofits and tribes deliver efficient and effective services to all Alaskans as a predictable and stable partner to government. Every Alaskan is a nonprofit beneficiary because nonprofits are woven into the fabric of our communities. It is almost impossible to go through a day in Alaska and not connect with a nonprofit.

Without a county system of government, Alaska's unique structure means that in urban and particularly in rural areas, nonprofits and tribes deliver a variety of public services – like water and sanitation, fire service, utilities, libraries, and public transportation – and provide essential services like medical care and housing.

They also bring us joy and purpose through art, religious and cultural expression, education, and recreation.

They ensure our quality of life, sustain our way of life, and attract and develop employees to our state.

While no sector can create a thriving economy alone, when financial decisions are made, organizational and public policies are created, or programs are developed, we urge everyone to remember that each decision will impact the health of the nonprofit sector and, thereby, the well-being of every Alaskan.

In the context of this hearing on federal funding, I want to take a moment to underscore the economic impact of cutting nonprofit jobs out of our economy.

The nonprofit sector directly employs just over 35,000 Alaskans. Counting indirect and induced effects, nonprofits are responsible for sustaining almost 55,000 jobs in the state. By comparison, oil and gas provides 69,250, seafood provides 48,000, and mining is responsible for 11,800 jobs. If we thought about nonprofits as an industry, the sector would be Alaska's second largest, just behind oil and gas.

Indirect jobs result from nonprofit organizations purchasing goods and services from other organizations, as when a nonprofit contracts with a construction company for a new building. Induced jobs are the result of employees spending their paychecks on rent, groceries, recreation, and anything else they purchase.

Together, these jobs translate into \$3.8 billion in total income generated by the nonprofit sector, which then circulates through the state creating more jobs and a stronger economy.

Based on the same economic modeling used in the Alaska oil and gas, fisheries, and tourism industries, when indirect and induced jobs are considered, the nonprofit sector supports a number of jobs that are comparable to the state's natural resource industries, which are Alaska's other leading sources of private sector employment.

Notable in our state which relies deeply on government employment, one in five non-government jobs are tied to the nonprofit sector.

Because nonprofits are not considered a single industry, we often lose sight of the scale of their impact. When the state tracks jobs, it classifies them by industries – oil and gas, tourism, health care – not by the sector where the work originates – nonprofit, government, or private. It often prompts me in conversations about Alaska’s economy to ask: “who is doing the work?” as the assumption is that it is just one sector or another. In fact, all three sectors are integrated.

Nonprofits contribute to Alaska’s economy by playing a critical role – often as the backbone within the state’s leading areas of employment. From associations engaging in the policymaking process to economic development agencies promoting job opportunities, nonprofits contribute to the vitality of commercial enterprises. For the business community, nonprofits are often a vehicle for collaboration to improve the business climate or pursue shared objectives like visitor marketing.

In some cases, the major players in an industry are the nonprofits themselves, such as hospitals, credit unions, arts and culture organizations, and the state’s largest electric utilities.

So now that we have looked at some of the services and employment impact, let’s look at the numbers.

All sectors in Alaska rely on support from the federal government.

Last week the Juneau Empire reported that 33% of the state’s budget is federal funds. No matter how anyone voted, the truth is that Alaska relies heavily on federal funding in every aspect of our lives. And all industries in Alaska are leveraging those dollars in many ways to make our budgets work.

In 2023, \$38.6 billion in federal assistance came to Alaska, of which nonprofits received \$1.21 billion. The largest share of funds, \$34 billion, went to state and local governments, followed by individuals at \$2.98 billion, and for-profit business and industry at \$2.98 billion.

When we look at how that \$1.21 billion plays out in the nonprofit sector, we have some idea of how it is leveraged against other sources or how it was used solely by organizations to carry out their mission. For example, nonprofits generated \$5.94 billion in revenue in 2023. Of that, 49%, or \$2.9 billion, came from program revenue, and 45%, or \$2.65 billion, came from grants and gifts. (This data pulls from the 990 classifications which is imperfect language and categorization but helps us get a sense of the impact.)

The statistics I just mentioned include healthcare nonprofits, which account for a significant segment of nonprofit revenue. When revenue from healthcare nonprofits is removed, the

reliance on government funding and private donations is even greater. For example, nonprofit revenue in 2023 was \$2.3 billion, with 63%, or \$1.5 billion, coming from grants and gifts, and 25%, or \$576 million, from program revenue.

As part of their relationships with government, many nonprofits receive funds to carry out their missions. These funds are a factor in the financial health of organizations, and regardless of their size, they help leverage additional resources for a diversified portfolio to maximize community impact while dealing with the increased demand for services and a more complex set of challenges every day.

Local, state, and federal policies and investments have a profound impact on the return on those philanthropic and earned income investments. Each source of revenue leverages another.

Now that we have talked about the regular operating support, let's turn to recent acts of Congress to designate new pools of revenue to all 50 states.

In our report, we celebrate these funds as once-in-a-lifetime investments in Alaska's infrastructure. Many local governments, nonprofits, and tribes, as well as state and federal agencies, have been planning these projects for years. They mean access to village safe water, more affordable and locally driven energy sources, better health care, better or new roads, ports, airports, and better communication, among many other projects deemed essential by Alaska communities.

For example, \$2.5 trillion in federal spending in Alaska for 2022-24 was tied to COVID-19; \$7.6 billion came from the Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law; \$2.5 billion was from the Inflation Reduction Act; and \$2.2 billion from federal broadband funding.

These numbers for Alaska were very hard to determine as they flow through so many departments and come both directly and indirectly to the state, local governments, tribes, and nonprofits. This is only our best understanding of the money currently spent or allocated to Alaska as of 2023.

We understand that there is or was much more budgeted this year and in coming years. We are hearing that many of these projects are in the mid-funding cycle, and delays will only hinder an already stretched and stressed workforce.

The funds from the Infrastructure Investment and Jobs Act and the Inflation Reduction Act are frozen and all projects are currently under review with no clear timeline for release. On

Friday, 22 state Attorneys General, not including Alaska, sued, and the courts released the funding. We are not aware of what that currently looks like on the ground in those states.

Not on my list of funds is USAID funding that impacts the work Alaskans and Alaska nonprofits engage in around the world. That funding was simply not on our radar when we did this report. Those funds now have been canceled or frozen.

We encourage you to speak with the Alaska Municipal League, the Denali Commission, the Alaska Native Tribal Health Consortium, and others to hear about the state of funding they were expecting to strengthen Alaska communities.

When we consider an additional loss of funding, I want to put that in context to an already stressed workforce environment. One of the lasting effects of the pandemic is the ongoing challenge to find and retain workers in all sectors. Across Alaska's labor force, job openings as a percent of statewide employment peaked in mid-2022 at 12%, nearly double the state's pre-pandemic averages.

While we are doing better than the national average, it is the nonprofit sector and government jobs that are bolstering our numbers. A funding freeze or deletion of funds only accelerates an existing issue.

In the last two weeks, confusion and deep concern have grown among Alaskans because this is their life work and livelihoods we're talking about, and they know the impacts firsthand.

And, importantly, information is changing rapidly.

The quick departure of federal employees means information and trusted contacts within departments are difficult to obtain. Many portals for accessing funding closed, although some, but not all, have reopened. We understand the USDA portal for Alaska and all SAMHSA funds, for example, are currently unavailable.

As we tried to get a handle on the immediate impact of a funding freeze, we ran a quick survey from January 28-30 and received 152 responses. They came from rural and urban Alaska nonprofits, tribes, and businesses, and from missions that represent the lifespan of Alaskans, from infants to seniors.

Organizations told us that federal funds are critical to operating revenue for core programming. Depending on the organization, we learned that federal funds could make up between 22% and 100% of operating revenue.

Just a few examples the losses that organizations could experience are listed here:

- Infrastructure projects underway are impacted, which could result in higher future costs or jeopardize project completion.
- Basic safety net services (food, housing, health care) for vulnerable Alaskans are weakened and could be eliminated in some cases.
- Childcare and youth safety programming will be significantly diminished.
- Preventative services (suicide, Infant Learning Programs, etc.) will be diminished or eliminated.
- Basic education, arts, cultural preservation, as well as science and wildlife research, will be diluted or cease to exist.
- Alaskans' health and individual safety, especially for the most vulnerable, are at risk.

These same respondents reported what we could expect in Alaska from a loss of federal funding.

Trickle-down impacts if the funding stays frozen or is deleted:

- Increased unemployment
- Negative impact and reduced access to the Tribal health system
- Increased rates of substance misuse/abuse, suicide, and domestic violence
- Decreased physical and mental health and well-being of Alaskans, including premature death
- A push of Alaskans to higher levels of care (emergency rooms, institutions, jails)
- Reduced access to safe drinking water, nutritious and traditional foods, education
- The increased risk that Alaska Native culture, language, and traditions become extinct

Again, this is just a snapshot of a point in time from 152 of over 5,500 nonprofits in the state. We anticipate that this is just the beginning.

Before we turn to the often-said thought that if we have no money, then volunteers can do the work, our answer is: that's our current reality. The vast majority of nonprofits already are doing what they can with no staff, but it is unrealistic and dangerous in most cases to replace professional staff with volunteers.

Here are the statistics. In Alaska, 21%, or 1,211 nonprofits, have employees. The remaining 79%, or 4,451 nonprofits, have no employees. As a commitment of Alaskans to help their neighbors, our state ranks fifth in the nation in volunteerism.

Additionally, with nonprofits accounting for 10% of the workforce across Alaska, and up to 40% in some rural communities, losing nonprofit employees would upend entire local economies.

Also, private philanthropy in Alaska cannot make up for the difference in the loss of government investment. Philanthropy is a leveraging tool, not a sole source option.

The bottom line is this: Alaska relies on federal funding to sustain our way of life.

I hope that today's information was a helpful context to your ongoing conversations. Under different circumstances, I would be asking these things of you in your normal course of business: to use the data, to work closely with nonprofits as your partners in this economy, and to understand the essential nature of paying for all nonprofit grants, contracts, and reimbursements on time because we are in this work with you to help Alaskans. I still invite you to do all those things, and now I ask that of you with more urgency.

We are and can remain strong partners to serve Alaskans.

Thank you for the opportunity to present today. I am pleased to take any questions you may have.

The full report on Foraker's research – *Alaska's Nonprofit Sector: Generating Economic Impact* – is found at www.forakergroup.org where a link is available on our home page.