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California Foundations 2004: Trends and Patterns

The 1990s was a period of robust growth among California foundations and foundation philanthropy in the state as was documented in the 1999 baseline analysis of California foundations. Since then, a number of events have slowed the momentum. *California Foundations 2004: Trends and Patterns* examines changes in the size, growth, and structure of California foundations as well as the changing patterns in foundation capacity and grantmaking across the regions of the state over the 1999-2004 period.

This update reveals that California foundations have weathered the downturn and are now returning to the peak asset levels from earlier in the period and an increased pace in the growth of giving. The capacity and reach of foundations within the state continue to be concentrated in the Bay Area and Los Angeles. In addition, several distinctive features of California's foundation sector remain, such as the relative importance of community foundations, the continuing legacy of health care conversions, and the relatively strong interest of California funders in the environment.



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This summary provides highlights from *California Foundations 2004: Trends and Patterns*. This research project was completed in cooperation with The Foundation Center. The full report is available online at www.usc.edu/philanthropy.

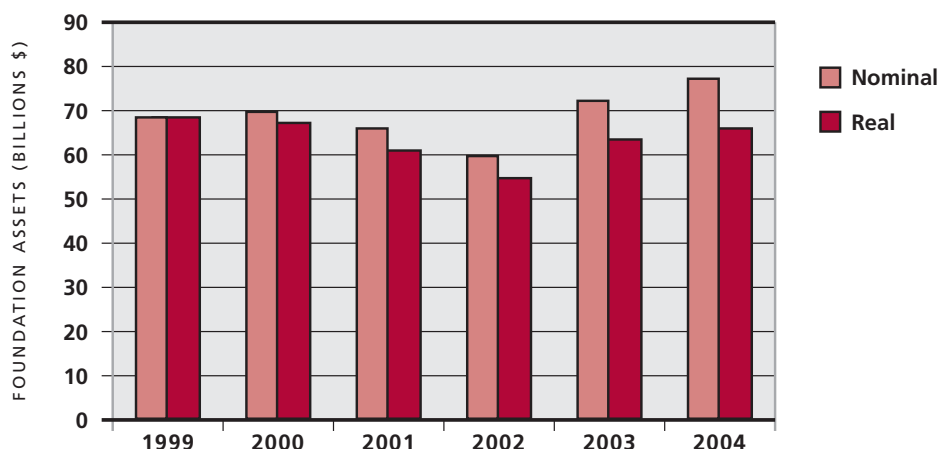
Trends in Growth and Composition

The analysis of California foundations in 1999 revealed a sector that had undergone significant growth and that was distinct in its structure and composition. The portrait of California foundations in 2004 indicates that they have weathered the downturn of 2001-2002 and it confirms some of the previously identified distinctive features of the foundation sector.

After reaching a peak in foundation assets in 2000, the fortunes of California foundations dipped but are now rebounding. And although foundation giving had slowed, it is beginning to accelerate.

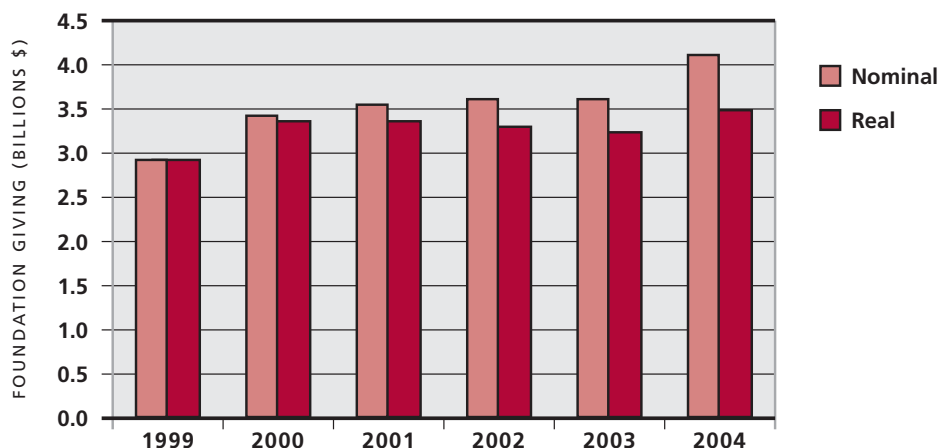
There were 6,242 foundations in the state in 2004, a 48 percent increase from the 4,208 foundations that existed in 1999. In the aggregate, the state's foundations held assets of \$77.4 billion and made grants totaling \$4.1 billion in 2004, increases from 1999 of 13 percent and 40 percent in nominal terms, respectively (see Figures 1 and 2). When adjusted for inflation, assets declined by 2 percent, while giving increased by 21 percent over the 1999-2004 period.

Figure 1. California foundation assets, 1999 – 2004



Source: The Foundation Center, *Foundation Yearbook*, 2001 - 2006.

Figure 2. California foundation giving, 1999 – 2004



Source: The Foundation Center, *Foundation Yearbook*, 2001 - 2006.



California foundations absorbed a greater jolt in their fortunes over the past five years than did foundations nationwide, and the prognosis for long term growth is strong. Despite the decline in foundation assets over the 1999 to 2004 period, California remains in second place nationwide in terms of number of foundations, level of assets, and amount of giving. The only state with a greater philanthropic presence than California is New York. In 2004, the number of foundations in California represented 9.2 percent of all U.S. foundations, 15.2 percent of the assets of U.S. foundations, and 12.7 percent of the total giving of U.S. foundations. These relative shares are essentially identical to those from five years earlier.

The creation of new foundations continues to fuel, in part, the growth of California's foundation sector. Based on data on foundations with at least \$1 million in assets or making grants of \$100,000 or more, 25 percent of California foundations have been created since 1999 and 72 percent have been established since 1990. Although some of these new foundations are remarkably large in terms of assets and giving, most of these relatively young foundations are rather modest in size with considerable potential to grow as founding donors age and transfer their wealth into their foundations' endowments.

California foundations remain highly concentrated in size, even more so than foundations nationally. A small number of foundations hold the majority of assets and account for a substantial share of giving in the state. In 2004, there were 35 foundations with assets of \$250 million or more. These foundations accounted for 63.2 percent of assets and 47.5 percent of giving. At the other end of the spectrum, there were 3,831 foundations with assets of \$1 million or less in 2004. These foundations accounted for 1.3 percent of assets and 9.1 percent of all foundation giving.

The important role of community foundations in the composition of California foundations has been reinforced in the last five years. Community foundations represented less than 1 percent of all California foundations in 2004, yet assets increased by 27 percent to account for over 6.9 percent of assets, and giving increased by 46 percent to account for 13.9 percent of giving among all foundations in the state. Corporate foundations in the state continue to play a more modest role, accounting for only 5 percent of all foundation giving in the state in 2004 as in 1999. In contrast, on a national basis, corporate foundations accounted for about 10 percent of total giving in these years. Independent foundations continue to account for the great majority of foundation numbers, assets, and giving in California as well as nationally.

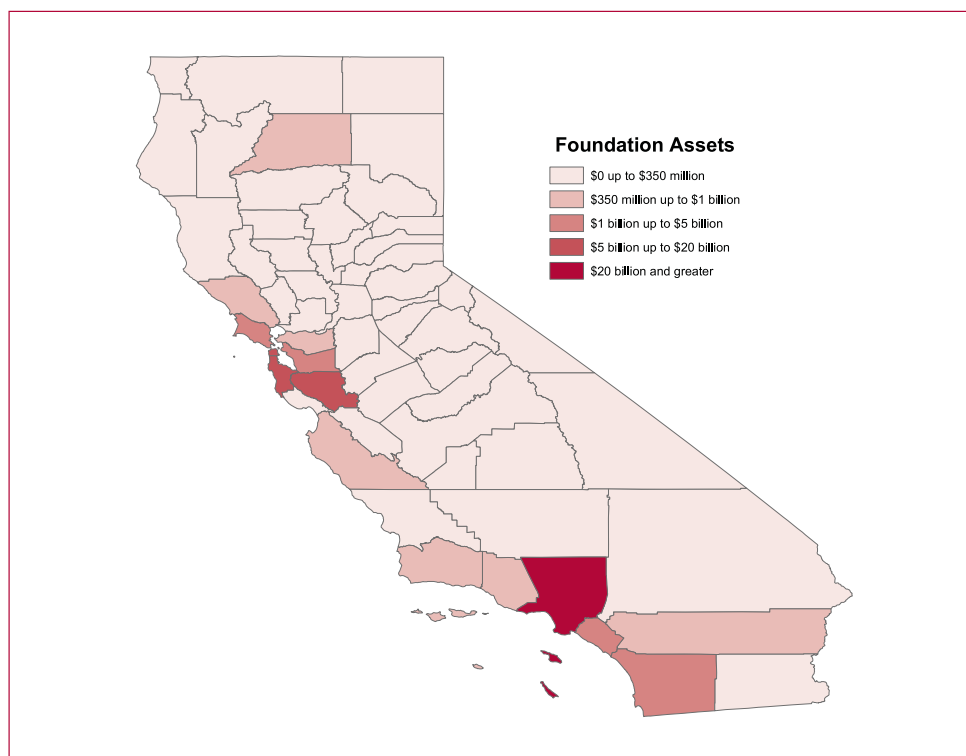
Distribution of Foundation Capacity

Foundation capacity within the state continues to be highly concentrated in the Bay Area and Los Angeles regions. The foundations in the ten counties that comprise these two regions represented 68 percent of the number of California foundations, 89 percent of the assets of California foundations (see Figure 3), and 85 percent of the total giving of all foundations in 2004, down slightly from 89, 91, and 87 percent, respectively, in 1999.

Foundations in the Central Coast region recorded the highest percentage growth, with their total giving increasing from 2.5 percent of the state's giving in 1999 to 4.2 percent in 2004. Furthermore, there was noticeable growth in capacity in the Sierra region, which saw large percentage increases in assets and total giving, albeit on very small 1999 base levels.

The Los Angeles and North Coast & State regions generally declined in relative capacity over this five-year period. Los Angeles' share of the number of foundations declined from 37 to 34 percent and giving declined from 38 to 31 percent, though its relative share of assets remained constant at 40 percent. For the North Coast & State region, with its smaller base, its share in the number of foundations and in assets decreased slightly. But, the decline was most notable in giving, as North Coast & State foundations decreased giving by 19 percent while state-wide giving increased 21 percent.

Figure 3. Foundation assets, 2004



Source: The Foundation Center, *Foundation Yearbook*, 2006.

Grantmaking Patterns and Priorities

Analysis of grants made to California recipients by a sample of 119 larger California foundations reveals some noteworthy patterns in the grantmaking of California foundations.

California foundations direct the majority of their grantmaking to recipients in the state, though the share of grant dollars to in-state recipients continues to decline. In 2004, 64 percent of the grant dollars of this sample of California funders went to California nonprofits, a decline from 70 percent from a sample of California foundations five years earlier, and 74 percent in 1991. This reflects the trend among some of the state's largest foundations to play an expanded role on the national and international scene.

Top funding priorities of California foundations continue to be health and education. California foundations directed the greatest share of their grant dollars to health (24 percent) and education (19 percent). One notable difference in the funding priorities from five years ago is the increase in grant dollars going to public/societal benefit causes such as civil rights, community development, philanthropy and volunteerism, and public affairs, up from 7.7 percent to 11 percent. At the same time, grant dollars going to human services fell 15 percent to 11 percent. Funding for both the environment and arts and culture remained constant, each accounting for 11 percent of grant dollars.

In terms of differences in relative importance between the funding priorities of California foundations and all U.S. foundations, health has remained the top priority in the state with education second, while nationally, education has consistently been the top priority with health second. In addition, the environment continues to be a distinct priority of California foundations and, to a lesser extent, science and technology.

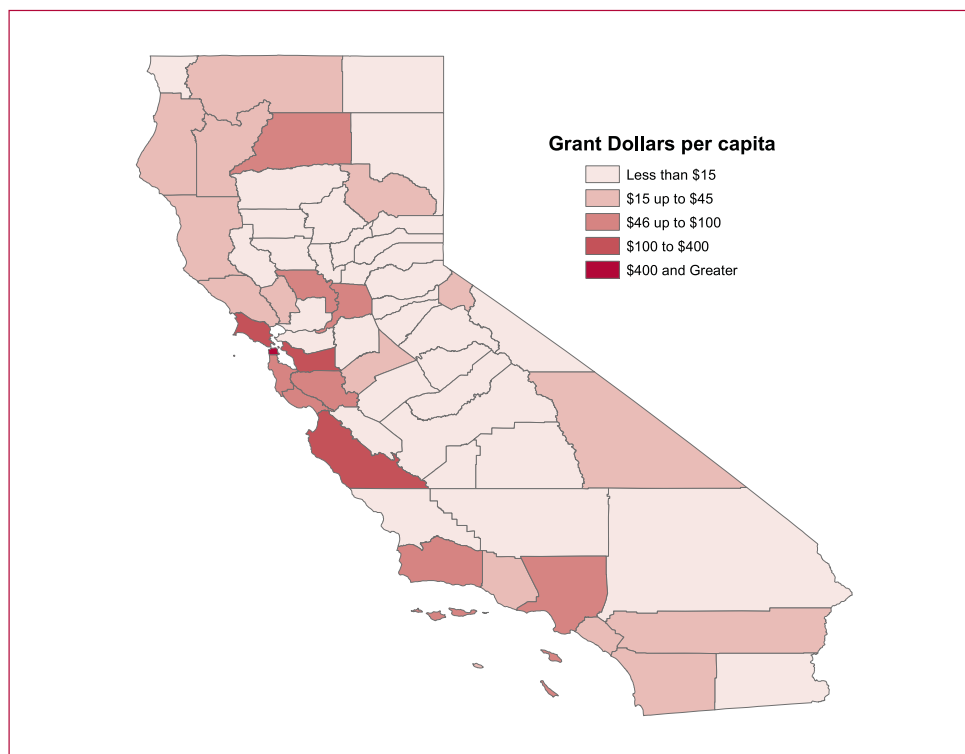


The Reach of Foundation Philanthropy

An examination of grants made to California recipients by a sample of over 1,000 of the larger foundations in the U.S., including 119 from California, is instructive in understanding how foundation grantmaking reaches the regions and communities of California.

The reach of foundation philanthropy within the state, like foundation capacity, continues to be highly concentrated. Grant recipients in the Bay Area and Los Angeles regions, together, received almost 77 percent of the grant dollars of the 2004 grant sample of \$1.9 billion, comparable to five years earlier. This concentration is reflected in the wide disparity in grant dollars received per capita (see Figure 4). While grant dollars received by California recipients averaged \$52 per capita, the Bay Area region received \$121 per capita, and Los Angeles received \$61 per capita. No other region received more than the state per capita average. The disparities also exist in terms of grant dollars received per nonprofit. The average grant per nonprofit in the state was \$51,785, with the Bay Area averaging \$81,265 and Los Angeles averaging \$66,691.

Figure 4. Grant dollars received per capita, 2004



Source: The Foundation Center, *California Foundations*, 2006.

The Center on Philanthropy and Public Policy promotes more effective philanthropy and strengthens the nonprofit sector through research that informs philanthropic decision making and public policy to advance public problem solving. Using California and the West as a laboratory, the Center conducts research on philanthropy, volunteerism, and the role of the nonprofit sector in America's communities. The Center communicates its findings and convenes leaders from the philanthropic, nonprofit, and policy communities to help them identify strategies for action.

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Summary

California foundations have essentially weathered the decline in their fortunes in the intervening years since the baseline analysis was conducted. The number of foundations continues to grow, foundation giving is rebounding, and foundation assets are almost back in real terms. And the long term prospects are bright. With a quarter of California foundations having been created since 1999, and 72 percent since 1990, there is reason to be optimistic that these relatively young foundations will grow in the future as new additions are made to their endowments and the expanded presence of community foundations provide the infrastructure for philanthropy across the regions of the state. However, the growth trajectory of philanthropy is unlikely to be smooth. Actions to realize its full potential and to ensure a better spatial match between philanthropy and community needs are likely to have a payoff in realizing the promise of philanthropy. But that will require strategic and concerted action by the philanthropic community.

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