Entry and Exit in the Nonprofit Sector

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Abstract

While a considerable amount of research on the entry and exit behavior of for-profit firms exists, we know relatively little about nonprofit organizations' entry and exit behavior. Theoretical analyses of nonprofits consist almost exclusively of static approaches. However, an understanding of the dynamic behavior of nonprofits can shed light on important questions of efficiency, particularly when government grants advantages to NPs competing with for-profits in the same industry. This paper examines the entry and exit behavior of nonprofit firms across all industries and also compares entry and exit rates for for-profit and nonprofit organizations (NPs) in the performing arts sector. We focus on the performing arts sector because it alleviates several critical problems that have plagued studies of other sectors with a large NP presence. We find that nonprofit exit rates are almost always lower then nonprofit entry rates both across time and across industries. Entry rates are more stable in the well-established sectors of arts, education, health, and human services, but new firms in these industries are less likely to succeed. In contrast to for-profit studies, the likelihood of survival for new nonprofits appears much larger. We also find some evidence of turnover in nonprofit firms, but, in comparison to for-profit performing arts organizations, nonprofits exhibit a much lower degree of turnover.

1 Introduction

We know relatively little about the dynamic behavior of nonprofits as compared with profit maximizing firms. How do NPs make decisions regarding entry, growth, and exit? When do NPs choose to exit? What is the appropriate opportunity cost to an entreprenuer that establishes a new NP? Formally modeling these choices is difficult because the objective function could contain various elements (e.g. quantity, quality, revenue, prestige) and combinations of them apart from profits. Static models are forced to choose an objective function and that choice has significant effects on the welfare results (e.g. Hannsmann, 1981). Thus, moving to a dynamic framework that includes entry, exit, and possibly even growth choices, is further complicated and murky.

Because for-profit firms and nonprofit organizations (NPs) compete directly in many industries, government support for nonprofits raises efficiency and "fairness" issues (Rose-Ackerman, 1996, Chapter 22). Nearly all theoretical treatments of nonprofits are static in nature, addressing the welfare implications for a given set of organizations. But, even in the most basic perfect competition model, free entry and exit are critical to achieving socially efficient outcomes. Policies that affect entry or exit barriers alter the dynamic efficiency of industries. For example, R&D tax incentives for incumbents act like entry barriers because they are not applicable to sunk start-up entry costs. The tax-exempt status and the availability of revenues from private donations and government grants should do the same in markets with a large fraction of nonprofit organizations.

Given the paucity of work on the dynamic behavior of nonprofits, yet its importance for both policy and welfare implications, our research examines the entry and exit behavior of NPs. We use annual tax return data from 1989-2003 to address three important questions. First, how do entry and exit rates of nonprofits vary over time and across industries? Second, what are the survival probabilities of new entrants? And third, how does entry and exit behavior differ between nonprofits and for-profits within the same industry?

To address this final question, we focus exclusively on the performing arts sector for several reasons. 1) This sector has a large presence of NPs in the US ($\sim$ 50% across all types of performing arts organizations); 2) government operated organizations are extremely rare unlike the medical care and education sectors, allowing us to focus specifically on the difference between pure NPs and for-profits; and 3) we significantly reduce complicating issues that have troubled other empirical studies of NPs. In particular, as compared with the medical sector, economies of scope and rapid technological change play a far less significant role in the evolution of the performing arts sector.

The remainder of this paper is organized as follows: section 2 briefly reviews some of the stylized facts in the empirical industrial organization literature on entry and exit and considers how the presence of nonprofits might affect this behavior; section 3 describes the data; section 4 presents the results; section 5 summarizes the findings and considers avenues for further work.

2 Entry and Exit Behavior and nonprofits

The literature on entry and exit behavior of for-profit firms has grown considerably in the past twenty years generating a number of stylized facts and theories attempting to rationalize those facts. We focus here on the commonly observed entry and exit behavior of for-profits to enable a ready comparison with our data on nonprofits. We then look at both previous theory and empirics on nonprofits that might suggest how nonprofits could differ.

One of the more striking findings from the empirical industrial organization literature is that entry and exit rates are highly correlated, which runs contrary to the standard static model of perfect competition. For example, Baldwin and Gorecki (1991) find that the correlation between entry and exit rates in Canadian manufacturing ranged between 0.5 and 0.7. Moreover, entry rates, defined as number of entrants divided by incumbents plus entrants, are quite high. Over a five-year period using the Census of Manufactures, Dunne, Roberts, and Samuelson (1988) found a range between 41.4% and 51.8% across industries. The exit rates were nearly as high leaving a positive net entry rate which makes sense in a growing economy.

As the entry and exit rates suggest, survival is quite difficult. Most new firms start small, capturing small portions of the market (Caves, 1998, and Geroski, 1995). However, few of them survive for a substantial period of time. The same study found that 60% of new firms exited within 5 years and nearly 80% closed down within 10 years. The hazard rate of exit declines with both age and size (Evans, 1987, and Hall, 1987).

In cross-industry comparisons of the entry behavior, Geroski (1995) points out that differences between industry profitability are stable and persistent. However, entry varies much more between industries. Those observations strongly suggest that arbitrage by investors is taking place and entry and exit are the mechanisms that maintain the stability in the differences in returns across industries. Over time entry rates within an industry vary considerably. The upshot of these observations, is that investor-entreprenuers appear to be behaving as would be expected through arbitrage. The persistent differences in profitability are related to the difference in the sunk entry costs and other entry barriers. However, entry and exit play the role of adjusting the returns across industries.

The preceding observation is important for sectors where profits and NPs provide imperfect substitutes. Rose-Ackerman (1996,Ch. 22) argues that in a competitive market the presence of tax-exempt nonprofit firms can lower prices by shifting out the industry supply curve. "...nonprofits may be willing to enter an industry even when marginal for-profit firms are just breaking even. If for-profits cannot easily exit, supply will be larger, returns will be smaller, and price will be lower than in an industry without nonprofit firms." Charges of "unfairness" by for-profits center on the differential returns which would lead otherwise identical firms to behave differently with regard to entry and exit. First, the tax-exemptions for nonprofits and alternative means of revenue (donations, grants, etc.) act as entry barriers to profit seeking investors. By

lowering the expected rate of return, fewer firms would enter a sector with a heavy presence of nonprofits.

A basic model of entry helps illustrate the point, where entry is

$$E = \beta\left(\pi^e - F\right).$$

Entry is a function of the difference between expected post-entry profits, π^e and the sunk costs of entry, F, while β is a parameter mapping that difference into an entry rate. Differential treatment of profits and nonprofits implies that beyond any differences in organizational objectives, the expected returns to a profit-seeking investor will necessarily be lower than a nonprofit institution. An increase in F would have the same effect and the levels of F are typically taken as measures of the height of entry barriers. Downes and Greenstein (1996, 2002) provide some evidence of this effect in the education sector. They examine the entry-location decision of private schools and find that entrants tend to locate in areas with lower public expenditure per pupil and higher pupil-teacher ratios. The results indicate that the funding and quality of the public sector influences the entry decisions of private schools.

One strong reason for considering entry and exit concerns the recent attempts to analyze the issue of crowd-out. Payne (1998) finds that increases in government grants do reduce crowd-out of private donations. In a recent study, however, Andreoni and Payne (2003) suggest that government grants crowd-out private donations in two ways. First, private agents reduce their donations, via classic crowd-out. In addition, nonprofit organizations reduce their expenditure on fundraising. The empirical evidence the authors present suggests that charitable organizations do reduce the amount spent on fund-raising activities when government funding rises.[1]

However, there is an additional effect not accounted for in their model. Changes in the level of government grants to NPs, say an increase, may induce the formation of more nonprofit organizations. Entry by new organizations seeking a share of the government pie, will lower the average level they each receive and serve to counteract the crowd-out effects. However, the effects do not stop there. In a market of imperfect substitutes with both NPs and for profits, changes in grants to the NPs can alter the equilibrium number of for profits. Thus, provided consumers substitute between the services provided by both, an increase in the exit threshhold of for profits will generate exit. Thus, demand for NP services will rise further, potentially generating an increase in donations to these services, offsetting some of the crowd-out effect.

The above discussion about government grants and the accessibility of private donations does not necessarily imply that barriers to entry are lower for nonprofits. It does suggest that changes in grants and donations, could alter the entry rates if for profit firms account for these features when considering the entry decision.

[1] In fact, the effect for the performing arts sector was particularly striking. The authors found that an increase of $1,000 in government grants reduces fund-raising expenditures by $265.

Avner Ben-ner (1986) argues that formation costs for NPs are most likely higher than for profit-seeking firms. He provides three reasons: 1) identifying market demand is more difficult for nonprofits that need to identify individuals willing to support such an institution; 2) nonprofits need to create mechanisms to reduce free-ridership and promote demand revelation for the product or service that inherently contains public goods qualities; and 3) nonprofit firms may face greater difficulties in recruiting both the necessary skills and facing higher capital costs in funding a start-up. A fourth reason could be added to this discussion. When making an entry decision, a for profit firm includes the liquidation value in expected return in the event of exit. However, because, by definition, nonprofits are forbidden from distributing profits, the liquidation of any assets upon closure for a nonprofit may not be part of the entry calculus on the benefit side.

In the analysis below, we first investigate the entry and exit behavior of nonprofits across time and sector. Second, we further examine the survival of nonprofit entrants. Finally, we compare the entry and exit rates of nonprofit and for-profit performing arts centers noting differences between the ownership types.

3 Data Description

The data for nonprofit firms is obtained from the National Center on Charitable Statistics at The Urban Institute. Although most nonprofits are exempt from federal income taxation, they are required to file a 990 tax return annually with the IRS if their gross receipts are greater than $25,000. Our data contain all 501(c)3 organizations who filed a tax return between 1989 and 2003. This dataset therefore omits small firms with receipts less than $25,000 and also nonprofits who fail to comply with the filing requirement. Along with financial information on the firm, the data include the nonprofit's industry type and the year that the IRS registered the firm as a nonprofit. As shown in Table 1, the NTEE is a four-digit classification system for nonprofit institutions where the first digit of the NTEE divides charities into 26 category types ranging from arts and culture to religious organizations. Using this classification system, we investigate differences in entry and exit rates for various types of nonprofit firms.

Each dataset also contains the variable RULEDATE which reports the year the IRS granted 501(c)3 status to the nonprofit. For each year of the data, denoted as t, we classify a nonprofit as an entrant in year t if RULEDATE equals $t-1$ or t. We use this as our entry measure rather than simply the RULEDATE because, for many NPs, there is a lag between official formation of the nonprofit and active engagement of the firm. Thus, RULEDATE alone is not an accurate indication of true entry into the market. Due to differences in fiscal year calendars across firms, the year of the data does not perfectly correspond to the fiscal year. For example, the 1995 data contains firms with fiscal years ending in 1994-1996. Given this variation, it is possible that a given entrant with RULEDATE t may file their first tax return in data-year $t-1, t$,

or $t+1$. We eliminate duplicate entrants and identify the entry period as the first data-year the entrant is observed.

Given that nonprofits do not provide much tax revenue, annual enforcement of the filing compliance is somewhat limited. However, the IRS investigates any nonprofit that fails to file a tax return for three consecutive years. If the nonprofit is found to still be in existence, it may lose its nonprofit status. Without this issue, we would identify an exit in year t if a firm filed a tax return in year t but not in year $t+1$. However, taking into account this issue, it is possible that the firm might not file in year $t+1$ but file again in either $t+2$ or $t+3$. Thus, we classify a firm as an exitor in year t if a firm filed a tax return in year t but not in year $t+1$, $t+2$, or $t+3$. Our exit measure admittedly is less precise than our entry measure. However, previous studies, due to data availability, have only been able to calculate exit rates over 5 year periods. In comparison, our measure is still quite accurate given the annual nature of the data.

Our measures of entry and exit largely follow the approach used in Dunne et. al. (1988). We distinguish between types of NPs, where i denotes the 1-digit NTEE industry classification from A-Y[2] ,as follows:

$NE_i(t)$ = number of firms of type i that enter between t and t+1;
$NT_i(t)$ = total number of firms of type i in year t;
$NX_i(t)$ = number of firms of type i that exit between t and t+1;

Using these variables, we compute the entry rate and exit rate as follows:

$$ER_it = NE_i(t)/NT_i(t) \quad (1)$$
$$XR_it = NX_i(t)/NT_i(t) \quad (2)$$

We compute these entry and exit rates across time as well as across industry. We also examine the survival of new firms. We calculate the percentage of entrants that exit during the sample period and the duration of those firms that did not survive.

To compare the entry and exit rates of nonprofits and for-profits, we focus on the performing arts sector for several reasons. First and foremost, there is a substantial presence of NPs; they account for at least 50% of opera, dance and classifical musical companies and around 45% of theatre organizations (McCarthy *et al.*, 2001) . Given that the service provided possesses a number of similar characteristics, the level of direct competition between the two types seems best to think of a competition between close, but imperfect substitutes. Therefore, changes in one sector should affect entry and exit in the other. Second, unlike the medical services sector, for example, rapid technological change does not appear to play a strong role. Rapid technological change might grant advantages to the type of organization depending on their objective function

[2]We do not examine NTEE Z since it is the catch-all category and it isn't clear what type of organizations would fall into this category.

and thus translate into another influence on entry and exit behavior. Third, the organizations in the performing arts sector produce one product primarily as opposed to the multi-product services in health and welfare organizations where economies of scope complexities become a factor. Fourth, Agarwal and Gort (1996) note that entry and exit behavior varies over the industry life cycle. The performing arts sector is well into maturity. Finally, unlike education and medical services, there is virtually no direct government control which can affect entry and exit behavior (See Deily, McKay, and Dorner, 2000).

Nonprofit performing arts falls under the 2-digit NTEE classification of "A6." We follow the same procedure described above to calculate the entry and exit rates within this sector. We obtain for-profit information from the Small Business Association (SBA) County Business Patterns data. These data also provide information on annual births and deaths. However, a couple of caveats apply. First, the SBA data are at the establishment level, not the firm level like the nonprofit data. Thus, the entry rates are likely to be overstated for for-profits relative to nonprofits, particularly if a lot of the for-profit entry is derived from multiple establishments for the same firm. Second, the SBA data are for all establishments, which presumably includes nonprofits. Finally, performing arts centers fall under SIC code "7920" and NAICS code "71100." The transition from SIC to NAICS codes in the late 1990's breaks the consistency of the SBA data. It appears that the NAICS code classification captures fewer establishments than the SIC classification.

To deal with the first two issues, ideally we would like to either aggregate the SBA data up to the firm level or disaggregate the nonprofit data down to the establishment level. We could then subtract the number of births and deaths of nonprofit firms from the totals provided to arrive at an estimate for the for-profit firm births and deaths. Unfortunately, neither dataset allows for aggregation or disaggregation at this time although we hope to take account of this in future versions of the paper. Despite this limitation, we still subtract the number of nonprofit births and deaths from the SBA totals. We introduce additional measurement error due to the lack of aggregation, but we believe this to be minimal since nonprofits are less likely to have multi-establishment firms. In addition, Dunne, Roberts, and Samuelson (1988) find that most firms are not multi-plant firms. The third issue implies that the entry and exit rate in the transition year (1997 to 1998) are likely underestimated. Further investigation is required to also assess whether nonprofits and for-profits are excluded in the same proportion due to the transition. We intend to pursue this investigation in future versions of this paper, but for now, we only compare entry and exit rates up to the transition year (1997).

4 Preliminary Data Analysis

In Table 2, we examine entry and exit rates averaged across industries. Due to the possible filing compliance issues of nonprofits discussed earlier, we only calculate exit rates up to 1999. We see that entry rates have remained relatively

stable over time at around 5 % across industries. In general, the average entry rate is lower since the mid to late 1990s than earlier in the decade. The exit rate is consistently lower than the entry rate but rising over time. Thus, the lower entry rate seems to coincide with a higher exit rate.

Table 3 shows the rates averaged across time for each 1-digit NTEE industry level. Once again, we find that entry rates are higher than exit rates across all industries. Environmental, public safety, and international organizations experienced the largest entry over this time period while nonprofits involved in health-related fields (NTEEs G and E) had the smallest entry rate. As we discussed earlier, health-related fields have large fixed costs and rapid technological change creating barriers to entry. Interestingly, religious and international organizations have experienced a large degree of turnover. They have both high entry rates and the highest exit rates. Food and housing related nonprofits have been some of the most stable. Their entry and exit rates are low relative to the average.

Averages across industries and across time may obfuscate some of the entry and exit patterns. Thus, Tables 4 and 5 respectively examine entry and exit rates for 4 of the largest nonprofit sectors–Arts, Education, Health, and Human Services. We find that education has the highest average entry rate. Arts organizations have the highest degree of entry variation over time while human services has the lowest degree of variation. For these more established sectors, the entry rates do not show the pattern exhibited in Table 2 of declining entry rates after 1995. For exits, however, we do observe increasing exit rates over time. Art-related nonprofits have the highest level of exit but the health sector has the highest variation in exits. The spike of exits for hospital and health service providers in 1995-1997 coincides with the wave of mergers and nonprofit-to-for-profit conversions of hospitals.

The findings above indicate possible correlation between entry and exit rates within the same year. Table 6 investigates this possibility. We find a high positive correlation between entry and exit for 1990-1995 and 1999 but no significant correlation from 1996-1998. The latter result is due to the trend of increasing exit rates and declining entry rates over this time period. However, it appears that these opposing trends are not significant. The former trend however suggests churning in the nonprofit sector similar to results from for-profit studies. The relative magnitude of such churning is investigated in Table 8.

Closer examination of nonprofit entrants in Table 7 indicates that most nonprofits survive after entry. Of 118,377 new NP firms, approximately 12% exit prior to 2003. This percentage of exits is remarkably low relative to the findings in the for-profit sector that 60% of new firms exit in the first 5 years (Dunne *et al.*, 1988). Conditional on exiting, more than 75% exit within 5 years of entry and almost half exit within 2 years. Over 40% of those exiting are in the 4 largest sectors of Arts, Education, Health, and Human Services. This result indicates that survival for new entrants is more difficult in well established industries.

Table 8 presents the entry and exit rates for both nonprofit and for-profit performing arts organizations. As we discussed earlier, our estimates of for-profit

entry and exit are likely overestimated relative to the nonprofit calculations because the for-profit results are at the establishment level. However, unless more than half of the for-profit entrants and exitors arise from multi-establishment firms, it appears that both for-profit entry and exit rates are higher than for nonprofit firms. This pattern is consistent across all years. This finding gives credence to Ben-ner's (1986) theory that NPs entry costs are higher. However, as we saw in Table 4, entry declines for nonprofit performing arts firms over the sample period. However, the nonprofit exit rates also decrease over time with the exception of a spike in exits for 1996. In contrast, for-profit entry and exit seems more consistent across time. One striking feature of this comparison is the ratio of entry to exit. For nonprofits, the rate of entry is much higher than the rate of exit. Whereas for-profits have very similar rates. This finding suggests that the rate of turnover is much higher for for-profit firms than for nonprofits. Perhaps nonprofits are more reluctant to enter, but once they do, they are less likely to exit. Of course, given that this comparison only looks at one particular sector, we cannot extrapolate to other industries. An investigation of such differences appears warranted though.

5 Conclusion

This paper contributes to our understanding of NPs by examining their entry and exit behavior. In addition, we compare this behavior with for-profits in the performing arts sector. We find that exit rates are almost always lower then entry rates both across time and across nonprofit industries. Our results also show entry rates declining over time while exit rates have increased. There is some variation in entry and exit across industries. In particular, entry rates are more stable in the well-established sectors of arts, education, health, and human services, but new firms are less likely to succeed in these industries.

In contrast to for-profit studies, the likelihood of survival for new nonprofits appears much larger. We find some evidence of churn in nonprofit firms, but, in comparison to for-profit performing arts organizations, nonprofits exhibit a much lower degree of turnover. These findings warrant additional investigation. What drives these differences between ownership types? Can variation in individual firm characteristics explain the higher survival probabilities and lower turnover in nonprofits or are these differences systematic to the ownership structures? In this version of the paper, we provide a descriptive analysis of nonprofit entry and exit behavior. Future versions will explore such questions by controlling for firm-level characteristics and the tax advantages provided to nonprofit firms.

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Table 1

NTEE Industry Classification and Number of Firms

		1989		2003	
NTEE Code	Description	N	Percent	N	Percent
A	Arts, Culture, and Humanities	14347	10.91	30440	10.61
B	Education	19166	14.57	51991	18.13
C	Environmental Quality, Protection, and Beautification	1791	1.36	6319	2.2
D	Animal-Related	1600	1.22	4791	1.67
E	Health	15178	11.54	21979	7.66
F	Mental Health, Crisis Intervention	5164	3.93	7628	2.66
G	Diseases, Disorders, Medical Disciplines	3313	2.52	4993	1.74
H	Medical Research	1102	0.84	2284	0.8
I	Crime, Legal Related	2325	1.77	5040	1.76
J	Employment, Job Related	2537	1.93	3772	1.32
K	Food, Agriculture, and Nutrition	1443	1.1	2646	0.92
L	Housing, Shelter	5284	4.02	14801	5.16
M	Public Safety	1198	0.91	4639	1.62
N	Recreation	6462	4.91	19968	6.96
O	Youth Development	4138	3.15	8100	2.82
P	Human Services-Multipurpose and Other	21946	16.69	40260	14.04
Q	International, Foreign Affairs, and National Security	1231	0.94	3029	1.06
R	Civil Rights, Social Action, Advocacy	819	0.62	1991	0.69
S	Community Improvement, Capacity Building	4935	3.75	11821	4.12
T	Philanthropy, Voluntarism, and Grantmaking	6026	4.58	16749	5.84
U	Science and Technology Research Institutes, Services	1058	0.8	1733	0.6
V	Social Science Research Institutes, Services	479	0.36	748	0.26
W	Public, Society Benefit- Multipurpose and Other	1076	0.82	2086	0.73
X	Religion Related, Spiritual Development	6053	4.6	16302	5.68
Y	Mutual/Membership Benefit Organizations, Other	435	0.33	649	0.23
Z	Unknown	2403	1.83	2054	0.72

Source: The Urban Institute

Table 2

Entry and Exit Rates Over Time

Year	Entry Rate	Exit Rate
1990	5.63%	1.75%
1991	5.44%	2.21%
1992	5.48%	2.36%
1993	5.25%	2.51%
1994	5.11%	2.88%
1995	5.68%	3.57%
1996	5.13%	3.34%
1997	4.52%	3.57%
1998	4.20%	3.46%
1999	5.08%	3.40%
2000	5.05%	N.A.
2001	4.77%	N.A.
2002	5.15%	N.A.
2003	4.20%	N.A.

Table 3

Entry and Exit Rates Across Industries

NTEE	Entry Rate	Exit Rate
A	4.40%	2.93%
B	5.00%	2.75%
C	7.23%	3.23%
D	5.28%	2.01%
E	3.44%	2.52%
F	3.62%	2.66%
G	3.46%	2.78%
H	6.11%	3.51%
I	5.18%	2.90%
J	3.58%	2.47%
K	3.79%	1.96%
L	4.54%	1.89%
M	8.81%	2.15%
N	6.48%	3.40%
O	4.79%	2.58%
P	4.21%	2.34%
Q	7.14%	4.18%
R	5.81%	3.39%
S	6.07%	3.71%
T	7.12%	3.06%
U	4.70%	3.41%
V	4.44%	3.07%
W	5.54%	3.60%
X	7.06%	5.11%
Y	3.31%	3.27%

Table 4

Entry Rates for Specific Industries Across Time

Year	A	B	E	P
1990	5.30%	4.85%	3.85%	4.66%
1991	4.83%	4.22%	3.66%	4.87%
1992	4.61%	4.75%	3.54%	4.72%
1993	4.29%	4.91%	3.75%	3.94%
1994	3.76%	4.93%	3.73%	3.53%
1995	5.28%	5.56%	3.88%	4.02%
1996	4.66%	5.38%	4.01%	4.50%
1997	3.97%	4.48%	3.09%	4.06%
1998	3.61%	4.57%	2.98%	3.98%
1999	4.45%	5.59%	3.73%	4.43%
2000	4.64%	5.74%	3.15%	4.30%
2001	3.95%	4.97%	2.74%	3.89%
2002	4.58%	5.51%	3.46%	4.34%
2003	3.68%	4.62%	2.57%	3.72%
Average	4.40%	5.00%	3.44%	4.21%
Stan Dev.	0.0055	0.0047	0.0045	0.0039

Table 5

Exit Rates for Specific Industries Across Time

Year	A	B	E	P
1990	1.95%	1.41%	1.20%	1.19%
1991	2.37%	2.15%	1.32%	1.40%
1992	2.59%	2.11%	1.43%	1.77%
1993	2.61%	2.40%	2.07%	1.89%
1994	2.75%	2.62%	2.86%	2.28%
1995	3.19%	3.22%	3.45%	2.94%
1996	3.42%	3.47%	3.22%	2.75%
1997	3.56%	3.31%	3.62%	3.23%
1998	3.43%	3.42%	3.32%	3.14%
1999	3.46%	3.42%	2.68%	2.83%
Average	2.93%	2.75%	2.52%	2.34%
Stan Dev.	0.0055	0.0072	0.0094	0.0074

Table 6

Correlation between Entry and Exit

Year	Correlation	p-value
1990	0.4123	0.0364
1991	0.5411	0.0043
1992	0.6157	0.0008
1993	0.6112	0.0009
1994	0.7372	<.0001
1995	0.6844	0.0001
1996	0.1138	0.5800
1997	0.1036	0.6145
1998	0.2325	0.2530
1999	0.6088	0.0010

Table 7

Characteristics of Entrants that Exit

Exit	N	Percent
0	103635	87.55
1	14742	12.45

Years of Life	Frequency	Percent
1	3640	24.69
2	2944	19.97
3	2408	16.33
4	1792	12.16
5	1309	8.88
6	999	6.78
7	676	4.59
8	516	3.5
9	297	2.01
10	143	0.97
11	16	0.11
12	2	0.01

Table 7

Characteristics of Entrants that Exit (cont'd)

NTEE	Frequency	Percent
A	1392	9.44
B	1800	12.21
C	352	2.39
D	112	0.76
E	1208	8.19
F	503	3.41
G	349	2.37
H	150	1.02
I	277	1.88
J	229	1.55
K	109	0.74
L	502	3.41
M	145	0.98
N	1060	7.19
O	374	2.54
P	1988	13.49
Q	280	1.9
R	139	0.94
S	839	5.69
T	766	5.2
U	156	1.06
V	52	0.35
W	188	1.28
X	984	6.67
Y	59	0.4

Table 8

Entry and Exit of Performing Arts Organizations

Year	NP Entry	NP Exit	FP Entry	FP Exit
1990	5.89%	2.02%	13.41%	12.99%
1991	6.65%	2.19%	14.94%	12.61%
1992	6.65%	2.17%	14.17%	13.23%
1993	6.21%	2.06%	13.03%	14.44%
1994	5.04%	1.73%	12.44%	12.42%
1995	5.32%	1.81%	16.30%	11.70%
1996	4.63%	2.25%	14.92%	13.52%
1997	3.01%	1.98%	13.61%	12.37%