

The Center on Philanthropy & Public Policy

*In Cooperation with The Foundation Center*



**CALIFORNIA  
FOUNDATIONS:  
TRENDS AND PATTERNS**

ABOUT THE  
CENTER ON  
PHILANTHROPY AND PUBLIC POLICY

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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.

In order to make the research a catalyst for understanding and action, the Center encourages communication among the philanthropic, nonprofit and policy communities. This is accomplished through a series of convenings and conversations around research findings and policy issues to help key decision makers work together more effectively to solve public problems and to identify strategies for action.

ABOUT THE  
FOUNDATION CENTER

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The Foundation Center's mission is to support and improve institutional philanthropy by promoting public understanding of the field and helping grantmakers succeed. To achieve its mission, it:

- Collects, organizes, and communicates information on U.S. philanthropy
- Conducts and facilitates research on trends in the field
- Provides education and training on the grantseeking process
- Ensures public access to information and services through its World Wide Web site, print and electronic publications, five library/learning centers, and a national network of cooperating collections

Founded in 1956, the Center is the nation's leading authority on institutional philanthropy and is dedicated to serving grantseekers, grantmakers, researchers, policymakers, the media, and the general public.

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## ABOUT THE AUTHORS

**James M. Ferris** holds the Emery Evans Olson Chair in Nonprofit Entrepreneurship and Public Policy in the School of Policy, Planning, and Development at the University of Southern California. He directs The Center on Philanthropy and Public Policy. Professor Ferris specializes in the economics of the public and nonprofit sectors, public finance, and public policy. His research examines the shifting roles of the public, nonprofit and for-profit sectors in governance and the economy. He has done extensive work on public service delivery, focusing on the contracting decisions of local governments and strategies to improve public sector performance through competition, decentralization and privatization. He is currently investigating the causes and consequences of the conversion of healthcare organizations from nonprofit to for-profit status and the implications for the nonprofit role in healthcare; the changing landscape of philanthropy; and intersectoral alliances for urban problem solving.

**Marcia K. Sharp** is a research fellow of The Center on Philanthropy and Public Policy, and principal of Millennium Communications Group in Andover, Massachusetts. Her work focuses on the role of communications in organizational change and transformation within the nonprofit sector. She is currently leading the "Marco Polos in a New Landscape" project, a California-based exploration of the new work of communications in foundations, as they develop new strategies for leadership and asset development in the complex and collaborative landscape of today's public problem solving. She has also studied and written about strategies that nonprofits can employ for growth and survival as newer non-institutional "life forms" for social action emerge in the information age.

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## FOREWORD

With the increased scale, pace and complexity of philanthropy over the past decade, The Center on Philanthropy and Public Policy has been working to document, track and understand the changing philanthropic landscape in California. A critical element of that effort has been to understand the capacity of California foundations and the impact of foundation philanthropy on the people and communities of California.

While there are a number of new institutions and structures for philanthropy, the philanthropic foundation has been, is, and will continue to be one of the focal points of philanthropy. The Center sought to develop a baseline analysis of California foundations, given the limited information that was available. The analysis enables us to better understand California foundations — their size, scope and reach. And it also raises questions about how they might chart a future that increases the impact of their philanthropic assets.

This report is the final publication of the baseline analysis of California foundations, and provides a benchmark for future analysis of California foundations. It draws primarily on the analysis reported in two publications from the project:

- *California Foundations: A Profile of the State's Grantmaking Community*, the detailed analysis of trends over the 1990s, written by Steven Lawrence and published by The Foundation Center in December 2001.
- “An Atlas of Foundation Philanthropy in California, 1999,” the mapping of California foundations and the grantmaking patterns of foundation giving in the state, written by James M. Ferris and Elizabeth Graddy and issued as a research paper of The Center on Philanthropy and Public Policy in January 2002.

The baseline analysis project has been done in collaboration with The Foundation Center and funded by The James Irvine Foundation. The Center would like to acknowledge the contributions of Steven Lawrence and Loren Renz of The Foundation Center, Elizabeth Graddy, a Center faculty fellow, who supervised the spatial analysis undertaken by the USC Geographic Information Systems Lab, and Jeremy Scharfenberg for his able research assistance. In addition, a special thanks to members of the project's advisory group: Lucy Bernholz, Lon Burns, Miyoko Oshima, Charles Slosser, Russy Sumariwalla, and Caroline Tower. They gave invaluable advice in the conceptualization and implementation of the project, and generously shared their insights on California's foundation community.

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Director

The Center on Philanthropy and Public Policy

\*Other publications of the project include: *California Foundations: A Snapshot*, The Center on Philanthropy and Public Policy, February 2001; and the related research paper, “California Foundations, 1998: A Statistical Profile,” Research Paper 7, The Center on Philanthropy and Public Policy. They offer an initial analysis based on 1998 data, whereas the more recent reports are based on 1999 data.

## INTRODUCTION

California has experienced phenomenal growth in philanthropy — its scale, its pace and its complexity — in the last decade. This is reflected in the trends and patterns of California philanthropic foundations, one of the state’s principal and most enduring institutions of philanthropy.

Over the past two decades, California foundations have emerged as an important force on the philanthropic landscape within the state and on the national scene. California foundations outpaced the national average in growth of numbers, assets, and giving in the late 1970s and the early 1980s. In the 1990s, California foundations once again experienced significant growth, accelerating throughout the decade. This growth, along with that in other Western states, has created a westward tilt in foundation philanthropy.

This report summarizes foundation trends and patterns across California to provide a comprehensive baseline for tracking the future development of the state’s foundation sector and understanding its potential. The analysis focuses on trends in the 1990s in terms of foundation size and growth, the structure of the foundation sector in terms of size concentration and composition by foundation types, and the funding priorities as revealed by foundation grantmaking.<sup>1</sup> In addition, it examines the current patterns of foundation philanthropy across the regions and counties of the state, with a particular focus on the spatial distribution of California foundations, their assets and their formation, and the regions and communities where foundation giving is directed within the state.<sup>2</sup>

Three distinct themes dominate the story of California foundations in the 1990s:

- Record growth in foundation numbers, assets and giving.
- Manifestations of new philanthropic resources such as health conversion foundations, community foundations and family foundations.
- Concentration of assets and grantmaking, and their growth in the San Francisco Bay area, including the Silicon Valley, thereby reinforcing the identification of new philanthropy with the new economy.

Each theme is important for understanding California foundations and for considering the future of foundation philanthropy in and beyond the state.

<sup>1</sup>The trend analysis draws on *California Foundations: A Profile of the State’s Grantmaking Community*, The Foundation Center, 2001.

<sup>2</sup>The spatial analysis draws on “An Atlas of Foundation Philanthropy in California, 1999,” Research Paper 9, The Center on Philanthropy and Public Policy, January 2002.

# THE SIZE AND GROWTH OF CALIFORNIA FOUNDATIONS<sup>3</sup>

The assets and giving of California foundations more than tripled during the 1990s, and more than doubled in the second half of the decade alone. In 1999, the state had 4,208 grantmaking foundations, with over \$68 billion in assets and total giving of nearly \$2.9 billion. This is up from 2,702 foundations, with \$19.6 billion in assets and total giving of \$893 million in 1991; and 3,285 foundations with total assets of \$29.8 billion and total giving of \$1.3 billion in 1995 (Table 1).<sup>4</sup>

The growth in California foundations has outpaced nationwide growth, contributing to a westward tilt in the nation's foundation sector. In 1999, California foundations accounted for 8.1 percent of U.S. foundations, and represented 15.2 percent of total assets and 12.4 percent of total giving in the United States. Although California's share of all foundations has remained unchanged since 1991, the share of total assets is up from 12 percent, and total giving is up from 9.7 percent in that same year (Figure 1).

California now ranks second only to New York in share of number of foundations, foundation assets and foundation giving.<sup>5</sup>

<sup>3</sup>Source: The Foundation Center, *California Foundations*, 2001. Data sources utilized include: questionnaires mailed out annually to more than 22,000 foundations, foundation Web sites, and 990-PF data from the IRS. Since community foundations do not file 990-PF forms, data for these entities are gathered from surveys and foundation publications. Given the variation in reporting times across data sources, the fiscal picture of the 50,201 active U.S. foundations usually contains data spanning four years. For this analysis, 70 percent or 35,149 foundation listings contained 1999 or early 2000 fiscal data, representing 85 percent of the total assets and 81 percent of the total giving reported.

<sup>4</sup>In contrast, in 1978 there were 1,643 foundations in the state with over \$2.8 billion in assets and total giving of over \$2.2 million. California foundations accounted for eight percent of foundations, seven percent of total assets, and seven percent of total giving nationwide in that year. See: The Center on Philanthropy and Public Policy, *California Foundations: A Snapshot*, 2001.

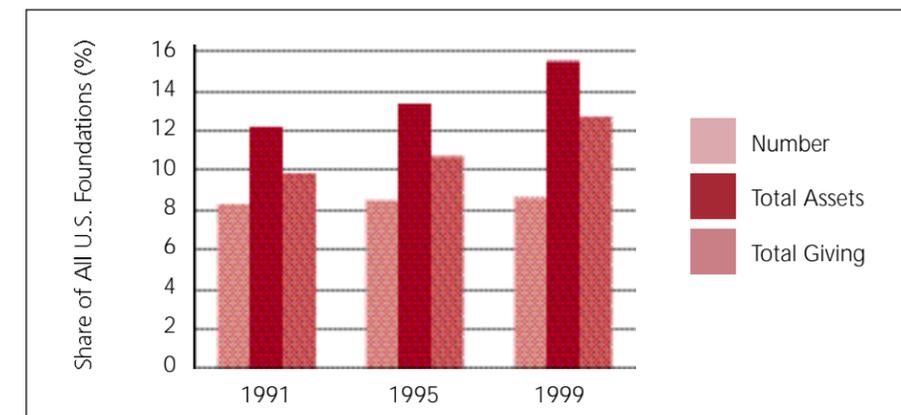
<sup>5</sup>See: The Foundation Center, *California Foundations*, 2001, p. 3-14.

Table 1. Growth of foundations: number, assets and total giving (dollars in thousands)

		California		United States	
<b>No. of Foundations</b>					
Year	Number	% Growth	Number	% Growth	
1991	2,702		33,356		
1995	3,285	21.6	40,140	20.3	
1999	4,208	28.1	50,201	25.1	
<b>Total Assets</b>					
Year	Assets	% Growth	Assets	% Growth	
1991	\$19,591,257		\$162,906,559		
1995	29,781,916	52.0	226,735,620	39.2	
1999	68,297,099	129.3	448,610,710	97.9	
<b>Total Giving</b>					
Year	Giving	% Growth	Giving	% Growth	
1991	\$893,136		\$9,210,565		
1995	1,281,087	43.4	12,261,612	33.1	
1999	2,895,548	126.0	23,321,482	90.2	

Source: The Foundation Center, *California Foundations*, 2001.

Figure 1. California's share of all U.S. foundations: number, assets and total giving

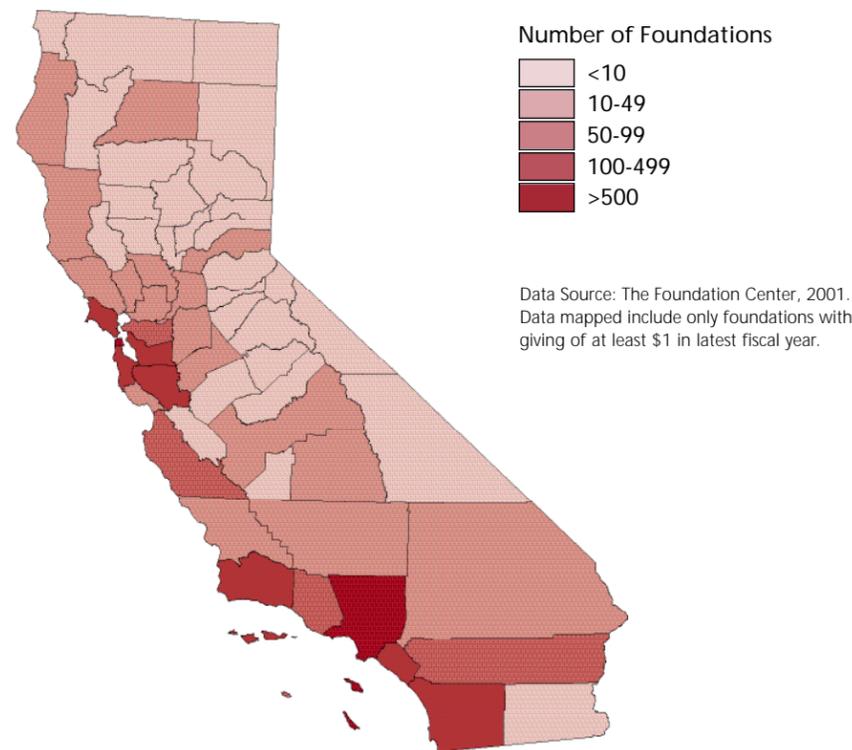


Source: See Table 1

Foundation capacity is highly concentrated in coastal southern California and the San Francisco Bay area.<sup>6</sup> The expanded number of foundations and their assets translate into a greater capacity for public problem solving through foundation grantmaking. The foundations in the nine counties included in these two regions represented 95 percent of the assets of California foundations in 1999.<sup>7</sup> Los Angeles County had 1,542 foundations, 37 percent of the state's foundations. These

foundations had assets of \$27 billion, almost 40 percent of all foundation assets statewide. The San Francisco Bay area had 1,275, or 30 percent, of the state's foundations and 51 percent of the total assets of the state.<sup>8</sup> In contrast, among California's 58 counties, seven California counties had no foundations and an additional eight had only one foundation (Figures 2 and 3).

Figure 2. Number of foundations, 1999

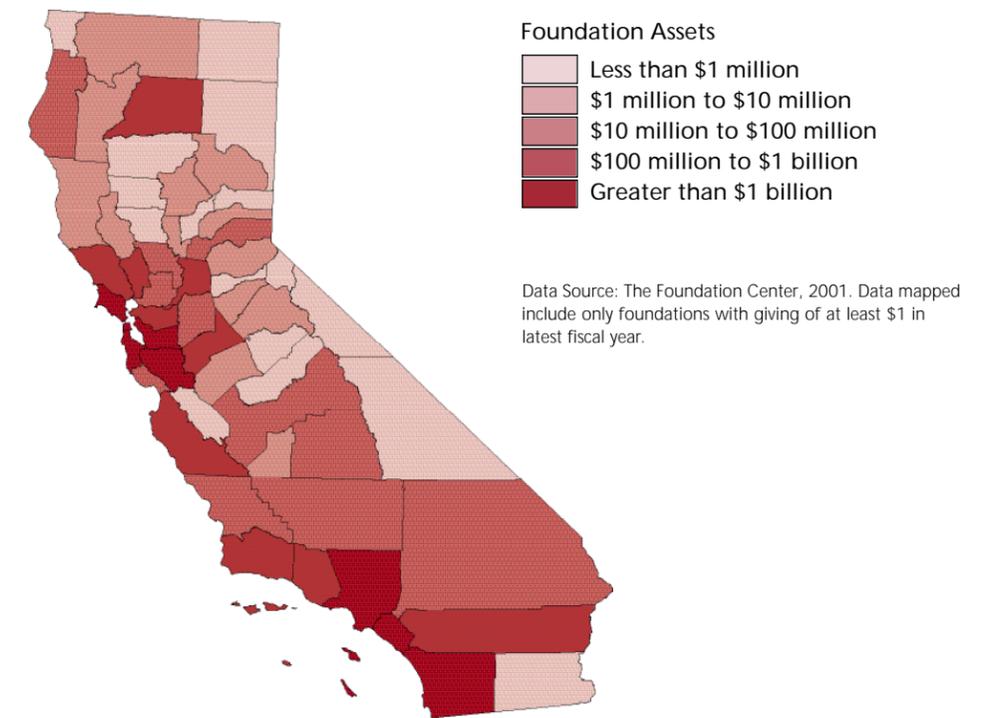


<sup>6</sup>The coastal southern California region includes Los Angeles, San Diego and Orange counties; the San Francisco Bay area includes Alameda, Contra Costa, Marin, San Francisco, San Mateo and Santa Clara counties. See: The Center on Philanthropy and Public Policy, "An Atlas of Foundation Philanthropy in California, 1999," 2002, Maps 1-5.

<sup>7</sup>These foundations also account for the great majority of grantmaking by California foundations. Of the \$2.9 billion in foundation giving by California foundations in 1999, foundations in Los Angeles County had total giving of \$1.1 billion, with foundations in Santa Clara County second with total giving of \$534 million, and foundations in San Francisco County close behind at \$469 million. Together, these three counties accounted for 92 percent of all giving. See: The Center on Philanthropy and Public Policy, "An Atlas of Foundation Philanthropy in California, 1999," Research Paper 9.

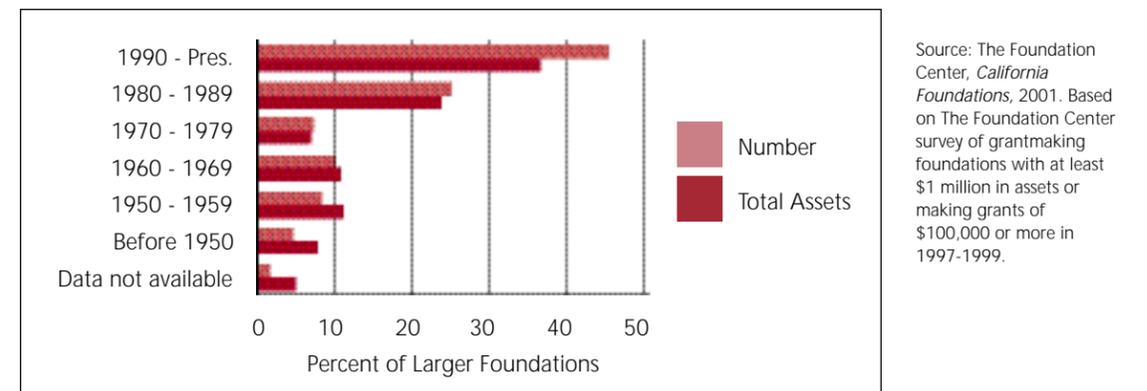
<sup>8</sup>San Francisco County has the second largest number of foundations with 586, or 14 percent.

Figure 3. Foundation assets, 1999



The growth of California foundations during the 1990s has been spurred, in part, by the formation of new foundations. Based on data on foundations with at least \$1 million in assets or making grants of \$100,000 or more, the number of foundations roughly doubled from 1,057 in 1989 to 1,943 in 1999. In fact, 42 percent of California's larger foundations have been created in the 1990s, compared to 36 percent at the national level.<sup>9</sup>

Figure 4. Share of larger foundations established by decade



<sup>9</sup>Larger is defined by The Foundation Center as foundations with assets in excess of \$1 million in 1999, or total giving of at least \$100,000 in 1999. A total of 19,500 private and community foundations met this standard for report year 1999, out of the 50,201 foundations included in The Foundation Center database. Among the 2,089 larger California foundations, establishment date was available for 1,943 or 93 percent; and among the 19,500 larger foundations nationally, establishment date was available for 18,630 or 96 percent. Data are incomplete for the period 1997-1999. Source: The Foundation Center, *California Foundations*, 2001. Figure 14, p. 18.

**The new health foundations created from nonprofit conversions are an important feature of California's foundation community.** Over the last decade and a half, 20 new foundations have been created through the conversion of nonprofit hospitals, HMOs and other healthcare organizations to for-profit status in the state; thirteen of these have been created in the 1990s, including the two largest — The California Endowment and The California Wellness Foundation. In 1999, these 20 foundations, both public and private, had assets of \$6 billion, almost 10 percent of the state's foundation assets, and they made grants of \$170 million.<sup>10</sup> They comprise more than half of the assets of all health conversion foundations nationwide.<sup>11</sup>

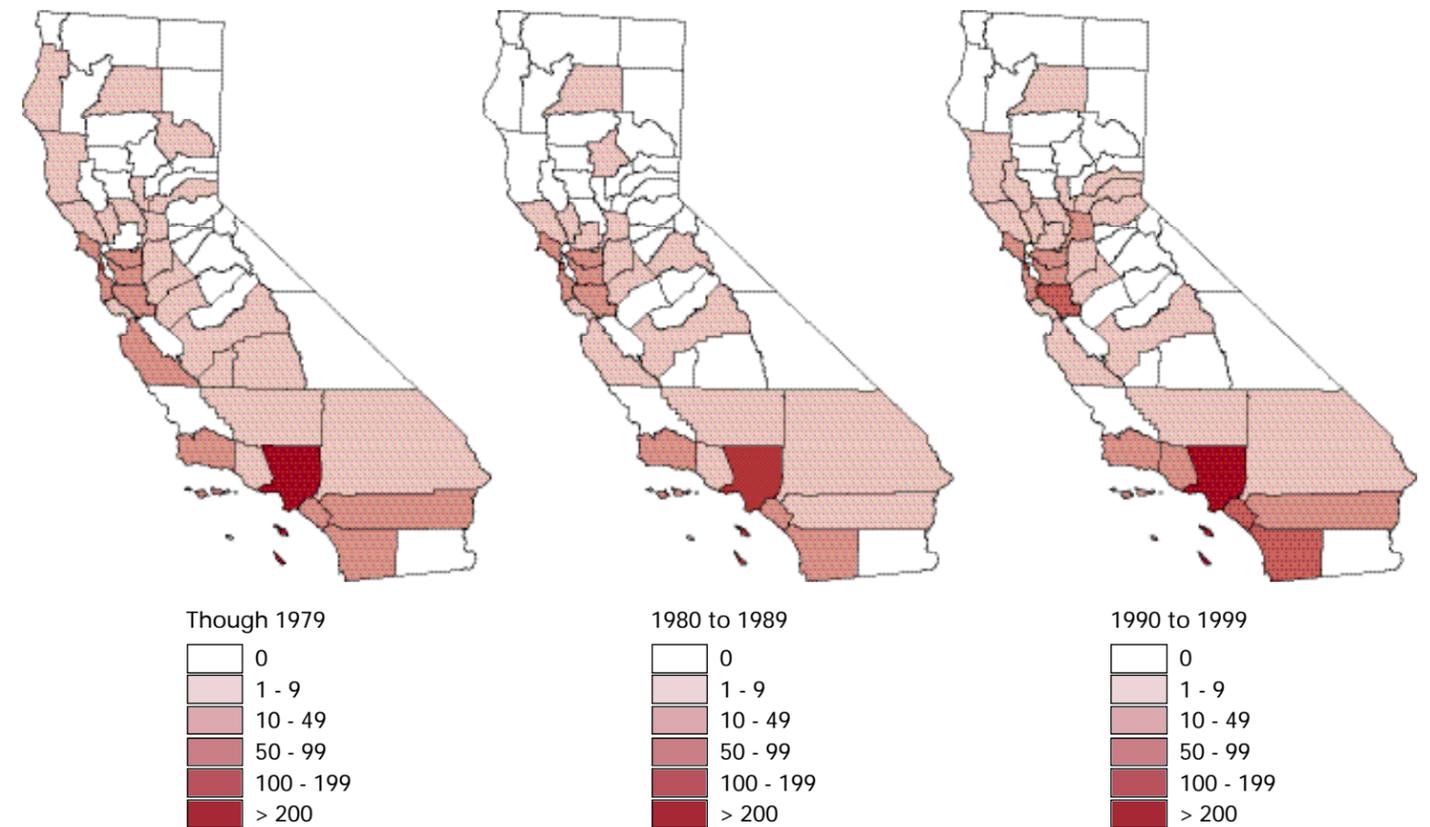
**The creation of new family foundations is an important source of foundation growth in California.** Donors or their families govern the majority of new independent foundations. The growth rate of family foundations in California during the 1990s outstripped the growth rate of foundations

overall in the state. Between 1992 and 1995, the number of family foundations increased twice as fast as all foundations in California (approximately 25 percent compared to nine percent); and from 1995 to 1999, the number again increased twice as fast (61 percent vs. 28 percent).<sup>12</sup> Most family foundations are created with modest endowments by living donors, then increase substantially in value as estates are transferred to the foundations upon death. These new family foundations represent significant potential growth in foundation assets and giving over the next two to three decades.

These new foundations range dramatically in size. Although most of the new foundations are relatively small, 16 percent of foundations with over \$100 million dollars in assets have been formed since 1990, compared to nearly 10 percent nationwide. And 35 percent of California foundations with over \$100 million dollars in assets have been created since 1980, compared with 24 percent at the national level.<sup>13</sup>

**Foundations were established during the 1990s in the same regions that already had a strong philanthropic presence.** Los Angeles County added the most foundations — 300 of the 886 large foundations created in California in the 1990s. San Francisco County had the second largest increase, adding 115 (Figure 5).<sup>14</sup> In terms of growth between 1992 and 1999, the number of foundations grew at the fastest rate in Santa Clara County, i.e. the San Jose area and the center of the Silicon Valley, and in San Diego County. The number of foundations grew 90 percent and 56 percent in those two counties, respectively, compared to the statewide average of 40 percent.<sup>15</sup>

Figure 5. Number of large foundations established by period



Data Source: The Foundation Center, 2001. Data mapped include only foundations with giving of at least \$1 in latest fiscal year.

<sup>10</sup>These are estimates; they include both private foundations and public grantmaking charities such as The California HealthCare Foundation, which is chartered as a 501(c)(4) rather than as private foundation. Source: The Center on Philanthropy and Public Policy, *Health Philanthropy in California: The Changing Landscape*, 2001.

<sup>11</sup>Source: Grantmakers in Health, *Philanthropy's Newest Members*, March 2000.

<sup>12</sup>Source: The Foundation Center, *California Foundations*, 2001. Figure A1, p. 25.

<sup>13</sup>Source: The Foundation Center, *California Foundations*, 2001; and The Foundation Center, *Foundation Yearbook*, 2001.

<sup>14</sup>See: The Center on Philanthropy and Public Policy, "An Atlas of Foundation Philanthropy in California, 1999," Research Paper 9.

<sup>15</sup>These growth rates are based on the regional analysis. See: The Foundation Center, *California Foundations*, 2001. Figure 17, pp. 73-98.

# THE STRUCTURE OF CALIFORNIA FOUNDATIONS

California's foundations are more concentrated in size than foundations nationally. A small number of California foundations hold the majority of assets and account for a substantial portion of grantmaking. The 33 largest California foundations, each with assets of over \$250 million, accounted for 68 percent of all assets and 53 percent of total giving in 1999. Foundations with assets over \$250 million accounted for 53 percent of total assets, and 39 percent of total giving nationally. At the other end of the size spectrum, there were 2,428 foundations — over half of California's foundations — that each had assets of less than \$1 million and that in aggregate comprised six percent of giving and one percent of assets. In between the two extremes, there were 1,777 foundations with assets between \$1 million and \$250 million (Table 2).

The decisions of a few players can have a dramatic impact on the foundation trends and patterns in the state. Nine of California's foundations have assets in excess of \$1 billion — The David and Lucile Packard Foundation, J. Paul Getty Trust, The California Endowment, The William and Flora Hewlett Foundation, W.M. Keck Foundation, Packard Humanities Institute, The James Irvine Foundation, The Marin Community Foundation, and the California Wellness Foundation. These foundations account for 52 percent of the total assets and 32 percent of total giving in California, compared to 37 percent and 25 percent, respectively, nationwide. The size distribution of foundations is skewed, even more so than nationally, which suggests caution in deriving general implications from trends that may be, in fact, driven by the behavior of one or just a handful of foundations.

Table 2. Foundations by asset category, 1999 (dollars in thousands)

	California		United States	
<b>Number of Foundations</b>				
Asset Category	Number	%	Number	%
\$1 billion+	9	0.2	48	0.1
\$250 million to \$1 billion	24	0.6	158	0.3
\$50 million to \$250 million	96	2.3	839	1.7
\$10 million to \$50 million	307	7.3	3,204	6.4
\$1 million to \$10 million	1,344	31.9	15,161	30.2
\$0 to \$1 million	2,428	57.9	30,791	61.3
Total	4,208	100.0	50,201	100.0
<b>Assets of Foundations</b>				
Asset Category	Assets	%	Assets	%
\$1 billion+	\$35,549,760	52.1	\$164,808,753	36.7
\$250 million to \$1 billion	11,079,966	16.2	72,600,399	16.2
\$50 million to \$250 million	9,846,055	14.4	86,408,988	19.3
\$10 million to \$50 million	6,618,647	9.7	67,517,204	15.1
\$1 million to \$10 million	4,521,579	6.6	48,647,541	10.8
\$0 to \$1 million	681,090	1.0	8,627,825	1.9
Total	\$68,297,097	100.0	\$448,610,710	100.0
<b>Giving of Foundations</b>				
Asset Category	Giving	%	Giving	%
\$1 billion+	\$916,836	31.7	\$5,864,676	25.1
\$250 million to \$1 billion	613,336	21.2	3,329,298	14.3
\$50 million to \$250 million	452,552	15.6	4,456,403	19.1
\$10 million to \$50 million	393,967	13.6	4,051,998	17.4
\$1 million to \$10 million	348,006	12.0	3,821,756	16.4
\$0 to \$1 million	170,852	5.9	1,797,351	7.7
Total	\$2,895,548	100.0	\$23,321,482	100.0

Source: The Foundation Center, *California Foundations*, 2001; and The Foundation Center, *Foundation Yearbook*, 2001.

The composition of California foundations has become increasingly distinct in the 1990s. California foundations are predominantly independent foundations, as is the case nationally. Independent foundations account for the great majority of the number of foundations (89 percent), total assets (75 percent), total giving (78 percent) and gifts received (40 percent). The most striking differences between the composition of California foundations and U.S. foundations are the changing roles of community foundations and corporate foundations over the past decade in terms of assets, total giving and gifts received (Table 3).

Table 3. Aggregate fiscal data by foundation type, 1999 (dollars in thousands)

California								
by Type	No.	%	Assets	%	Gifts Received	%	Total Giving	%
Independent	3,755	89.2	\$51,315,046	75.1	\$1,712,657	39.6	\$2,260,455	78.1
Corporate	100	2.4	1,148,157	1.7	171,071	4.0	157,286	5.4
Community	34	0.8	4,202,158	6.2	787,659	18.2	385,136	13.3
Operating	319	7.6	11,631,738	17.0	1,649,405	38.2	92,672	3.2
Total	4,208	100.0	\$68,297,099	100.0	\$4,320,793	100.0	\$2,895,548	100.0

United States								
by Type	No.	%	Assets	%	Gifts Received	%	Total Giving	%
Independent	44,824	89.3	\$381,364,659	85.0	\$24,097,438	75.1	\$17,989,368	77.1
Corporate	2,019	4.0	15,257,698	3.4	3,313,248	10.3	2,813,557	12.1
Community	519	1.0	27,648,672	6.2	3,295,378	10.3	1,849,448	7.9
Operating	2,839	5.7	24,339,680	5.4	1,370,610	4.3	669,108	2.9
Total	50,201	100.0	\$448,610,710	100.0	\$32,076,674	100.0	\$23,321,482	100.0

Source: The Foundation Center, *California Foundations*, 2001; and The Foundation Center, *Foundation Yearbook*, 2001. Includes all independent, corporate, community and operating foundations making grants of at least one dollar during the relevant fiscal reporting period. Sources of data for these 50,201 foundations include IRS information returns (Form 990-PF), foundation reports, and information reported to The Foundation Center on annual surveys of foundations with assets of at least \$100,000 or giving of \$50,000 or more. Assets are stated at market value. Total giving amount includes grants, scholarships and employee matching gifts; it does not include all qualifying distributions, e.g., loans, PRIs, set-asides and program or other administrative expenses.

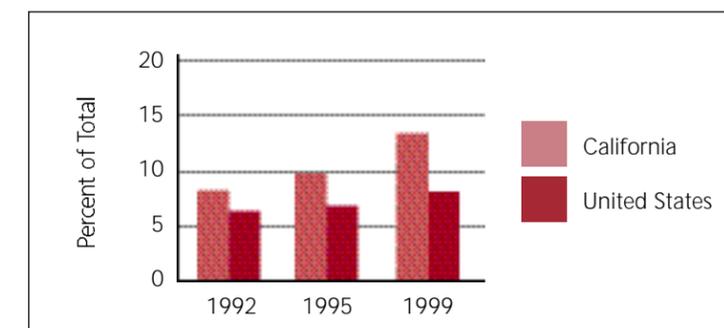
Community foundations have emerged as a significant force among California foundations. In 1999, there were 34 community foundations, less than one percent of all California foundations, with assets over \$4.2 billion or 6.2 percent of all California foundation assets. However, among all California foundations, community foundations had total giving of \$385 million or 13.3 percent of the total giving in 1999, up from 7.9 percent in 1992 and 9.6 percent in 1995 (Figure 6). They received gifts of nearly \$800 million or 18.2 percent of gifts received in 1999, up from 8.5 percent in 1992 and 13.3 percent in 1995 (Figure 7).

Community foundation giving and gifts received are significantly concentrated in the San Francisco Bay area and in southern California.<sup>16</sup> Los Angeles County, although only the third largest county in terms of

community foundation assets, led in giving with almost \$116 million. Three other counties exceeded \$50 million in giving: San Francisco, Marin and Santa Clara, all in the Bay area. Community foundations received \$788 million in gifts in 1999. Santa Clara County (primarily the Community Foundation Silicon Valley) led with almost \$171 million in gifts received, followed closely by Los Angeles County (primarily the California Community Foundation) at \$170 million. Two others received gifts in the \$100 million range, San Mateo (Peninsula Community Foundation) and San Diego.

The growth in community foundation activity has been spurred by the increasing popularity of donor-advised funds as a vehicle for philanthropy.<sup>17</sup> These are important instruments by which donors can be actively involved in their giving.

Figure 6. Total giving by community foundations as percent of total giving

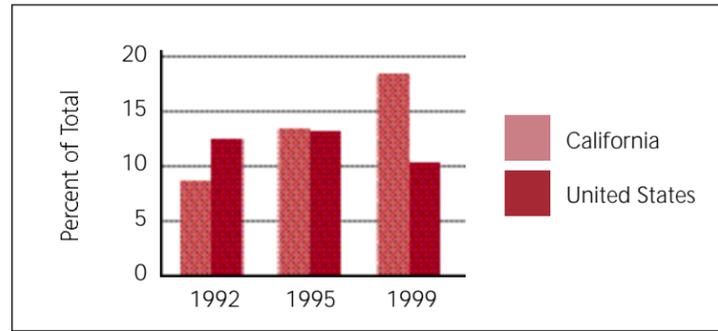


Source: See Table 3.

<sup>16</sup>See: The Center on Philanthropy and Public Policy, "An Atlas of Foundation Philanthropy in California, 1999," 2002, Maps 6-12.

<sup>17</sup>In addition, it reflects efforts to create and expand community foundations in communities throughout the state through initiatives of The California Endowment, The James Irvine Foundation and The David and Lucile Packard Foundation.

**Figure 7.** Gifts received by community foundations as percent of total gifts received

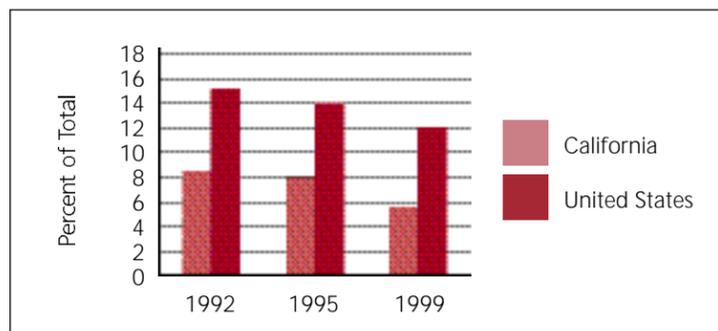


Source: See Table 3.

**Corporate foundations have a modest and declining presence in California.** In 1999, corporate foundations located in the state represented 2.4 percent of foundations, 1.7 percent of assets, and 5.4 percent of total giving in California. The role of corporate foundations has been more modest in California, especially in terms of total giving. For instance, corporate foundations accounted for 12.1 percent of giving in 1999 among all U.S. foundations, more than double the share within the state.

The share of corporate philanthropy has been declining, both in California and in the nation. The share of total giving accounted for by corporate foundations in California has declined over the 1990s, down from 8.5 percent in 1992 and 7.8 percent in 1995 (Figure 8). This trend reflects recent mergers and acquisitions involving some of California’s leading corporate citizens, such as Bank of America, resulting in the relocation of their headquarters, along with their foundations, to other states. It is also consistent with the national shift to an increasing share of corporate giving via the public affairs and marketing budgets of corporations.

**Figure 8.** Total giving by corporate foundations as a percent of total giving



Source: See Table 3.

## GRANTMAKING TRENDS AND PATTERNS IN CALIFORNIA

Foundation philanthropy in California reflects the dramatic growth in California’s foundation capacity, as well as the emergence of distinctive structural elements in the state’s foundation community. Analysis of the grantmaking of 1,016 leading private and community foundations in the U.S., including 115 California foundations, reveals some hallmarks of California foundation philanthropy in terms of funding priorities, and illustrates the extent to which foundation philanthropy reaches California communities.<sup>18</sup>

**California foundations focus the majority of their grantmaking on the state, although the share going out of state is increasing modestly.** In 1999, California foundations directed 70 percent of their grantmaking to recipients in the state, compared to 76 percent in 1991 and 74 percent in 1995.<sup>19</sup> An increasing number of California foundations, given their scale, are already or are becoming significant players on the national and the international scene, such as The David and Lucile Packard Foundation and the William and Flora Hewlett Foundation. Thus the increasing focus on recipients outside of California is not surprising. But the increasing prominence of community foundations and health foundations within the state tends to moderate this trend.

**Top funding priorities are health, education, human services, the environment, and the arts and culture.** The greatest shares of California grant dollars, as of 1999, are directed to health (25 percent), education (17 percent), human services (15 percent), the environment (10 percent) and arts and culture (10 percent). With the exception of the environment, these are also the top funding priorities among the nation’s largest foundations, although the ordering is slightly different nationally — education is the top priority and health the second (Table 4).

<sup>18</sup>The analysis in this section is based on The Foundation Center’s grants database, which represents approximately half of all U.S. foundation giving each year. It includes grants of \$10,000 or more made by the sample of 1,016 larger U.S. foundations for 1999. This database does not include grants from donor-designated funds of community foundations or grants to individuals. Grants made to California recipients by the sampled U.S. foundations totaled \$1.485 billion in 1999, \$1.02 billion (69 percent) of which came from California foundations.

<sup>19</sup>Source: The Foundation Center, *California Foundations*, 2001, Figure 27, p. 66.

**Table 4.** Distribution of grant dollars by subject categories, 1999 (dollars in thousands)

Subject	California		United States	
	Amount	%	Amount	%
Arts and Culture	\$152,407	10.4	\$1,554,344	13.4
Education	250,729	17.1	2,822,129	24.4
Environment and Animals	154,548	10.6	731,709	6.3
Health	363,965	24.9	1,981,949	17.1
Human Services	217,238	14.8	1,869,291	16.2
Intl Affairs/ Human Rights	24,100	1.6	346,152	3.0
Public/Society Benefit	112,403	7.7	1,320,872	11.4
Science and Technology	144,184	9.8	411,782	3.6
Social Science	22,108	1.5	261,933	2.3
Religion	22,565	1.5	263,304	2.3
Other	253	0.0	10,719	0.1
<b>Total</b>	<b>\$1,464,500</b>	<b>100.0</b>	<b>\$11,574,183</b>	<b>100.0</b>

Source: The Foundation Center, *California Foundations*, 2001; and The Foundation Center, *Foundation Giving Trends*, 2001.

Subject area definitions: *Arts and Culture*: Arts – multipurpose, Media and communications, Visual arts/architecture, Museums, Performing arts, Humanities, Historic preservation. *Education*: Elementary and secondary, Vocational and technical, Higher education, Graduate and professional, Adult and continuing, Library science/libraries, Student services, Educational services. *Environment*: Environment, Animals and wildlife. *Health*: General and rehabilitative, Policy, management, and information, Hospitals and medical care, Reproductive health care, Public health, Specific diseases, Medical research, Mental health. *Human Services*: Crime, justice, and legal services, Employment, Food, nutrition, and agriculture, Housing and shelter, Safety and disaster relief, Recreation and sports, Youth development, Human services – multipurpose. *International*: International affairs, development, peace, and human rights. *Public/Society Benefit*: Civil rights and social action, Community improvement and development, Philanthropy and voluntarism, Public affairs. *Science and Technology*: Policy, management, and information, General science, Physical science, Technology, Life science. *Social Science*: Social science and economics, Interdisciplinary/other. *Religion*.

**Health has emerged as an important priority in grantmaking in California in large part as a result of nonprofit healthcare conversions.**

Health comprised 25 percent of foundation giving in California compared to 17 percent nationally in 1999, no doubt reflecting the role of health conversion foundations in California’s philanthropic landscape. In fact, over the 1990s, health funding in the state has increased while the national share has remained constant; this tracks with the introduction of the two largest health conversion foundations — The California Wellness Foundation in 1992 and The California Endowment in 1996 (Figure 9). This trend also reflects the increased grantmaking of The David and Lucile Packard Foundation in the health arena.

**The environment has become an important priority for California foundations.** Grant dollars targeted for the environment represented 11 percent of California foundation giving compared to six percent nationally. Funding for the environment in California was steady from 1991 to 1995 at four percent and then more than doubled to 11 percent from 1995 to 1999 (Figure 10).<sup>20</sup> This increase dwarfed the increase in environmental funding at the national level in the late 1990s.

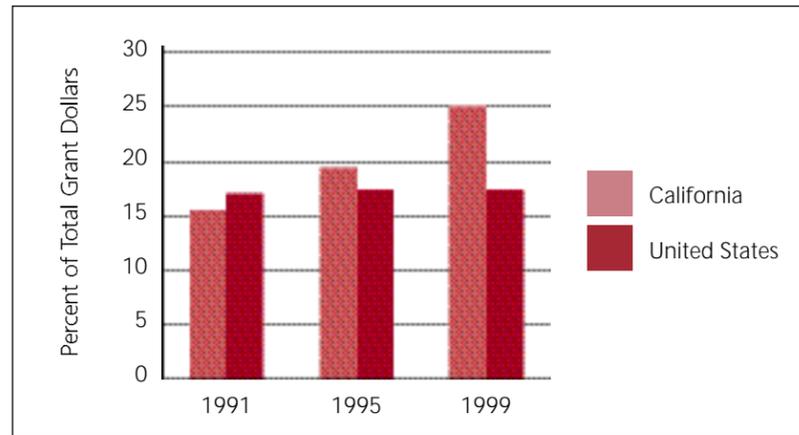
**Education funding by the state’s foundations is more modest than foundations nationally.**

Education funding accounted for 24 percent of foundation grantmaking nationally, compared to 17 percent of the grant dollars of California foundations in 1999. This disparity also existed in 1991, with education receiving 20 percent of grant dollars within the state, compared to 25 percent nationally. Interestingly, in 1995, the shares were roughly comparable: 24 percent within the state and 25 percent nationally (Figure 11).

**Science and technology funding by California foundations outpaces national funding,** although shares for both are declining. Funding for science and technology accounted for 10 percent of California foundation giving, compared to four percent nationally. Science and technology as a percentage of total grant dollars decreased steadily in California throughout the 1990s. Science and technology represented 22.2 percent of grantmaking in 1991, 15.1 percent in 1995, and 9.8 percent in 1999. During this same time, science and technology grantmaking nationally decreased slightly from 5.7 percent in 1991 to 4.8 percent in 1995 to 3.6 percent in 1999 (Figure 12).

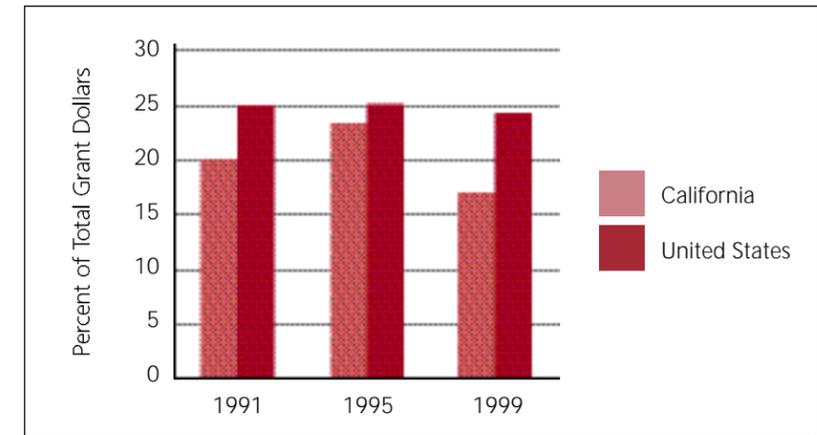
<sup>20</sup>The increasing share of grant dollars for the environment translates into a bigger share of grant dollars, in terms of recipient type, to environmental agencies. In 1991 and 1995, the grant dollars these agencies received were two to three percent; in 1999, they received seven percent. During this same time, environmental agency support in terms of national grantmaking grew slightly from 2.6 percent in 1991 to 3 percent in 1995, and then to 3.8 percent in 1999. California environmental agencies received almost double the share of grant dollars compared to environmental agencies nationally.

Figure 9. Health as a percent of total grant dollars



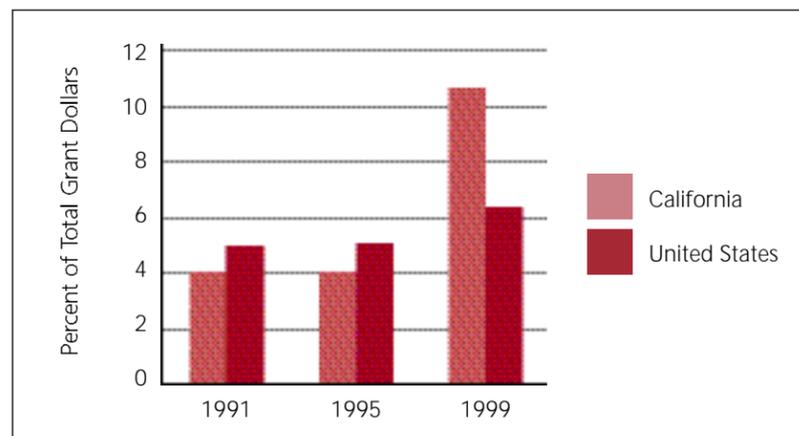
Source: See Table 4.

Figure 11. Education as a percent of total grant dollars



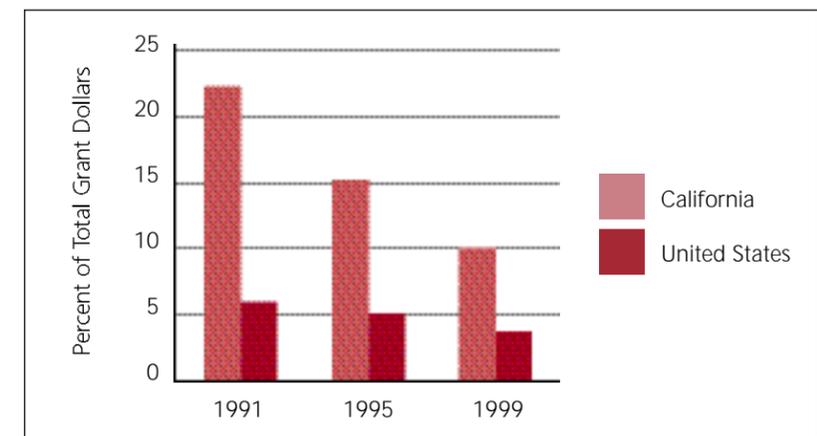
Source: See Table 4.

Figure 10. Environment as a percent of total grant dollars



Source: See Table 4.

Figure 12. Science and technology as a percent of total grant dollars

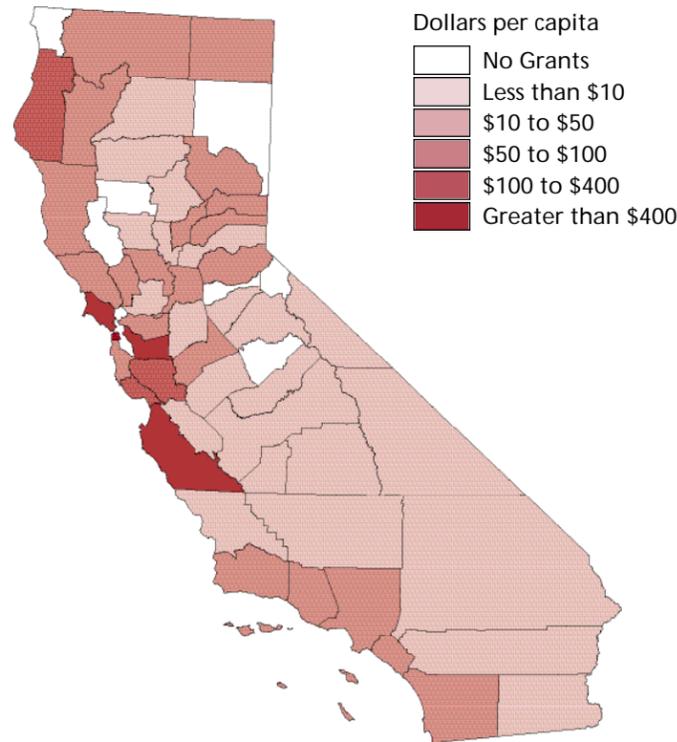


Source: See Table 4.

The reach of foundation philanthropy in the state varies dramatically across the state. Los Angeles County organizations received grants from the sample of all U.S. foundations totaling \$440 million; and San Francisco County organizations received \$333 million. Together they account for 52 percent of the almost \$1.5 billion in total grants awarded to California recipients in the 1999 grants database. However, the ultimate impact of grantmaking is on the people in a community. The statewide average grant dollars per person is \$28. San Francisco County received the most dollars per capita, \$418. Los Angeles County received only \$45 per person (Figure 13).

The San Francisco Bay area fared very well compared to the rest of the state. The six Bay area counties received 48 percent of the grant dollars targeted to California recipients in the sample, but account for only 17 percent of the state's population. The strength of this grantmaking is seen in almost all subject areas. In addition, Monterey, Humboldt, Sacramento, and Yolo counties received greater than average grant dollars per capita. Southern California, on the other hand, is less successful than would be expected given its strength in capacity. Other than Los Angeles County, no other southern California county exceeded the average of \$28 per capita.<sup>21</sup> Southern California is notably low in per capita terms in almost all subject areas. The Central Valley's lack of success in attracting grants mirrors its relative lack of capacity.

Figure 13. Grant dollars received per capita, 1999



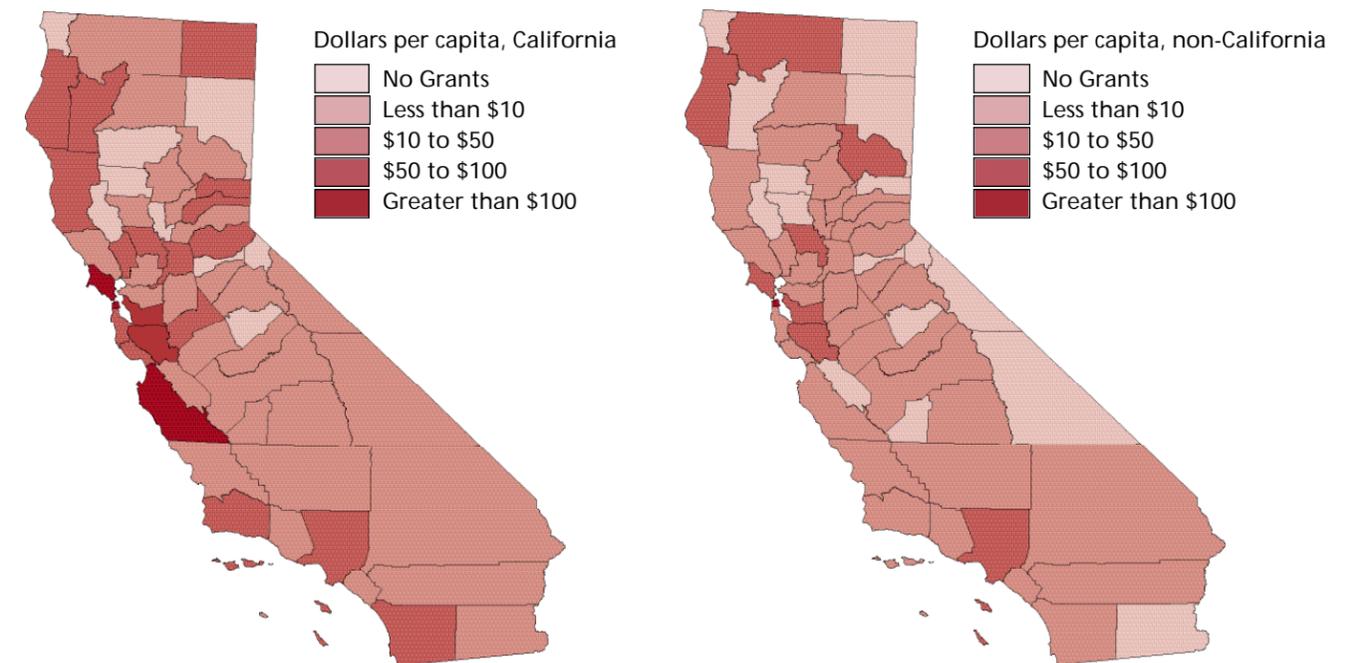
Data Sources: The Foundation Center, 2001; and State of California, Department of Finance: *Total Population of California Counties, January 1, 1999*. Grant dollars mapped are of grants of \$10,000 or more from a sample of foundations, representing at least half of all U.S. and California grantmaking dollars; counties that do not have any grants merely do not have grants from the foundations in this particular database.

<sup>21</sup>The patterns are similar when one considers grant dollars per total nonprofit organizations in the county. Monterey and San Francisco counties are the most successful in these terms, averaging over \$185,000 in grants per nonprofit. Of the eight counties that exceeded \$50,000 in grants per nonprofit, four are Bay area counties (San Francisco, Santa Clara, Alameda and Marin). Los Angeles is the only southern California county in that range (\$66,000 in grants per nonprofit). See: The Center on Philanthropy and Public Policy, "An Atlas of Foundation Philanthropy in California, 1999," 2002, Maps 21-32.

California foundations are relatively more important sources of funding in the Central Valley and mid-state, while non-California foundations are relatively more important in northern California. Thirty percent of grant dollars received by California nonprofits in 1999 came from foundations located outside of the state, translating into a county average of \$20 per capita in grant dollars from California foundations, and \$8 per capita from non-California foundations. San Francisco, Monterey, and Marin counties received over \$100 per capita from California foundations, followed by Santa Clara and Alameda counties, which received over \$50 per capita (Figure 14). The top recipients from non-California foundations also include San Francisco County, followed by four counties that receive between \$20 and \$50 per capita — Alameda, Humboldt, Santa Clara and Yolo (Figure 15).<sup>22</sup>

California foundations had broader coverage in the state. Seven counties received no grants from foundations in the sample. Two counties, Sutter and Tehama, received grants only from non-California foundations, while nine counties (Imperial, Inyo, San Benito, Trinity, Modoc, Colusa, Kings, Mono and Sierra) received grants only from California foundations.

Figure 14. Grant dollars received per capita from California foundations and non-California foundations, 1999



Data Sources: The Foundation Center, 2001; and State of California, Department of Finance: *Total Population of California Counties, January 1, 1999*. Grant dollars mapped are of grants of \$10,000 or more from a sample of foundations, representing at least half of all U.S. and California grantmaking dollars; counties that do not have any grants merely do not have grants from the foundations in this particular database.

<sup>22</sup>See: The Center on Philanthropy and Public Policy, "An Atlas of Foundation Philanthropy in California, 1999," 2002, Maps 33-37.

## CONCLUSION

California's foundation sector has grown impressively over the past two decades, and particularly in the 1990s, when foundation assets and grantmaking more than tripled between 1991 and 1999, and more than doubled in the second half of the decade. This growth, which touched all aspects of the California foundation infrastructure with the exception of corporate foundations, has made California a clear growth leader in the nation with respect to foundations, and a major factor in the widely discussed westward tilt of philanthropic dollars in the nation. And because of the confluence of the growth of California philanthropy and the growth of Silicon Valley and the Internet economy, California's philanthropic growth in the 1990s also fueled the mystique of a new philanthropy – new players, new strategies, new vehicles – to correspond to the new economy.

The trends of the 1990s make clear that the asset base of California foundations has been built somewhat differently than elsewhere in the nation, with quite distinct impacts. New health foundations have a far greater presence on the California philanthropic landscape than elsewhere. Their presence gives a distinctive health-related and state and local orientation to grantmaking. Community foundations are also a significantly greater factor in the state than outside it, accounting for about 13 percent of all grant dollars and 18 percent of all gifts received by foundations in the state. Community foundations, like the health conversion foundations, are primarily in-state and local grantmakers. Finally, family foundations constitute an important philanthropic resource in the state, with the creation of new family

foundations since 1992 occurring at rates double those of all foundations in the state. These family foundations represent the potential, in spite of the current economic downturn, for another surge of philanthropic asset appreciation in a decade or two.

California is more dominated than is the rest of the country by a small number of very large foundations. California's largest nine foundations, for example, each with assets of over \$1 billion, comprise over half of all the assets in the state. The presence of these very large players means that some patterns which appear to be distinct to the state, for example, a greater preference for providing operating as opposed to program support, may turn out to represent one or two single transactions of the very large players, rather than a trend distinct to California. Similarly, the data generated for giving patterns of California foundations will reflect, to a significant degree, the giving patterns of the largest players.

Geographically, the story of foundation assets and giving in California is also a story of concentration — predominantly along the coast, and within the state's two major metropolitan areas, with greater giving “pull” coming from the San Francisco Bay area. The nine counties making up the Los Angeles and San Francisco Bay areas in 1999 were home to 95 percent of the state's foundation assets. Foundations in just three counties — San Francisco, Los Angeles and Santa Clara — originated 92 percent of giving. Seven counties across the state had no foundations; another eight had just one. In terms of where the grants are received, nonprofit organizations located in Los Angeles

and San Francisco counties received 52 percent of the grant dollars tracked for this report. Yet, because of dramatic differences in population size, grants to San Francisco County nonprofit organizations represented an amount equal to \$418 per capita, while grants to nonprofit organizations in Los Angeles County accounted for \$45 per capita.

Will the trends and patterns that characterized California foundations and their philanthropy in the 1990s be sustained in the coming decades?

Structural dimensions seem likely to be sustained, with a predominance of independent foundations; growing strength among community and family foundations, from both new foundation creation and asset growth through new gifts and appreciation; and a continuing smaller corporate presence. However, nonprofit healthcare conversions are not likely to provide any significant growth in new health foundations.

Growth, particularly as manifested in asset appreciation, seems unlikely to be sustained at the record levels of the 1990s, at least in the short term. This is apparent from the impact of the lackluster economy since 1999, the last year of the trend data. Two arenas to watch, however, relate to California's important sources of assets: 1) community foundations, which could continue to tap into more and more individual donors who, in the aggregate, will build up substantial and very widely held assets, and thus both democratize and enlarge philanthropy; and 2) the family foundations started in the last two decades of the century, which could see a significant transfer of

intergenerational wealth into their endowments in the next two decades.

Perhaps the greatest question prompted by this baseline analysis of California foundation philanthropy is that of the flow of grant dollars into communities and regions across the state. In this respect, whether community foundations maintain and increase their significant presence in California — and more specifically whether new community foundation creation begins in any significant way to reach populations and counties not yet reached in substantial ways — is one important issue to watch. More generally, as the state's population continues to grow, especially in the Central Valley and the inland counties of southern California where the population growth rates are projected to be the largest, will the patterns of foundation grantmaking shift accordingly? And if they do, what philanthropic mechanisms — new foundation creation, strategic alliances between smaller and larger foundations, new grantmaking patterns and priorities — will prove most fruitful for aligning grant distribution to the state's public problem-solving agenda?

This baseline analysis of California foundations provides a useful starting point for a discussion of the promise, potential and possibilities for foundations and their nonprofit and policy partners as they chart the future of philanthropy and public policy within the state. The analysis will serve as a benchmark for assessing future developments in philanthropy and its ability to address the public problems that face Californians.

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