

HIGHLIGHTS OF CALIFORNIA FOUNDATIONS

An Update on the State's Grantmaking Community

Prepared in cooperation with
THE CENTER ON PHILANTHROPY AND PUBLIC POLICY
at the University of Southern California

The California foundation community was unquestionably affected by the technology sector downturn and overall economic decline that marked the early years of the 2000s. Following the late 1990s boom, a period marked by double-digit growth in assets and giving, the state's foundations realized only modest gains in inflation-adjusted giving between 1999 and 2004 and a nearly unchanged level of assets. Yet this finding is in many ways remarkable given the disproportionate impact of the tech sector collapse on California's economy and on the wealth of individuals in the state. The number of grantmaking California foundations also rose by nearly half during this period of economic tumult, surpassing the rate of growth in number of U.S. foundations overall.

California foundations also continued to present a unique giving profile. The rise of health to the top rank among funding priorities in the late 1990s held throughout the first years of the new century. Similarly, environmental funding built on the remarkable gain in share it experienced during the latter half of the past decade. Still, changes in the funding landscape were far more complicated than this brief synopsis would indicate. The David and Lucile Packard Foundation, the dominant funder in the areas of education, the environment, health, human services, public affairs/society benefit, and science in 1999, led in only one of those areas in 2004. At the same time, new and newly large foundations ramped up their giving, helping to maintain roughly consistent levels of support in several of these areas.

California Foundations: An Update on the State's Grantmaking Community provides the most comprehensive analysis to date of private and community foundations in California. The report is

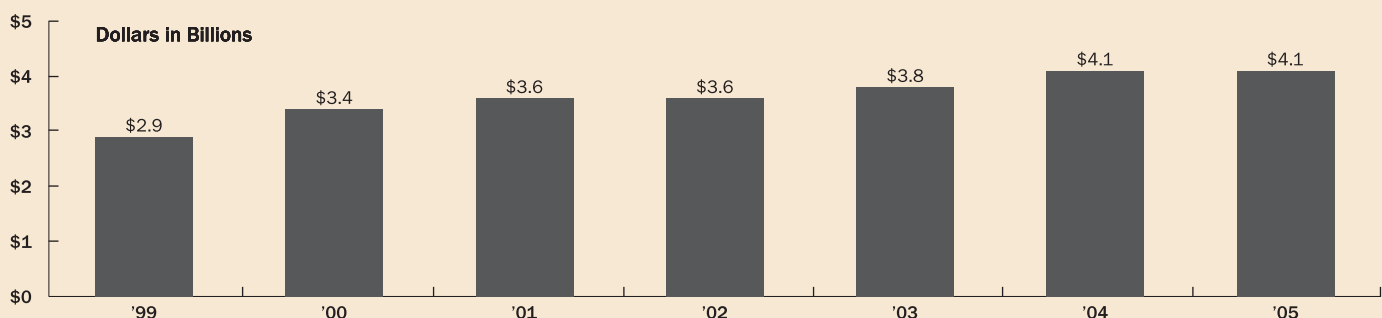
divided into three main chapters: the first chapter, authored by James M. Ferris, addresses the overall health of the California foundation community and illuminates critical issues facing funders in the state; the second chapter examines the size and scope of the California foundation community through 2004 and provides estimates of California foundation giving in 2005 and insights on changes in giving in 2006; and the third chapter compares broad giving patterns and trends based on a sample of the largest California and U.S. foundations. This report was developed by the Foundation Center in collaboration with The Center on Philanthropy and Public Policy at the University of Southern California.

As a companion to the California Foundations report, The Center on Philanthropy and Public Policy has prepared *California Foundations 2004: Trends and Patterns*, a report mapping Foundation Center data on California foundation resources and giving patterns to regions and counties. This report will be released in late 2006. Support for both of these studies was provided by The California Endowment, The James Irvine Foundation, and The David and Lucile Packard Foundation.

OVERVIEW OF CALIFORNIA FOUNDATIONS

To provide an up-to-date perspective on California foundation giving and support for nonprofit organizations in the state, the Foundation Center has prepared the following estimates based on its 2006 "Foundation Giving Forecast Survey" of the nation's largest grantmakers. All other analyses in the report are based on actual foundation data through 2004.

California foundation giving grew by \$1.2 billion between 1999 and 2005



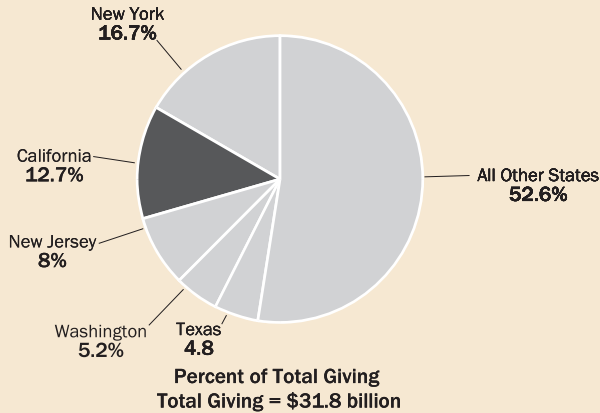
Estimates of California Foundation Giving

California foundation giving grew more slowly in 2005, but prospects are more positive for 2006. Giving by California foundations totaled an estimated \$4.11 billion in 2005, up a marginal 1.5 percent from \$4.05 billion in 2004. By comparison, giving among U.S. foundations overall grew an estimated 5.5 percent. The state's largest funder by grant dollars—the David and Lucile Packard Foundation—accounted for most of the slower

growth in giving. (Excluding the Packard Foundation, giving by the remaining more than 6,200 active California foundations increased by an estimated 5.7 percent.) Looking ahead, California funders appear to be slightly more optimistic than U.S. foundations overall about prospects for giving in 2006. This finding suggests that California foundation giving will grow modestly in 2006, and the rate of increase will likely exceed that of foundations nationally.

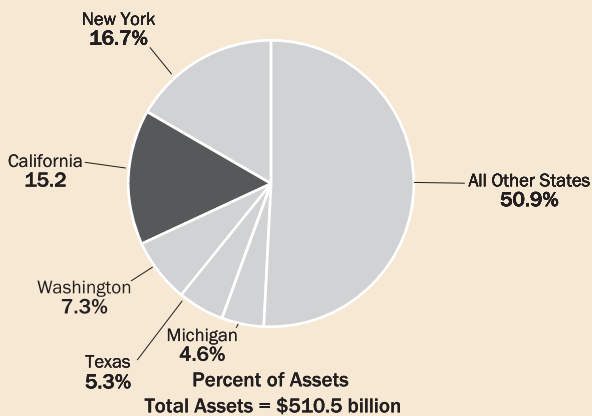
U.S. foundations awarded an estimated \$4.4 billion to California-based recipients in 2005. This giving represented 13.2 percent of the estimated \$33.6 billion awarded by the nation's foundations overall. The majority of support for California organizations came from funders based in the state. Nonetheless, large national grantmakers and smaller funders based outside of California with grant programs focused primarily on California provided additional resources.

California slightly increased its share of foundation giving in 2004



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

California maintained a consistent share of foundation assets in 2004



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

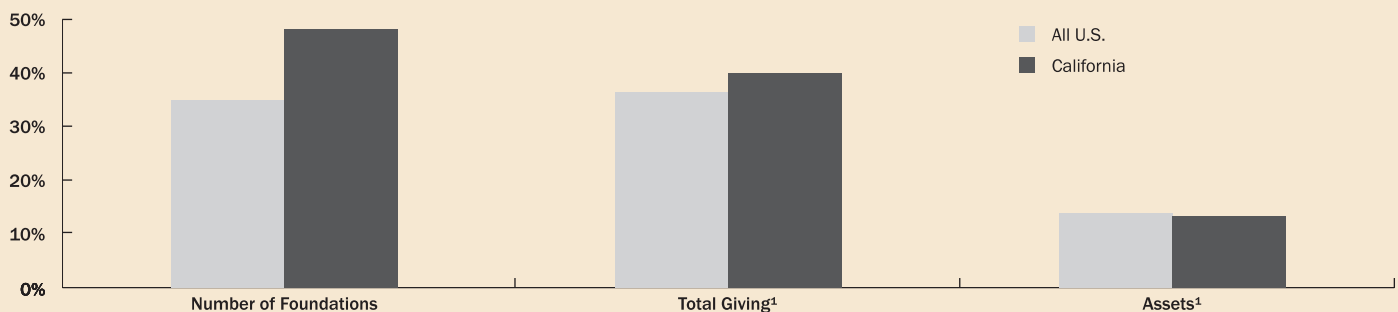
Change in California Foundations through 2004

Number of California foundations grew by almost half. Between 1999 and 2004, the number of grantmaking California foundations rose 48.3 percent, from 4,208 to 6,242. This gain far outstripped the roughly 35 percent growth in the number of U.S. foundations overall and raised California's share of the nation's foundations modestly from 8.4 percent to 9.2 percent. More importantly, it expands the resources available to nonprofit organizations in the state and beyond and means that grantmaking will be more dispersed—lessening the impact of changes in giving by any single funder.

California foundation giving grew slightly faster than U.S. foundation giving overall. During a period marked by an economic downturn that disproportionately affected California's technology sector and a return to modest, albeit uneven, economic growth, the California foundation community raised its giving by 40 percent, from \$2.9 billion in 1999 to \$4.1 billion in 2004. By comparison, U.S. foundations overall raised their giving by a slightly smaller 36.5 percent. The overall increase in California foundation giving during this period masked very modest years of growth from 2000 to 2003. Yet California foundations showed positive annual gains in unadjusted giving throughout this time, while foundations nationally experienced small decreases in 2002 and 2003.

California foundation assets surpassed \$77 billion in 2004, but inflation-adjusted assets remained unchanged. Between 1999 and 2004, the assets of California foundations rose 13.4 percent, up from \$68.3 billion. For U.S. foundations on the whole, assets rose a nearly identical 13.8 percent. Consequently, California funders maintained a consistent 15.2 percent share of the nation's foundation assets, and their inflation-adjusted assets remained nearly unchanged. Nonetheless, there are several indicators that the

The number of California foundations and their giving rose faster than U.S. foundations overall between 1999 and 2004



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

¹Percent change based on unadjusted dollars.

rate of increase in California foundation assets may pick up. Among these indicators are the more than 2,000 grantmaking foundations added to the state's total between 1999 and 2004, most of which are likely to receive their full endowments over the next several decades, and an upturn in the state's technology sector, creating the possibility of growth in existing foundation assets and the establishment of new foundations.

TRENDS IN GIVING BY CALIFORNIA FOUNDATIONS

The following analysis compares the 2004 giving patterns of a sample of larger California and U.S. foundations with 1999 and earlier years. Findings for 2004 are based on all of the grants of \$10,000 or more awarded by a sample of 1,172 of the country's largest foundations, which account for roughly half of giving by U.S. foundations overall. A total of 119 California foundations were included in the 2004 sample, and they represented just over 46 percent of giving by all California foundations.

Health remained the top priority among sampled California foundations, followed by education. Reflecting the concentration of health care conversion foundations and other leading health funders in the state, sampled California foundations continued to provide their largest share of grant dollars (23.7 percent) for health in 2004, although this share was down modestly from 24.9 percent in 1999. Education received 18.9 percent of funding from the state's foundations. In contrast, foundations nationally ranked education first, followed by health. Overall, California foundations provided larger shares of grant dollars than U.S. foundations on the whole for health, the environment and wildlife, science and technology, and—for the first time in 2004—religion. They directed smaller shares of support for education, arts and culture, human services, public affairs/society benefit—which includes civil rights, community development, philanthropy, and public affairs—and the social sciences. California and U.S. foundations overall directed identical shares of giving for international affairs.

Colleges and universities and human service agencies received largest but lesser shares of support. Just over 17 percent of California foundation grant dollars in 2004 targeted colleges and universities, followed by 11 percent for human service agencies. However, both of these shares were down slightly from 1999. By comparison, funders in the state directed larger shares of support in the latest year for environmental organizations, community improvement organizations, performing arts groups, and elementary/secondary schools.

California foundations distributed their support to a broad array of recipient organizations both within the state and beyond. Between

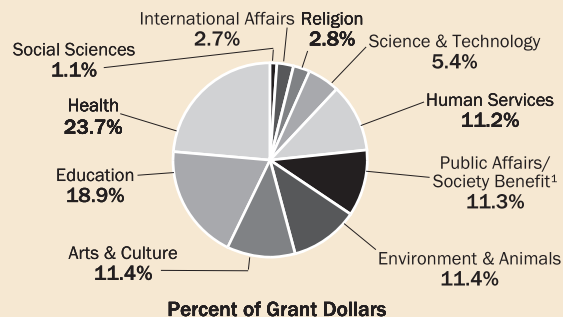
1999 and 2004, the number of distinct organizations receiving grants from California foundations in the sample rose 27.5 percent, from 6,688 to 8,528. More than three-quarters of these recipients were based in California.

Program support dominated California foundation funding, while operating support displaced capital support as second-ranked priority. In the climate of reduced resources that marked the early years of the 2000s, California foundations ramped up their level of giving for operating support from 14.5 percent of grant dollars in 1999 to 26 percent in 2004. By comparison, support for capital projects declined from close to 24 percent to just over 17 percent. Despite these shifts, California foundations continued to earmark by far the largest share of their giving (46 percent) for specific programs and projects—consistent with grantmakers nationally.

Over half of California foundation grants target specific population groups; economically disadvantaged and children and youth benefit from largest shares of grant dollars. Nearly 52 percent of the more than 17,000 grants awarded by California grantmakers in the 2004 sample could be coded for one or more population groups, surpassing foundations nationally (46.1 percent). (If a grant targets more than one population group, the grant is added to the total amount for each applicable category.) Both California and U.S. foundations overall directed roughly 39 percent of their grant dollars to these groups.

Reflecting the increasing challenges facing the economically disadvantaged, California foundations roughly doubled their shares of grant dollars and grants benefiting this group between 1999 and 2004. As a result, California dollars benefiting the economically disadvantaged climbed to 19.3 percent, surpassing children and youth (18.1 percent) for the first time. Consistent with

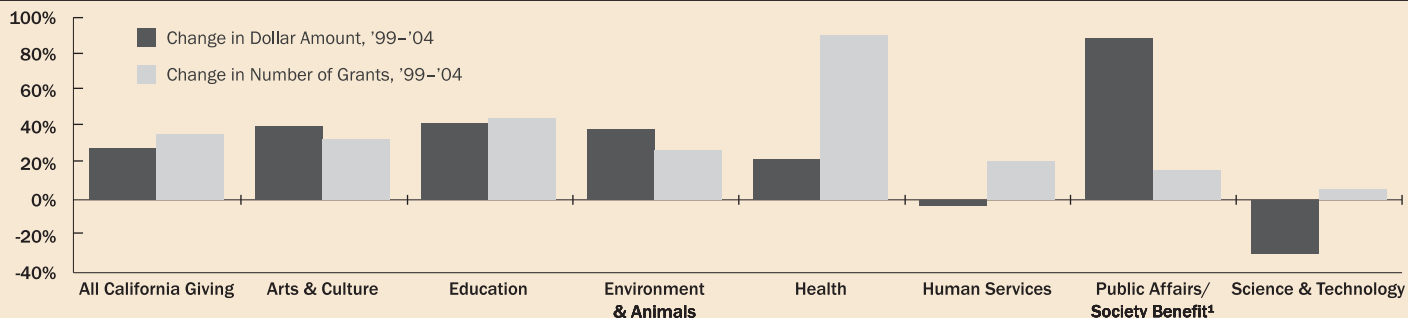
California foundations prioritized giving for Health and Education in 2004



Source: The Foundation Center, *California Foundations*, 2006. Based on a sample of 119 larger foundations accounting for close to half of total giving by California foundations.

¹Public/Society Benefit includes grants for community improvement and development, public affairs or public administration, civil rights and social action, and philanthropy and volunteerism.

Public Affairs/Society Benefit, Education, the Arts, and the Environment all benefited from above-average growth in California foundation grant dollars between 1999 and 2004



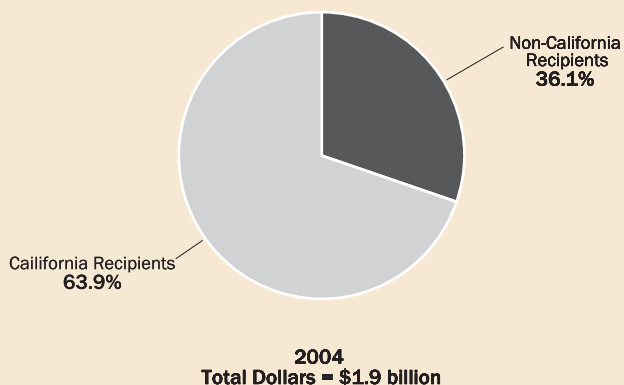
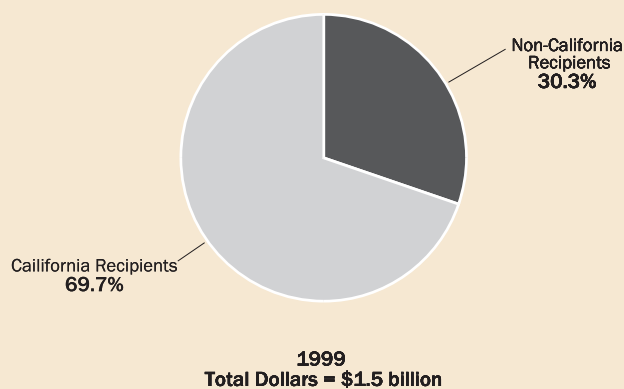
Source: The Foundation Center, *California Foundations*, 2006. Based on a sample of 115 larger California foundations for 1999 and 119 for 2004 accounting for close to half of total giving by California foundations. Includes subject areas accounting for at least 9 percent of grant dollars in 1999 or 2004.

¹Includes civil rights and social action, community improvement, philanthropy and volunteerism, and public affairs.

the diversity of the state's population, California foundations directed their third largest share of giving to racial and ethnic population groups (12.1 percent), far surpassing the share recorded for grantmakers nationally (7.6 percent). Finally, California foundation support targeting women and girls fell from 11.5 percent of grant dollars in 1999 to 7.1 percent in 2004, primarily due to cutbacks in funding for reproductive health. Nonetheless, this lower share continued to exceed the share reported for U.S. foundations overall (5.2 percent).

International giving by California foundations grew faster than overall giving. Between 1999 and 2004, funding for international causes—both through U.S.-based programs and directly overseas—by sampled California foundations climbed more than 73 percent. This increase far surpassed the 28 percent overall growth in California foundation grant dollars and raised the share of giving targeting international purposes from roughly 11 percent to 15 percent. The William and Flora Hewlett and Gordon and Betty Moore foundations accounted for more than three-fifths of this growth. Among international giving priorities of California grantmakers, support for the environment dominated, followed by giving for international affairs, development, and peace and security.

California foundations provided a larger share of their grant dollars to out-of-state recipients in 2004



Source: The Foundation Center, *California Foundations*, 2006. Based on a sample of 115 larger California foundations for 1999 and 119 for 2004 accounting for close to half of total giving by California foundations.

For more information on this report, published in November 2006, contact Steven Lawrence, director of research, at (212) 620-4230 or sal@foundationcenter.org. "Highlights of California Foundations" can be downloaded at foundationcenter.org.

CALIFORNIA FUNDING BY CALIFORNIA GRANTMAKERS

Most California foundation giving supported California-based organizations. Reflecting the fact that most U.S. grantmakers are locally or regionally focused, California foundations directed roughly 64 percent of their grant dollars and 72 percent of grants to recipients within the state. Yet while the share of number of grants supporting in-state organizations has remained fairly consistent since the early 1990s, the share of grant dollars has declined steadily from over 75 percent in 1991. This finding suggests that California foundations continue to focus the bulk of their grantmaking on California nonprofits, although they are providing some exceptionally large grants to out-of-state and out-of-country organizations.

In-state giving by California foundations favored health, education, human services, and the arts. Grantmaking patterns of foundations giving in their home communities will often differ substantially from their funding patterns in other states, regions, and across U.S. borders. For example, when funding in-state organizations in 2004, California grantmakers prioritized giving for health, education, human services, and the arts. In contrast, when funding out-of-state organizations, California foundations favored the environment, education, public affairs/society benefit, and health.

CALIFORNIA FUNDING BY NATIONAL GRANTMAKERS

Giving by non-California foundations for California recipients grew by more than half since the late 1990s. California nonprofits received over 4,800 grants totaling \$716 million from non-California foundations in the 2004 sample, a more than 54 percent increase in grant dollars over 1999. The top 15 out-of-state funders provided the vast majority of this giving (56.4 percent), with the Washington State-based Bill & Melinda Gates Foundation accounting for the single largest share of support (14.6 percent). Other top-five funders included the Annenberg Foundation (PA), Skirball Foundation (NY), Ford Foundation (NY), and Robert Wood Johnson Foundation (NJ).

Health benefited from the largest share of non-California foundation giving in the state, followed by arts and culture. The rise of the Gates Foundation, continued strong giving by the Robert Wood Johnson Foundation, and especially large health-related grants from other funders helped to make global and domestic health issues the top priority among non-California foundations funding in the state. Overall, health received 29 percent of grant dollars awarded in California in 2004 by out-of-state funders, followed by arts and culture (18.1 percent). Education, which is typically the top priority of grantmakers funding outside of their home state, ranked third by share of grant dollars (17.7 percent).

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