

State of the Nonprofit Sector in the San Fernando Valley - 2011

Overview

Since 2007, Valley Nonprofit Resources (VNR) has offered comprehensive capacity-building services and information to strengthen the more than 4,000 nonprofit organizations in the San Fernando Valley region of Los Angeles County. VNR serves nonprofit executive directors, staff and board members, plus leaders of volunteer groups and of smaller foundations in the Valley. Educational workshops, conferences (including the MENDING Poverty conference, to be offered for the fifth time in 2012), technical assistance, a website with more than 200 free downloadable publications, and an information and referral service are among VNR's offerings to Valley nonprofits.

VNR has provided capacity building for animal welfare agencies, theatres, affordable housing nonprofits and many other types of nonprofit organizations. It also has three special initiatives. The Burbank and Glendale Initiatives have included first-ever convenings of the nonprofit sector in these cities (the Burbank Nonprofit Day will have more than 100 participants when it is held at Providence St. Joseph's Medical Center in January 2012). The Latino Initiative, coordinated by former VNR project coordinator Diana Medina Wiley, had a workshop on leadership development for young Latinas in December 2011, and plans more events in 2012.

Another of VNR's objectives is to publish this brief annual report updating state of the Valley's nonprofit sector. The report is prepared each year in collaboration with the UCLA Center for Civil Society, and this year includes data both for Los Angeles County and for the Valley from their annual survey. The report concludes with a few observations and plans for the future, as VNR moves into its sixth year of operation in the San Fernando Valley.

Los Angeles County Findings from the CCS Study

In 2002, the UCLA Center for Civil Society conducted a survey of over 600 human services nonprofits in Los Angeles County (Hasenfeld et al, 2012). At that time, California was just beginning to feel the consequences of the collapse of the world technology market. The county unemployment rate would rise from 5.7 to 6.8 percent. The California state budget suddenly had an estimated \$12 billion shortfall. Still, the human services nonprofit sector in Los Angeles was relatively stable. Seventy percent of local human services nonprofits reported that their revenue had increased over the previous years, only 20 percent reported staff or program cuts, and 60 percent reported no staff turnover.

When the UCLA survey was conducted again in 2011, the picture was decidedly different. The 2002 decline had been long eclipsed by the Great Recession that started in 2007. Unemployment in Los Angeles County reached 12 percent. The poverty rate (families of four with incomes under \$22,000) rose from 14.6 percent to 17.6 percent. Income inequality increased dramatically. The average inflation-adjusted income of the top one percent of California's taxpayers increased by 50.2 percent between 1987 and 2009, from \$778,000 to \$1.2 million. In contrast, the average income of taxpayers in each of the bottom four fifths of the distribution *lost* purchasing power. Over the decade, the annual State of the Nonprofit

Sector Reports and surveys conducted by the Center for Civil Society showed both resiliency and vulnerability across the sector, but it was not clear how human services nonprofits in particular – where the neediest and most vulnerable populations turned for services – were faring in the recession. The Center for Civil Society sought to resurvey the sector in order to gauge the human services effects of the downturns.

The first quite disturbing thing learned in the 2011 survey was that about 20 percent of the nonprofits studied just ten years before could not be found. After further research, it was found that 15 percent had completely disbanded. Another 10 to 20 percent of the surviving nonprofits surveyed were so understaffed and stressed that they had trouble finding the time and data to complete the survey. In sharp contrast to 2002, 60 percent of the human services nonprofits reported that their revenue had decreased or stayed the same in the previous three years; 41 percent had cut programs; and 81 percent reported staff turnover.

The Los Angeles human services nonprofit sector is stressed and stretched, and given government human services current and future cuts, the situation is likely to get worse before it gets better. Exactly where, how, and to what effect, however, is still difficult to discern. Overall, roughly half of the human services nonprofits in the county appear to be stable, and half are struggling.

Indeed an optimist might look at the data and see a stable, functioning nonprofit market at work. County-wide, nonprofit expenditures have been flat over the last decade. Revenues, particularly in basic needs programs where government funding follows the increase in clients, have also risen for many nonprofits as much as 20 to 30 percent. Most human services nonprofits report they are able to meet client demand and optimism about the future persists. The high closure rate could be interpreted as a market correction, where less efficient and less effective nonprofits have given way to larger, diversely funded, multi-service nonprofits.

A pessimist would focus on the closure rates and the high stress of decreased revenue and increased demand affecting the struggling 50 percent. These tend to be located in the most low-income neighborhoods with a disproportionate burden falling on African Americans in particular. Private giving is down significantly. Services for the most vulnerable, namely shelters for the homeless and programs for at-risk youth, where neither fee for service nor entitlements are available, operate in a highly precarious state.

A foundation program officer or academic might focus on the fact that after a decade of increasing demand and decreasing revenue, there has been very little structural change across the sector. Most Los Angeles human services nonprofits report the same combinations and proportions of funding streams for their organizations, whether revenue has increased or decreased. Board roles and expectations are similar. There have been just a few examples of innovative collaborations, partnerships, mergers, or social enterprise initiatives. While more organizations report increased participation in advocacy activities, there are few examples of effective messaging campaigns – more common among political, arts, and environmental nonprofits – to influence public opinion and public policy.

The most important story in the 2011 survey is about poverty. On average, 69 percent of the clients served by LA human services nonprofits are below the poverty line. Human services nonprofits are most important for the poor and most effective if they are financially stable, culturally familiar, and close to home. Major indicators such as revenue growth, government support, dependence on government reimbursements (often slow, late, and less), capacity to turn to fee-for-service, and ability to attract private donations all point to more difficult times for organizations servicing high poverty neighborhoods. Sixty percent of these organizations report that the recession has appreciably affected their ability to meet the needs of their clients or to develop needed services. Human services nonprofits, which were already fewer per capita

in low income neighborhoods before the recession, have closed and disbanded at higher rates during the recession than they have in higher income neighborhoods.

Hand in hand with poverty is stress. Higher demand and lower revenues have taken their toll on many nonprofits. Since the recession began, the sector has seen a dramatic increase in hiring and salary freezes, furlough programs, lay-offs, and increased reliance on volunteers. In small organizations, the loss of just one person, who often does multiple duties, can be crippling. Turnover at the executive director or the director of development often means months, sometimes years, of working just to regain ground.

Neither of these issues – greater burdens on the poor and higher stress on the institutions that serve them – are solvable in the near term. A stagnant economy, government deficits and a lack of political will continue to be brutal for much of the human services sector. Even stable organizations are likely to see decreases in government funding at all levels and be affected by lower levels of private and philanthropic giving. Still, county and city officials and heads of local foundations must ensure that the resources they do control and allocate to human services are directed toward high poverty neighborhoods. Times of stress are also occasions for opportunity.

Based on the results of the 2011 study, the UCLA Center for Civil Society made the following recommendations in their report:

Increase data gathering and sharing, collaboration and strategic planning across the nonprofit, philanthropic, government and academic sectors. In an area as sprawling, layered in government, and limited in public revenues as Los Angeles, it is vital to build and maintain forums for evidence-based policy in human services and across the nonprofit sector. The Mayor's Office of Strategic Planning established under Mayor Antonio Villaraigosa has been an excellent step in this direction. It should be continued and replicated at the County level and across other cities and jurisdictions.

Focus on poverty first. This report provides further evidence that the Great Recession, like all economic downturns, has been devastating for low and no income populations - in particular African American communities appear to be faring worst. Special attention should be paid to shelters, food dispensaries, homeless and other basic services as well as programs targeting at-risk youth.

Inspire, encourage, promote, and cultivate new private and personal giving. Historically, Los Angeles has trailed major American cities in per capita giving to charities. A recent report from the California Community Foundation estimates that by 2020, families will transfer almost \$114 billion between generations (Macke, Binerer & Markley, 2011). Nonprofits need to devote close attention to individual donors and planned giving strategies.

Strengthen advocacy. Participation in advocacy activities, like collaboration, has increased over the past decade. Nonprofit staff and volunteers are making more calls, visits, and contacts with policy makers and elected officials. What is needed now is more attention to effective messaging, framing, organizing, mobilizing nonprofits who serve similar clients. Nonprofits need to be better informed on the law, the feasibility of 501(c)4, and h designations, and to be more aggressive in employing them for advocacy.

Consider and re-consider opportunities for collaboration, partnership, and mergers. Nonprofits are closing. A significant portion of the sector is under deep financial and staff stress. Philanthropy and academia need to act as conveners, educators and matchmakers, not for the survival of nonprofit organizations but to strengthen the safety net for the poor, disabled, and elderly.

Participate in capacity-building activities. Local philanthropies have established a wide range of capacity building, management support, fiscal sponsorships, and consultant networks. Smaller and medium nonprofits, executive directors and board members need to take full advantage of available resources.

San Fernando Valley Findings from the 2011 Study

The 2011 UCLA Center for Civil Society study results were sub-analyzed for findings specific to the San Fernando Valley. Overall, the number of Valley nonprofits identified in the study increased from 2003 to 2009 - the most recent year for which data were available. VNR estimates that there are more than 4,000 nonprofits in the Valley altogether - the UCLA study results exclude some nonprofits by size and type. Their median expenditures decreased, but the total expenditures for Valley education and human services nonprofits increased (however, they decreased for arts/culture/humanities organizations and health nonprofits). The increase for human services nonprofits was quite substantial.

Number of Nonprofits by Major Subfield

	2003	2006	2009
Arts, Culture, & Humanities	485	554	659
Education	563	599	677
Health	340	361	392
Human Services	786	892	1004

Nonprofit Median Expenditures, SFV vs. LAC

	2003	2006	2009
SFV	\$ 136,301	\$ 121,197	\$ 107,774
LA County	\$ 160,579	\$ 140,151	\$ 126,721

Nonprofit Annual Expenditures by Major Subfields

	2003	2006	2009
Arts, Culture, & Humanities	\$57,088,776	\$72,279,840	\$53,550,299
Education	\$354,679,220	\$424,853,173	\$499,331,555
Health	\$1,465,784,774	\$1,011,090,118	\$1,087,092,711
Human Services	\$668,476,406	\$130,496,500	\$1,176,394,642

Observations and Plans for the Future

Each year the Nonprofit Finance Fund (2012) conducts a national State of the Nonprofit Sector Survey. Results are drawn from a large group of nonprofit respondents in an effort to find out how the nonprofit sector is faring during the ongoing economic downturn. In 2012, NFF's national findings were in alignment with those of the UCLA Center for Civil Society study for Los Angeles County and the San Fernando Valley region. NFF's results revealed a growth in service demand that has overwhelmed organizations still coping with a brittle economy and dire funding cuts. Government delays in funding threaten to bring the crisis to a head, particularly for the human services organizations that provide a safety net for the most vulnerable members of the community. What was learned from this research gives a somber picture of the state of the nonprofit sector in the Valley, but it is the picture to which the community (and VNR) must respond in an effort to provide the best services possible to all community members, and to build the nonprofit sector's infrastructure.

VNR will continue to offer its major programs, as described above, in 2012. The Fifth Annual MENDING Poverty conference is planned for June 2012, with the theme "Where Are the Jobs?" - focusing on increasing employment services and employment opportunities for poor people. Under funding support from Weingart Foundation, VNR is working with a cohort of 12 nonprofits in the Northeast sector of the Valley (which has traditionally been less active in seeking funding from philanthropy - foundation, corporate or individual/major donor), building their fundraising skills and their overall infrastructure (e.g., helping nine of the 12 create strategic plans for their organizations).

A conference is being planned for Fall 2012 which will increase awareness and action among philanthropic funders about the San Fernando Valley. The conference will include action-oriented discussions among key funders about how they could become more engaged in strategic philanthropy in the Valley, and an analysis of the upcoming transfer of wealth as it affects the Valley. This conference will be conducted by VNR in partnership with the San Fernando Valley Council of Governments, the San Fernando Valley Community Foundation, and the Valley Economic Alliance. A planned revitalization of the Community Foundation also will take place in 2012, to build its leadership and asset base directed towards improving the functioning of nonprofits based in the Valley.

VNR also is continuing its emphasis on *strategic planning* as a tool to help nonprofits adjust to the new realities they face. More educational workshops on strategic planning will be conducted in 2012, along with continued offering of individualized technical assistance. Leadership development for young Latinas, technical assistance for small theatre and dance companies (done in partnership with Network of Ensemble Theatres) and several other special initiatives are expected to be launched as VNR continues its work to strengthen nonprofits in the San Fernando Valley region.

References

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