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2006 A Spotlight on San Diego's Third Sector

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A SPOTLIGHT ON SAN DIEGO'S THIRD SECTOR

REGIONAL REPORT SERIES

NOVEMBER 2006



Understanding the Nonprofit Sector
Measuring its Capacity and Economic Contribution
Charting its Future Course

A Spotlight on San Diego's Third Sector

Nonprofit Sector Regional Report Series

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November 2006

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The Westreich Foundation
The San Diego Foundation
The Bruce T. Halle Family Foundation

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This report is a collaboration between the University of San Diego Center for Applied Nonprofit Research and the Institute for Nonprofit Organization Management at the University of San Francisco. This is the second in a series of Nonprofit Sector Regional Reports aimed at providing comprehensive analysis of the overall health and capacity of the nonprofit sector. The data presented are intended to assist with strategic planning and decision making by nonprofits, philanthropists and public and business sector agencies. Please contact the Institute for Nonprofit Organization Management for further information regarding the overall health and capacity of the nonprofit sector. The data presented are intended to assist with strategic planning and decision making by nonprofits, philanthropists and public and business sector agencies. Please contact the Institute for Nonprofit Organization Management for further information regarding the report series.

Additional information about the University of San Diego Center for Applied Nonprofit Research is available at www.sandiego.edu/nonprofit.

Additional information about the Institute for Nonprofit Organization Management at the University of San Francisco, and the Nonprofit Sector Regional Report Series is available at <http://www.usfca.edu/inom>.

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Preface



As president of the The Westreich Foundation, and a resident of San Diego, I am committed to the growth and health of the entire nonprofit sector in this community. It was therefore a real pleasure for me to sponsor the research associated with this report.

It is my hope that these findings will spur increased involvement of all segments of society in the development and support of the sector here. Specifically, we need to advocate for increased giving to San Diego's nonprofits, for better education and training for nonprofit leaders, and for just compensation that ensures these individuals can continue to serve our community over the long-term.

Please take the time to read through this research and to discuss the contents of this report with your colleagues and friends. We need to spread the word about all that the sector is doing and the challenges that lie ahead.

Sincerely,

Ruth Westreich
President
The Westreich Foundation



San Diego is a great place to live, work and play! The nonprofit sector plays a very important role in ensuring the health and vibrant nature of our community by providing vital services and programs that meet the needs of San Diego’s residents. Nonprofit organizations support arts and culture, advocate for a cleaner environment, fight discrimination and make our lives and neighborhoods fun, safe, healthy and inclusive.

This report highlights the important contributions that the nonprofit sector makes to San Diego and opportunities for growth. One such opportunity is the growth of foundations’ assets in order to provide more support to the nonprofits that address the critical needs of our community. As the report highlights, the growth in number of foundations has outpaced the growth of other nonprofits. These foundations are typically very small with few assets.

The San Diego Foundation recognizes the need for a sufficient asset base and in October 2005, we launched an initiative called Endow San Diego demonstrating our commitment to the long-term sustainability of our sector. Investment in endowments is permanent and can help offset fluctuations in the economy. In the first year, over 200 nonprofits joined in partnership with The Foundation to build and/or grow their endowments as their plan for sustainability.

The San Diego Foundation is committed to understanding community needs, providing support to address those needs and convening members of the community to promote dialogue and take action to address the most important issues that the San Diego region faces.

University of San Diego’s Center for Applied Nonprofit Research’s report on the Nonprofit Sector highlights the important role that the nonprofit sector has on the region’s quality of life and economy as well as the opportunities for continued growth. The Foundation looks forward to addressing these opportunities through education of both donors and nonprofits.

Regards,

Bob Kelly
President/CEO
The San Diego Foundation

Forward



Earlier this year, the University of San Diego's School of Leadership and Education Sciences (SOLES) launched the Center for Applied Nonprofit Research. The Center is housed in our Leadership Studies Program that includes degrees, courses, professional development and research projects at the undergraduate, masters and doctoral levels. The Leadership Studies program has three areas of specialization- Public/Private School Education, Higher Education, and Nonprofit Leadership and Management. In addition we have four centers that conduct research locally and nationally; host a wide array of seminars and conferences; and place students in internships in various types of nonprofit organizations.

A key part of the mission of SOLES is to serve as a convener for community dialogues. The Center for Applied Nonprofit Research is one of the School's important linkages to the greater San Diego-Tijuana region. Our objective is to enrich the nonprofit community and those who care about it, by analyzing trends that have an impact on the local sector, publishing and making available reports on characteristics of the local and national nonprofit sector, providing research and evaluation services, and offering access to informational resources that can directly assist practitioners.

A Spotlight on San Diego's Third Sector is an excellent example of the work going on at the Center. This report was written in collaboration with the Institute for Nonprofit Organization Management at the University of San Francisco. We thank them for their professionalism, high standards, and diligent work on this project. Likewise we thank the Westreich Foundation, the San Diego Foundation, and the Bruce T. Halle Family Foundation for their sponsorship of the report. We are all equally proud to provide the community with this in-depth examination of San Diego's nonprofit sector.

The School of Leadership and Education Sciences, and the Center for Applied Nonprofit Research are committed to supporting the nonprofit community of Southern California and the citizens they serve. The report reveals areas where the sector truly shines. Additionally it points out some concerns that require our attention. It is our hope that the findings will be informative to the many stakeholders who are the decision makers for this sector.

Paula A. Cordeiro
Dean
USD School of Leadership and Education Sciences

November 2006

Executive Summary

This report seeks to address two important questions concerning San Diego's nonprofit sector. First, what is the current state of the nonprofit sector in terms of its size, scope, and contributions to San Diego's economy? Second, looking to the future, what trends must the sector consider to strategically position itself in order to meet the needs of this rapidly changing region?

The above questions are addressed using the most recent nonprofit data from a variety of sources. The findings demonstrate that San Diego's "Third Sector" stands solidly alongside the government and private sectors in developing the region's economy and civil society, and in providing critical services that promote the overall welfare of its citizens. In fact, during the past two decades, the organizations and activities of San Diego's nonprofit sector have been expanding in tandem with the explosive growth of the region. The report also calls attention to areas of

concern that should be addressed in order for the sector to effectively meet future service and resource demands.

In accordance with the mission of the Center for Applied Nonprofit Research, this report is written to inform and assist a broad audience. This audience includes nonprofit practitioners, scholars, business people, government officials, donors and concerned citizens beyond the sector. All of these stakeholders often are called upon to make decisions that critically affect the sector.

Key Findings

The following encouraging observations can be made about the strength and contributions of the San Diego nonprofit sector to the region's economy and quality of life. San Diego's nonprofit sector is:

A vibrant and expanding sector

San Diego is home to more nonprofits than the states of Arkansas or Kansas, or the District of Columbia. The sector's growth in San Diego has outpaced that of the nonprofit sector in the state overall.

A key employer with a sizable workforce

The nonprofit workforce in San Diego grew by almost a third since 1999. In the second quarter of 2004 the sector employed 79,334 people – 6.2 percent of total employment in San Diego – and contributed \$642.6 million in wage earnings.

A contributor of substantial revenues and expenditures

In 2004, San Diego's nonprofit organizations earned \$8.1 billion dollars in revenue and spent \$7.7 billion dollars providing services. During the same period, nonprofit expenditures represented 6 percent of San Diego's Gross Regional Product.

An important partner in delivering San Diego County services

During 2004, \$425.2 million in county contracts went to San Diego nonprofits. Health and human services nonprofits received over 90 percent of the total value of the awards made by the county in that year.

A holder of substantial assets that is growing in financial strength

In 2004, San Diego's nonprofit organizations collectively held \$11.7 billion in total assets.

Key Findings cont.

We also discovered the following areas of concern:

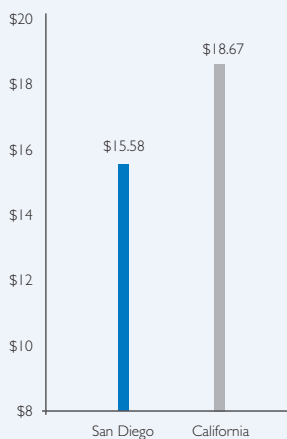
San Diego's nonprofit employees trail behind the average hourly wages of their California counterparts by more than \$3.00 an hour.

This wage gap can undercut the ability of the sector to attract and retain qualified, experienced personnel, particularly since San Diego has been consistently ranked among the most expensive places to live in the state and nation.

Foundations play an important role in San Diego's nonprofit sector; however, their relatively limited assets are a constraint.

In 2004, foundation assets per capita in the metropolitan statistical area (MSA) of San Diego were \$659. This compares to the Los Angeles MSA with \$3,250 and San Francisco MSA with \$16,230 in foundation assets per capita.

Nonprofit Wages in San Diego Lag Comparable Organizations Statewide
Average Hourly Wage, Nonprofit Sector, 2004



Data: California Employment Development Department

Finally, several key trends projected for the region are likely to intensify and complicate demands on the sector. Of note are:

Growth and diversification of the population

Continued population growth and expansion are predicted for San Diego County in the next decade. Accompanying that will be increased ethnic and cultural diversity as well as an aging population.

New and expanding gaps to fill

Nonprofits working in education, workforce development, and policy advocacy are critically needed to sustain the region's economic growth and devise effective employment strategies to generate better jobs.

Further cuts to government funding and services

Continued budgetary restraints at all levels of government are likely to add to the demands on the nonprofit sector for its services.

Need for new leaders

The sector needs to better prepare for substantial turnover in its executive leadership in the coming decades.

San Diego's nonprofit sector, therefore, stands at a critical juncture in its history. We call on the readers of this report to be involved in the task of specifying the roles and responsibilities that the sector should assume in the decades ahead and the capacities it must build to do so. Indeed, it is only through dialogue and partnership among vibrant public, for-profit, and nonprofit sectors that the daunting challenges facing the region may be effectively and strategically addressed.

Introduction

This is a timely moment for taking stock of the nonprofit sector of San Diego County.¹ This county has come a long way from the 1950s, when less than a half a million people resided in the sleepy naval town and its surrounding, sparsely populated canyons. Now, the county has a population approaching three million people, making it the third most populous county in California and the fourth most populous county in the U.S.² During the decades since the 1950s, the organizations and activities of San Diego's nonprofit sector have been expanding in tandem with the explosive growth of the region.

This report seeks to answer two important questions. First, what is the current state of the sector in terms of its size, scope, and contributions to San Diego's economy? Second, looking to the future, what trends must the sector consider to strategically position itself to meet the needs of this rapidly changing region?

In accordance with the mission of the Center for Applied Nonprofit Research, this report is written to inform and assist a broad audience. The report speaks to important constituencies beyond the sector who often are called upon to make decisions that critically affect the sector, such as: business people, government officials, donors, and concerned citizens. The report also addresses members and scholars of the nonprofit sector in San Diego and beyond.

This report makes use of the most currently available nonprofit data from a variety of sources (see Appendices for description). To provide a context for the information presented, San Diego County is compared to a variety of metropolitan areas and to the nonprofit sector across the state of California. The demographic profile of Orange County closely resembles

San Diego's, especially in the categories of population size and characteristics, making it a good region to use for comparative analysis.

Our findings demonstrate that San Diego's "Third Sector" stands solidly alongside the region's government and for-profit sectors in developing the region's economy and civil society, and in providing critical services that promote the overall welfare of its citizens. We also call attention to areas of concern that should be addressed in order for the sector to effectively meet future service and resource needs.

The nonprofit sector – also known as the voluntary sector, independent sector, or third sector – consists of non-governmental organizations whose mission is to provide a service or support an issue of public or private interest for non-commercial purposes. Known also as nonprofits, not-for-profits, or charities, these organizations are legally prohibited from distributing their earnings to any individual who exercises control over the organization (e.g. directors, members).³

1. This report will henceforth use the term "San Diego" or "San Diego region" to refer to the County of San Diego, and the term "San Diego City" to refer to the municipality of San Diego.

2. San Diego Regional Economic Development Corporation. From: <http://www.sandiegobusiness.org>.

3. O'Neill, M. (2002). *Nonprofit Nation: A New Look at the Third America*. San Francisco: Jossey Bass.

State of San Diego's Nonprofit Sector

San Diego County nonprofits operate in a vast, diverse, and complex region.

San Diego's population is growing rapidly. Growth is fueled, in part, by large scale immigration. In 2004, San Diego County's population approached 3 million. As shown in Table 1, the growth in foreign born population illustrates that immigration is an important force in regional growth. The demographic data in Table 1 shows that the region's population growth is driven mainly by the arrival of Asian and Hispanic residents. The number of college educated residents has increased, but average household incomes are not rising.

Map I
San Diego County

Defining San Diego County

San Diego nonprofits are spread across a broad region that includes 18 incorporated cities, as well as unincorporated areas, military installations, tribal lands, and national forests.

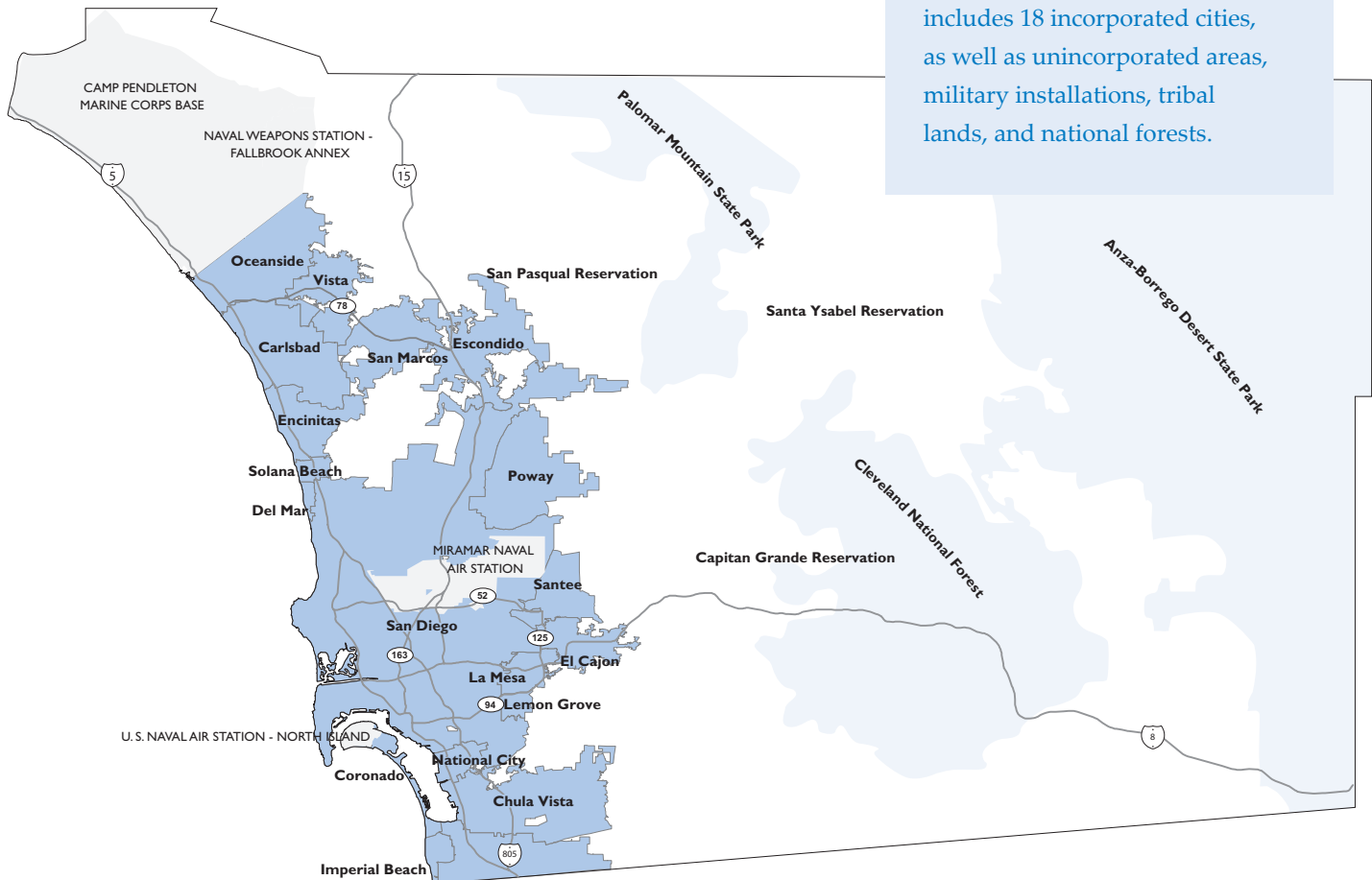


Table 1
A Growing and Diverse County
 San Diego County Demographics, 2000-2004

	2000		2004		Growth
Total Population	2,716,820		2,833,275		4.3%
RACE					
White non-Hispanic	1,496,968	55.1%	1,484,636	52.4%	-0.8%
African American	146,708	5.4%	144,497	5.1%	-1.5%
Asian or Pacific Islander	260,815	9.6%	303,160	10.7%	16.2%
Hispanic/Latino	733,541	27.0%	832,983	29.4%	13.6%
Diversity Index (100 = very diverse)	71.7		72.7		
AGE					
Children under 5 years old	198,328	7.3%	218,162	7.7%	10.0%
Children under 18 years old	722,674	26.6%	753,651	26.6%	4.3%
Adults 18 years and older	1,994,146	73.4%	2,079,624	73.4%	4.3%
Seniors 65 years and older	298,850	11.0%	311,660	11.0%	4.3%
IMMIGRATION					
Native Born Population	2,135,421	78.6%	2,175,955	76.8%	1.9%
Foreign Born Population	581,399	21.4%	657,320	23.2%	13.1%
EDUCATION					
Over 25 years old w/o a high school diploma or GED	325,383	18.8%	279,364	15.3%	-14.1%
Over 25 years old with a bachelors or advanced degree	520,959	30.1%	602,550	33.0%	15.7%
INCOME					
Median Household Income	\$51,893		\$51,012		
Mean Household Income	\$68,616		\$67,662		

Data: American Community Survey, US Census

A high cost of living impacts all county residents and the nonprofits that serve them. The cost of living and working in the region has soared concurrently with the economic growth of the region. Driving this trend is a significant appreciation in the region's housing prices (median single-family home prices, seasonally adjusted) during the 1983-2003 period. This appreciation priced many households out of San Diego's homebuyer market.⁴ In 2004, the San Diego Regional Economic Development Corporation reported that only 11 percent of San Diego households were able to afford a median-priced home. This is a sharp decrease from 2000, when the number was 24 percent.⁵

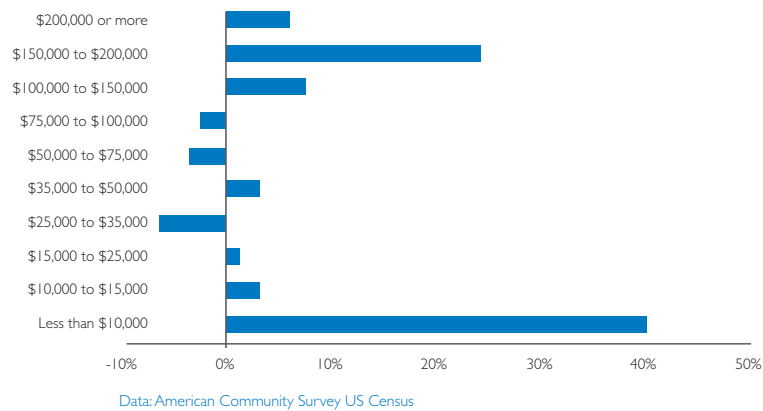
The region's cost of living is a two-fold concern for San Diego nonprofits. First, it generates demands for nonprofit services among households struggling to get by under these circumstances. Second, it puts an upward pressure on the wages that nonprofits must offer to attract and retain capable employees.

THE COST OF LIVING AND WORKING IN THE SAN DIEGO REGION HAS SOARED CONCURRENTLY WITH THE ECONOMIC GROWTH OF THE REGION.

4. Lang, R. (2003, November 14). If You Don't Build It, They Will Come Anyway: Understanding Growth Pressures In Metro San Diego. San Diego Regional Economic Development Corporation. From: <http://www.sandiegobusiness.org>.

5. Single family affordability index. (2005). San Diego Regional Economic Development Corporation. From: www.sandiegobusiness.org/marketintelligence.asp.

Figure 1
Increased Polarization in San Diego Between Income Classes
Population Growth by Household Income, 2000-2004



Like many parts of the nation, San Diego's middle class is shrinking. Figure 1 depicts the growth rate in household income by category for the period 2000 to 2004. The figure demonstrates the number of households in the lowest income levels increased rapidly and the number of households in middle income levels decreased. Finally, the number of households in upper income levels increased, but not as quickly as low income households.

We also recognize that the San Diego region is distinguished by other demographic features that have important implications for nonprofit services. First, there are approximately 95,000 uniformed military personnel residing in the county, who with their dependents and households bring the military population close to 175,000.⁶ This figure does not include the sizeable numbers of retired military and their households in the county. Active-duty and retired military households are often eligible for services that might otherwise be provided by the nonprofit

sector, such as housing, health care, and daycare. Second, the work of San Diego nonprofits often extends into Riverside and Imperial counties, either through services offered in San Diego that are consumed by residents of those counties or through satellite offices of San Diego nonprofits that are located in those counties. Finally, within the San Diego-Tijuana, Mexico, region resides a "community of transnational citizens" who own homes, go to work and school, and consume nonprofit services – such as health care – on both sides of the U.S.-Mexico border.⁷ The impact that these three populations – military households, residents from surrounding counties, and trans-border residents – have on San Diego's nonprofit sector, in terms of offsetting or creating needs for service, is difficult to measure. However, we see this issue as a critical and worthy topic for future research.

6. From <http://www.nbcsandiego.com/militaryconnection>.

7. Herzog, L. (2003). Shared Space: Rethinking the U.S.-Mexico Border Environment, Center for U.S.-Mexican Studies, La Jolla, CA; and Herzog, L. (2000). Trans-Border Institute Bulletin, Global Tijuana: Exploring its Seven Ecologies. From <http://www.sandiego.edu/tbi>.

Table 2
Growth of San Diego Nonprofits Outpaces the State
 Number of Organizations by Subsection, per 1,000 Persons, and Growth 2000-2004

	San Diego County			Orange County			California		
	count	proportion	per 1,000 people	count	proportion	per 1,000 people	count	proportion	per 1,000 people
501(c)3 - Public Charities	8,333	75.9	2.77	8,074	77.9	2.67	107,386	74.3	2.96
501(c)4 - Civic leagues, social welfare orgs, employee associations	737	6.7	--	592	5.7	--	9,363	6.5	--
501(c)5 - Labor, agricultural, and horticultural orgs	214	2.0	--	184	1.8	--	4,786	3.3	--
501(c)6 - Business leagues and chambers of commerce	502	4.6	--	534	5.2	--	6,727	4.7	--
501(c)7 - Social and recreational clubs	526	4.8	--	483	4.7	--	5,672	3.9	--
Other 501(c) subsections	662	6.0	--	493	4.8	--	10,597	7.3	--
TOTAL	10,974	100	3.64	10,360	100	3.43	144,531	100	3.98
501(c) growth since 1999	21.4%			22.5%			18.6%		

Data: IRS Exempt Organizations Master Files

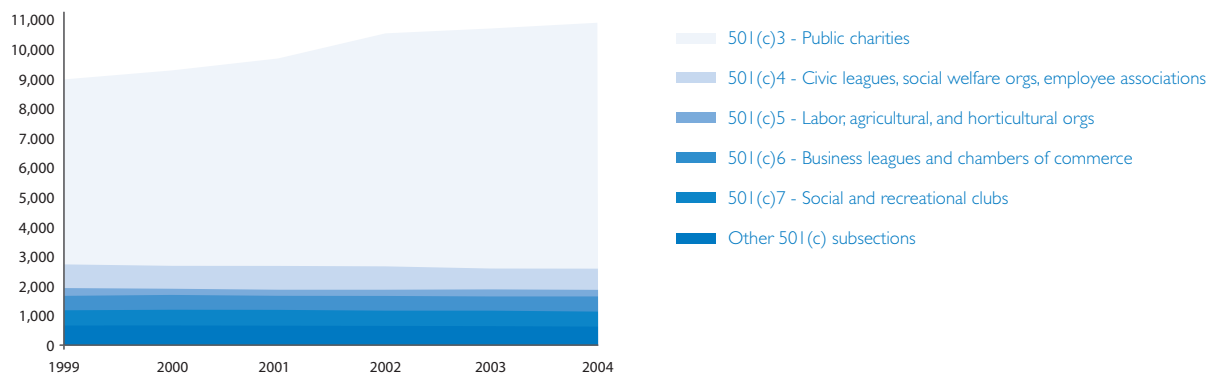
San Diego is home to a vibrant and expanding nonprofit sector.

This report focuses on organizations that register for tax exemption with the Internal Revenue Service. When people hear the word “nonprofit” they immediately think of charitable organizations that are classified as 501(c)(3) corporations, however, there are a wide variety of 501(c) classifications of nonprofit organizations (see Appendices for a list of the most common types). The bottom of Table 2 shows the rate of growth of

all nonprofit 501(c) corporations in California. It illustrates that the rate of growth of nonprofits in San Diego County outpaced statewide nonprofit growth and was slightly behind Orange County.

Figure 2 shows that in San Diego, as in California and the United States overall, the largest 501(c) subsection (75.9 percent) consists of 501(c)(3) “Public Charities.” It also shows that the number of 501(c)(3) organizations in San Diego grew at a higher rate than other types of nonprofits.

Figure 2
San Diego 501(c)(3) Organizations Dominate Nonprofit Growth
 Growth of San Diego Nonprofit Sector by 501(c) Subsection, 1999 to 2004



Data: IRS Exempt Organizations Master Files

Table 3
Human Service and Education Nonprofits Account for Over a Third of the Sector
 Nonprofit Organizations by Field, San Diego Public Charities, 2004

	San Diego County		Orange County		California	
Arts, Culture, & Humanities	778	9.3%	589	7.3%	10,209	9.5%
Education	1,327	15.9%	1,301	16.1%	16,061	15.0%
Higher Education	28	0.3%	26	0.3%	362	0.3%
Health	475	5.7%	388	4.8%	5,489	5.1%
Hospitals	21	0.3%	26	0.3%	408	0.4%
Human Services	1,739	20.9%	1,498	18.6%	23,849	22.2%
Environment	257	3.1%	183	2.3%	3,058	2.8%
International	149	1.8%	123	1.5%	1,449	1.3%
Mutual Benefit	19	0.2%	19	0.2%	340	0.3%
Public & Societal Benefit	424	5.1%	288	3.6%	4,875	4.5%
Foundations & Giving Programs	1,050	12.6%	1,131	14.0%	13,064	12.2%
Religion	1,633	19.6%	1,991	24.7%	22,073	20.6%
Unknown	433	5.2%	511	6.3%	6,149	5.7%
TOTAL	8,333	100.0%	8,074	100.0%	107,386	100.0%

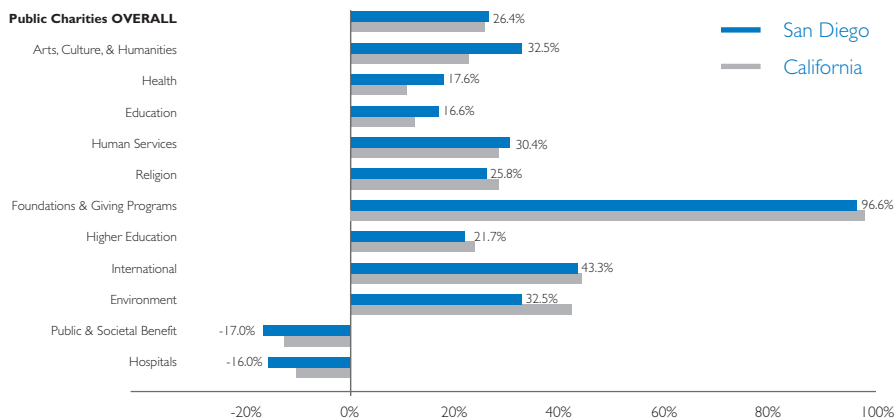
Data: IRS Exempt Organizations Master Files

Henceforth, this report turns its focus to 501(c)(3) public charities as listed in Table 3. These tend to dominate the sector since they are the only nonprofits that are eligible for tax-deductible contributions from individuals and corporations. Interestingly, both charitable organizations that deliver services and foundations distributing funds are classified as 501(c)(3) organizations.

The typologies and classifications of the National Exempt Entities Core Codes (NTEE-CC)

are widely used in the U.S., including use by the Internal Revenue Service (IRS), to categorize nonprofit organizations on the basis of their primary activities. The NTEE-CC coding system, which was created by the National Center for Charitable Statistics, breaks down the activities of nonprofit organizations into a number of fields. While the NTEE system does permit narrowly configured specifications of nonprofit activities, this report uses the aggregated classifications of the NTEE Major Groups (see Appendices for examples).

Figure 3
Foundations Led Growth in the San Diego Nonprofit Sector
 Growth of Public Charities by Field, 2000-2004



Data: IRS Exempt Organizations Master Files

Table 4

Most San Diego Nonprofits Are Small

San Diego Public Charities by Field and Expenditures, 2004

	Non-Filers	Organization Size Based on Expenditures			
		Under \$250,000	\$250,000 - \$1M	\$1M - \$5M	Over \$5M
Arts, Culture, & Humanities	61.7%	28.8%	5.7%	3.0%	0.9%
Education	67.3%	23.9%	4.4%	3.2%	1.2%
Higher Education	46.4%	7.1%	14.3%	10.7%	21.4%
Health	42.5%	30.7%	13.1%	8.2%	5.5%
Hospitals	28.6%	14.3%	0.0%	14.3%	42.9%
Human Services	52.3%	29.5%	10.2%	5.5%	2.5%
Environment	60.3%	25.3%	8.6%	3.5%	2.3%
International	47.7%	34.2%	10.1%	5.4%	2.7%
Mutual Benefit	84.2%	15.8%	0.0%	0.0%	0.0%
Public & Societal Benefit	59.9%	26.2%	9.2%	1.9%	2.8%
Foundations & Giving Programs	8.3%	70.0%	14.4%	5.4%	1.9%
Religion	88.6%	8.6%	1.9%	0.7%	0.1%
TOTAL	59.6%	27.7%	7.2%	3.6%	1.8%

Data: IRS Exempt Organizations Master Files
NCSS Core Files

Figure 3 demonstrates that foundations showed the largest growth in San Diego's nonprofit sector. Most of these were private foundations or education foundations and were small in terms of annual expenditures. The rate of growth of education and arts, culture, and humanities organizations in San Diego exceeded the rate of growth for such organizations in California overall. The decline in the number of public and societal benefit organizations and hospitals in San Diego County outpaced the decline in the numbers of such organizations across the state. It is important to note that we cannot infer from this data that the hospital closures also led to a decline in medical services in the region.

While there are a number of ways to characterize the size of a nonprofit organization, this report utilizes an organization's annual expenditures and assets.⁸ Using this measurement we see that most of San Diego's nonprofit organizations are small. Of those San Diego nonprofit organizations registered with the IRS in 2004,

a large majority carried out their missions with annual assets (85%) or expenditures (87%) of less than \$250,000. The majority of the nonprofit organizations are so small that they need only file tax returns every 10 years (hence the term 'non-filer').

At the other end of the scale, the largest nonprofits – those with assets or expenditures of more than five million dollars annually – represent just two to three percent of San Diego's total nonprofit sector. These organizations, which hold 35 percent of the sector's total assets⁹, fall primarily under the classifications of higher education or hospitals. This distribution is compatible with state and national figures.

San Diego's First Nonprofits

- 1925 San Diego Society of Natural History
- 1928 YMCA of San Diego County
- 1935 San Diego Museum of Art
- 1936 San Diego Center for Children

Determined by date of incorporation with the IRS

8. Examples of other measures of nonprofit organizational size include the number of an organization's employees and volunteers.

9. Calculation based on Table 11.

Table 5

Hospitals Hold Significant Assets

Nonprofit Organizations by Field and Total Assets, San Diego Public Charities, 2004

	Non-Filers	Organization size based on total assets			
		Under \$250,000	\$250,000 - \$1M	\$1M - \$5M	Over \$5M
Arts, Culture, & Humanities	61.7%	28.0%	5.1%	3.0%	2.2%
Education	67.3%	25.5%	3.6%	2.5%	1.1%
Higher Education	46.4%	14.3%	14.3%	7.1%	17.9%
Health	42.5%	33.5%	9.9%	8.2%	5.9%
Hospitals	28.6%	19.0%	4.8%	0.0%	47.6%
Human Services	52.3%	31.7%	6.4%	6.2%	3.4%
Environment	60.3%	24.1%	5.8%	6.6%	3.1%
International	47.7%	37.6%	9.4%	4.0%	1.3%
Mutual Benefit	84.2%	15.8%	0.0%	0.0%	0.0%
Public & Societal Benefit	59.9%	25.7%	8.3%	3.5%	2.6%
Foundations & Giving Programs	8.3%	51.7%	19.0%	12.9%	8.2%
Religion	88.6%	8.6%	1.8%	0.7%	0.3%
TOTAL	59.6%	26.3%	6.5%	4.7%	3.0%

Data: IRS Exempt Organizations Master Files
NCCS Core Files

San Diego's nonprofit sector is a key employer with a sizable workforce, but it trails the state in average nonprofit wage rates.

The size of the nonprofit workforce in San Diego grew by almost a third since 1999. In the second quarter of 2004, the sector employed 79,334 people – 6.2 percent of total employment in San Diego – and generated a substantial \$642.2 million in wage earnings. Employment data also provides further evidence that the majority of San Diego's nonprofits are small organizations

– which is the case elsewhere in California and the U.S. – with 59.5 percent employing fewer than 10 people.

Nonprofit employment in San Diego has grown since 1999 in both absolute terms and in comparison with for-profit and government employment. Table 6 illustrates that nonprofit employment grew by almost 44 percent, while the rates of growth for for-profit and government employment were almost 7 percent and 17 percent, respectively.

Table 6

High Employment Growth but Nonprofit Wages Continue to Lag

San Diego County Employment and Wages by Sector, 1999-2004

	Employment			Average Hourly Wage	
	1999	2004	Growth	1999	2004
Nonprofit	55,194	79,334	43.7%	\$13.71	\$15.58
For-Profit	913,912	976,793	6.9%	\$20.18	\$19.48
Government	188,419	219,563	16.5%	\$21.72	\$21.91
Total All Sectors	1,157,525	1,275,690	10.2%	\$19.65	\$19.65

Data: California Employment Development Department, Labor Market Information Division
Employment and payroll figures for for-profit and government, 1999, are based on annual totals, not quarters.
All dollar amounts have been adjusted to 2004 constant dollars.

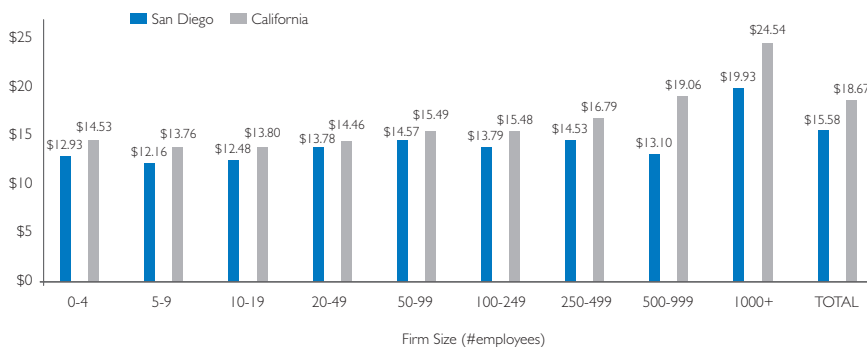
As nonprofit employment has grown, so too has the average hourly wage earned by employees in the sector. While the average hourly wage (\$15.58 in 2004) has risen for employees in San Diego's nonprofit sector, Table 6 shows that this figure still lags significantly behind average hourly wages for the region's for-profit and government sectors (\$19.48 and \$21.91, respectively).

Furthermore, and likely most significant, San Diego's nonprofit employees trail behind the average hourly wages of nonprofits across California by more than \$3.00 an hour. Figure 4 highlights this wage disparity across all sizes of organizations, showing that it is even greater in large organizations. While we might expect to see higher wages paid in the for-profit and government sectors, it is startling to see such a large disparity within the nonprofit sector between the San Diego and state averages, especially since San Diego has been consistently ranked among the most expensive places to live in the state and nation.¹⁰

The continuing lag in wages shown in Figure 4 and Table 6 has important implications for the nonprofit sector's ability to attract and retain capable employees, develop new leadership, and sustain its expansion in the region. This is particularly troubling given the findings of an earlier report published by the USD Center for Applied Nonprofit Research that underscored the large numbers of nonprofit managers and executive directors in the region who plan to retire or leave their positions within the next five years: 68 percent of those surveyed plan to leave and will need to be replaced.¹¹

Wage disparity is also seen across fields of nonprofit activity within San Diego. Table 7 provides a breakdown of wages for several key areas of nonprofit activity. While the largest number of organizations are in the field of human services, employees in that field earn an average \$10.81 an hour. The comparatively fewer nonprofits in San Diego that have large numbers of employees are frequently hospitals and higher

Figure 4
San Diego Nonprofits Trail California Average Nonprofit Hourly Wages
Nonprofit Wages by Firm Size, 2004



Data: California Employment Development Department, Labor Market Information Division

10. Center on Policy Initiatives in San Diego (2005). Making Ends Meet: A Look at the Cost of Living for Working Families. San Diego, CA. From: http://www.onlinecpi.org/pdf/MEM_Publication.pdf.

11. Deitrick, L., Creager, P. (2006). Executive transition in San Diego's nonprofit sector: University of San Diego, Center for Applied Nonprofit Research. From <http://www.sandiego.edu/nonprofit>.

education institutions, where jobs include better paying professional, paraprofessional, and administrative positions. This table illustrates the two-tiered nature of nonprofit employment, with professionals in large institutions and foundations earning significantly more than people working in the arts and human services.

Table 7
Human Services Faces Significant Wage Disparities
 San Diego Nonprofit Employment and Wages by Field, 2004

Field	Average Quarterly Employment	Average Hourly Wage
Hospitals	12,515	\$22.52
International	232	\$19.29
Public & Societal Benefit	2,780	\$18.38
Foundations & Giving Programs	4,148	\$17.79
Higher Education	4,475	\$17.31
Health	10,424	\$17.14
Unknown	172	\$14.36
Education	8,288	\$12.65
Arts, Culture, & Humanities	2,097	\$12.15
Environment	2,757	\$12.00
Human Services	19,170	\$10.81
Religion	1,166	\$10.41
Mutual Benefit	189	\$9.72
TOTAL	68,414	\$15.41

Data: California Employment Development Department, Labor Market Information Division

San Diego's nonprofit sector and is growing in financial strength and holds substantial assets.

In contrast to the for-profit sector, whose organizational achievement is primarily benchmarked against financial measures, nonprofit organizations are held to a “double bottom-line” that takes into account their ability to fulfill their missions in addition to their overall fiscal performance. Nevertheless, the sector's financial status is also a critical indicator of the sector's current strength.

Table 8
San Diego Nonprofit Activity Trails Statewide Level
 Financial Overview, 2004

	San Diego	Orange County	California
Total Population	2,833,275	2,944,125	35,055,227
Total Revenues	\$8.085 B	\$5.322 B	\$112.68 B
Total Expenditures	\$7.694 B	\$4.823 B	\$106.02 B
Expenditures Per Capita	\$2,715	\$1,637	\$3,025
Average Expenditures	\$3,204,322	\$2,116,833	\$3,482,649
Median Expenditures	\$105,045	\$95,835	\$124,311

Data: NCCS Core Files, American Community Survey
 Note: Excludes foundations & supporting organizations

Table 8 provides a financial snapshot showing that San Diego County has roughly the same population as Orange County but a much higher level of nonprofit activity as evidenced by the expenditures per capita. Despite leading Orange county expenditures, San Diego still lags behind the statewide levels of nonprofit expenditures.

The following figures and graphs present the revenues, expenditures, and assets of San Diego's nonprofit sector. “Total revenue” encompasses all financial inflows from grants and contributions, contracts, fees charged for services, sales of goods, income from investments, and net fundraising income, drawing on data from line 12 of IRS Form 990 (the nonprofit tax reporting form). “Expenditures” include program services, management and general operating expenses, fundraising expenses, and payments to contractors, drawing on data from line 17 of IRS Form 990. In the case of foundations and supporting organizations, expenditures include grants and contributions paid to other nonprofit organizations, though not necessarily to ones located in San Diego County.

A portion of foundation expenditures are spent supporting other nonprofit organizations. Since we do not want to count this money twice – once as foundation revenue, and again as nonprofit revenue – we try to avoid such redundancy

Table 9
Hospitals Play a Significant Role in San Diego's Nonprofit Sector
Total Expenditures, 2004

	San Diego		Total Expenditures (\$Millions)		California	
			Orange County			
Arts, Culture, and Humanities	\$156.5	2.0%	\$147.0	3.0%	\$2,384.9	2.2%
Education	\$335.6	4.4%	\$286.9	5.9%	\$4,127.5	3.9%
Higher Education	\$450.3	5.9%	\$310.6	6.4%	\$11,080.2	10.4%
Environment	\$210.2	2.7%	\$19.5	0.4%	\$1,081.0	1.0%
Health	\$990.6	12.9%	\$285.0	5.9%	\$28,733.7	27.0%
Hospitals	\$3,668.2	47.7%	\$2,567.1	53.2%	\$35,939.8	33.8%
Human Services	\$1,245.3	16.2%	\$821.2	17.0%	\$15,577.1	14.6%
International	\$176.5	2.3%	\$43.8	0.9%	\$1,994.0	1.9%
Mutual Benefit	\$0.1	0.0%	\$3.4	0.1%	\$398.1	0.4%
Public and Societal Benefit	\$383.3	5.0%	\$65.3	1.4%	\$3,477.2	3.3%
Religion	\$77.1	1.0%	\$262.9	5.5%	\$1,542.2	1.4%
Unknown	\$0.0	0.0%	\$10.8	0.2%	\$88.1	0.1%
TOTAL	\$7,693.7	100.0%	\$4,823.4	100.0%	\$106,423.9	100.0%
Supporting Organizations	\$711.4		\$504.9		\$11,054.5	

Data: NCCS Core Files

using the methodology proposed by the National Center for Charitable Statistics.¹² The following analysis therefore treats organizations with a mission to support other nonprofits – such as foundations, trusts, federated giving programs, and fundraising groups – separately as supporting organizations. Other 501(c)(3) organizations that are direct service or benefit providers are termed operating organizations. San Diego's nonprofit organizations earned \$8.1

billion dollars in revenue and spent \$7.7 billion dollars providing services in 2004 (Tables 9 and 10, excludes foundations and other supporting organizations). More than three quarters of the region's nonprofit expenditures are in hospitals, health, and human services. These organizations play a critical role in providing essential services to everyone in San Diego.

Table 10
Hospitals Play a Significant Role in San Diego's Nonprofit Sector
Total Revenues, 2004

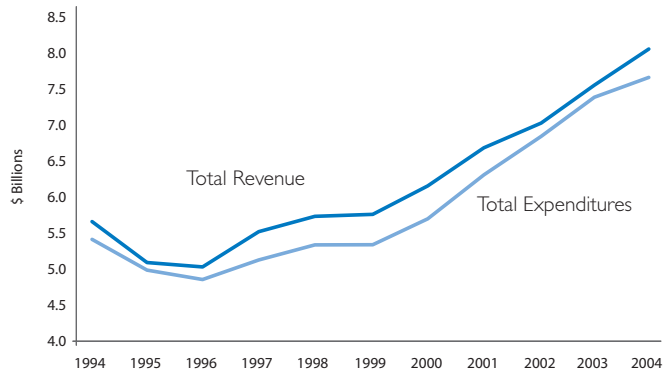
	San Diego		Total Revenues (\$Millions)		California	
			Orange County			
Arts, Culture, and Humanities	\$181.8	2.2%	\$166.7	3.1%	\$2,805.0	2.5%
Education	\$384.7	4.8%	\$401.7	7.5%	\$4,656.7	4.1%
Higher Education	\$527.7	6.5%	\$316.9	6.0%	\$12,792.6	11.4%
Environment	\$237.9	2.9%	\$21.9	0.4%	\$1,202.0	1.1%
Health	\$1,026.2	12.7%	\$263.3	4.9%	\$29,289.3	26.0%
Hospitals	\$3,739.8	46.3%	\$2,824.5	53.1%	\$37,672.4	33.4%
Human Services	\$1,312.2	16.2%	\$841.0	15.8%	\$16,068.4	14.3%
International	\$176.0	2.2%	\$54.5	1.0%	\$2,165.9	1.9%
Mutual Benefit	\$0.2	0.0%	\$6.5	0.1%	\$449.0	0.4%
Public and Societal Benefit	\$406.1	5.0%	\$71.2	1.3%	\$3,689.7	3.3%
Religion	\$92.9	1.1%	\$341.7	6.4%	\$1,788.0	1.6%
Unknown	\$0.0	0.0%	\$12.3	0.2%	\$104.5	0.1%
TOTAL	\$8,085.3	100.0%	\$5,322.2	100.0%	\$112,683.3	100.0%
Supporting Organizations	\$843.1		\$531.9		\$16,066.3	

Data: NCCS Core Files

12. Pollak, T., and Durnford, J. (2005). The Scope and Activities of 501(c)(3) Supporting Organizations, National Center for Charitable Statistics at the Urban Institute, Washington D.C.

We find it interesting that the nonprofits classified as international make up a larger percentage of both total nonprofit revenues and expenditures than the comparable percentages in Orange County and the state of California data. This may reflect San Diego's status as an active border region and gateway to the Pacific Rim. There was an upward trend in the growth of both revenues and expenditures over the last ten years for San Diego's nonprofits. Overall, revenues have kept ahead of expenditures.

Figure 5
Nonprofit Revenues and Expenditures Have Grown Consistently
Nonprofit Revenue and Expenditures, San Diego County, 1994-2004



Data: NCCS Core Files

Note: Longitudinal data adjusted to 2004 current dollars using CPI-U, San Diego Metro Area, US Bureau of Labor Statistics.

To understand what this means in terms of San Diego's overall economy, we can look at nonprofit expenditures as a portion of the county's overall Gross Regional Product (GRP). Over the past decade San Diego nonprofit expenditures have represented, on average, nearly 6% of the county's total GRP.

In 2004, San Diego's nonprofit organizations collectively held \$11.7 billion in total assets. Nonprofits accumulate assets in a variety of ways. Their assets may be in the form of investments, including endowments that help to ensure long term financial stability for the organization. Assets may also take the form of real estate or technology that improves their ability to efficiently provide services. A solid asset base can be utilized to offset unexpected revenue fluctuations and to finance new opportunities. In the years 2000-2004, San Diego's nonprofits reported an 8.1 percent growth in their assets. During this same period, Orange County's nonprofits enjoyed a 27.2 percent increase in their assets (Table 11). Hospitals, not surprisingly, control more

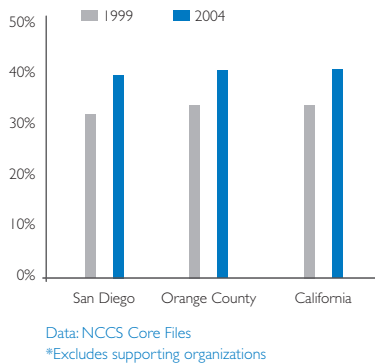
Table 11
San Diego Nonprofits Have Grown Their Assets
Nonprofit Assets (\$ Millions) and Growth, 2000-2004

	San Diego County		Orange County		California	
	Assets	Growth	Assets	Growth	Assets	Growth
Arts, Culture, and Humanities	\$500.7	-0.2%	\$447.4	47.1%	\$6,939.3	17.8%
Education	\$464.7	52.7%	\$504.6	94.2%	\$8,251.3	2.1%
Higher Education	\$1,151.0	14.0%	\$1,334.4	175.8%	\$38,439.1	26.8%
Environment	\$418.9	6.8%	\$38.2	34.5%	\$2,712.2	11.6%
Health	\$1,031.6	-8.0%	\$628.2	20.9%	\$14,952.3	48.5%
Hospitals	\$3,016.0	15.1%	\$3,667.9	5.4%	\$39,716.3	2.7%
Human Services	\$1,416.1	25.3%	\$1,234.3	58.4%	\$21,386.4	10.2%
International	\$46.0	-10.2%	\$41.5	84.4%	\$839.6	26.8%
Mutual Benefit	\$0.2	20.5%	\$15.2	107.1%	\$1,077.2	111.1%
Public and Societal Benefit	\$635.8	-22.5%	\$106.7	53.1%	\$7,895.0	38.3%
Foundations	\$2,949.6	3.8%	\$3,024.3	15.6%	\$94,780.8	1.1%
Religion	\$96.8	60.2%	\$962.7	10.1%	\$2,395.0	33.1%
Unknown	\$0.0	0.0%	\$13.4	0.0%	\$226.5	0.0%
TOTAL	\$11,727.3	8.1%	\$12,018.8	27.2%	\$239,611.0	10.3%

Data: NCCS Core Files

than a quarter of the sector's assets in San Diego. Moreover, San Diego's human service organizations hold a higher percentage of assets than their counterparts in Orange County and in California overall, and their positive operating margin far surpasses that of their counterparts in Orange County and in California statewide. Notably, the percentage of assets held by San Diego's foundations (25 percent) lags considerably behind their statewide counterparts (40 percent). We will take up this point again in the section on nonprofit revenue sources. We further investigate the fiscal health of San

Figure 6
Overall Increase in Deficit Spending
Proportion of Operating Nonprofits with Deficit Spending, 1999-2004



Diego's nonprofit sector by comparing its operating margins across key areas of activity. When the operating margin is negative, this indicates that the nonprofit's expenditures exceeded its revenues in a given year. This practice, known as "deficit spending," occurs when the organization utilizes its assets or reserve funds to cover any shortfall in revenue. Deficit spending is not always an indication of the poor financial health of a nonprofit organization. There are instances when it may be financially advantageous and sound business practice for the organization to utilize assets for operating purposes. However, when nonprofits consistently borrow against or dip

into noncurrent assets, this can be an indication of financial distress.

In 2004, nonprofit revenues in San Diego surpassed expenditures across all but one of the fields of activity (international). Moreover, when we look closely at individual organizations, we see that nearly 60 percent of San Diego's nonprofits operated in the black that year. San Diego's nonprofits reported operating margins that were healthiest in the fields of education, health, and human services.

Figure 7
Deficit Spending Rates for Human Service Organizations Continue to Rise
Proportion of Operating Nonprofits with Deficit Spending, 1999-2004

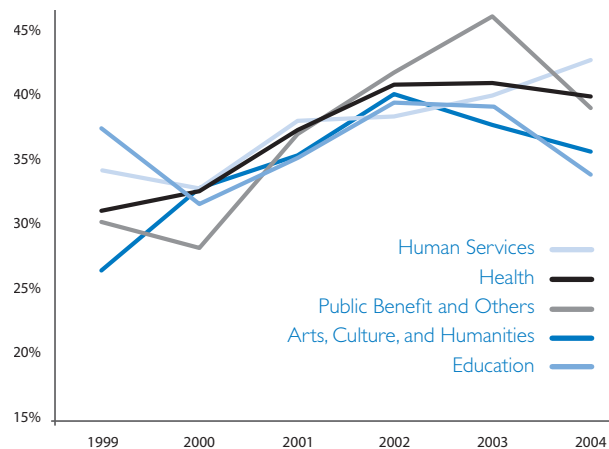


Figure 6 indicates that, over the past five years, there has been a 25 percent increase in deficit spending throughout San Diego's nonprofit sector. Arts, culture, and humanities had the largest increase in the percentage (38 percent) of organizations operating in deficit since 1999. Given the overall level of assets held by San Diego nonprofits, it is difficult to determine whether this deficit spending is truly an indication of financial distress, although it is a trend worth watching in the coming years.

San Diego nonprofits generate substantial revenues through a variety of sources.

From what sources do San Diego's nonprofits earn money to keep their doors open and fulfill their missions? Nonprofits generate revenue in a variety of ways. Three major categories of nonprofit revenues are earned income, donations, and investments. Table 12 shows that most of San Diego's nonprofits rely heavily on earned income as a source of revenue, especially in the fields of hospitals (97.5 percent) and higher education (84.3 percent).

Earned income is nonprofit revenue generated through one of the following four ways: (1) program revenues (e.g. fees for the services that the nonprofit provides, such as the tuition a university charges for a class, or an admission ticket that a theater sells to view a play); or (2) member dues; or (3) sales of goods (e.g. a museum operates a store, or a homeless shelter repairs and sells donations of used cars and trucks); or (4) other income (royalties and miscellaneous other income).

Government contracts are another source of revenue for San Diego's nonprofit organizations, particularly contracts from the County. During the calendar year 2004, San Diego County subcontracted over \$1.2 billion worth of services to outside agencies. These contracts were for various products and services including architectural services, training consultants, services to persons with addictions and persons infected with HIV/AIDS, housing, computer services, and construction.

The nonprofit sector is an important partner for San Diego County in delivering these types of services. For instance, during 2004, 35 percent (\$425.2 million) of the county's reported total value of its contracts went to San Diego nonprofits.

NONPROFITS RELY HEAVILY ON EARNED INCOME AS A REVENUE SOURCE, DEFINED AS PROGRAM FEES, DUES, SALES OF GOODS, AND OTHER INCOME PRODUCING ACTIVITIES.

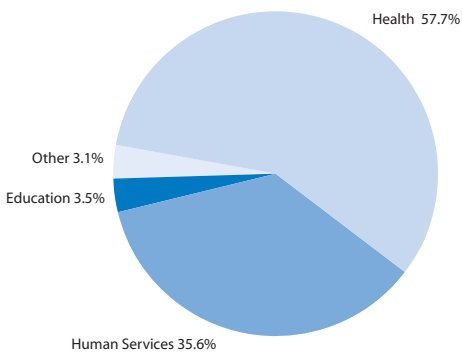
Table 12
Program Revenues are the Largest Contributor to Total Nonprofit Income
 Revenue Sources, San Diego County Operating Public Charities, 2004

	Program Revenue	Earned Income			Donations	Investments
		Dues	Sale of Goods	Other Income		
Arts, Culture, and Humanities	34.5%	2.8%	1.2%	1.2%	53.8%	6.5%
Education	49.1%	2.1%	6.0%	3.2%	37.7%	1.9%
Higher Education	80.9%	0.0%	0.1%	3.3%	15.5%	0.1%
Environment	37.1%	8.2%	15.0%	0.4%	36.8%	2.6%
Health	33.3%	0.1%	3.4%	0.8%	60.1%	2.3%
Hospitals	96.4%	0.0%	0.0%	1.1%	1.5%	0.9%
Human Services	35.9%	2.3%	1.7%	2.0%	54.9%	3.3%
International	4.0%	0.3%	0.1%	0.1%	95.2%	0.3%
Public and Societal Benefit	54.9%	0.7%	0.5%	0.3%	40.1%	3.5%
Religion	14.3%	0.1%	5.7%	1.1%	78.0%	0.9%
TOTAL - Operating Organizations	67.1%	0.8%	1.6%	1.4%	27.3%	1.8%

Data: NCCS Core Files

Over 90 percent of these contracts were in the fields of health and human services (Figure 8). This outsourcing of services to the nonprofit sector allows the county to keep its payroll costs low and to lessen the red tape often associated with service provision through large public bureaucracies.¹³ Note that our data does not account for government funding that is not channeled through the county.

Figure 8
Health and Human Services Dominates Government Contracting to Nonprofits
San Diego County Contracting by NTEE, 2004



Data: Purchasing and Contracting Office of San Diego County

Foundations play an important role in San Diego's nonprofit sector, but foundation asset levels are an area of concern.

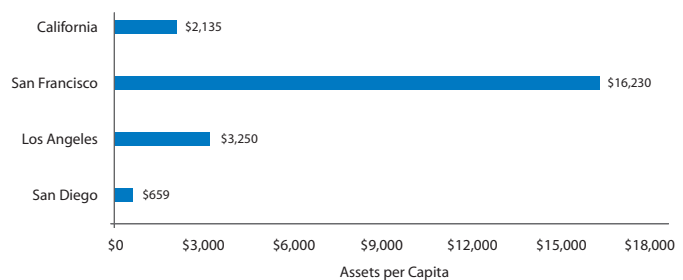
Grants made by foundations are another source of revenue for nonprofit organizations. Foundations can take the form of private or public entities, and are organized for different purposes (see Appendices). Grants made by foundations make up a small portion of nonprofit revenues, but they are important because they can help stimulate entrepreneurial activity in the nonprofit sector. Foundation grants data used in this section of the report are taken from the grants statistics database of the Foundation Center and is based on grants from

the nation's 1,000 largest foundations. This data represents a subset of San Diego's foundations and giving programs (supporting organizations) discussed in other parts of this report.

The following analysis looks at the amount of assets held by foundations per capita. We recognize that foundations do not necessarily distribute funds in the same geographic region in which they operate. Nevertheless, comparing San Diego's foundations and their counterparts in surrounding counties along these measures is one way to assess the relative grantmaking capacity of San Diego's foundations.

In 2003, foundation assets per capita in the San Diego Metropolitan Statistical Area (MSA) were \$659. This figure compares to the Los Angeles MSA of \$3,250 and San Francisco MSA of \$16,230. This disparity is striking. The implication is that San Diego nonprofits cannot rely on their local foundations for funding to the same degree as nonprofits in other metropolitan areas. A key consequence is that San Diego nonprofits are limited in their ability to turn to local foundations for operating support, funding for programs, and development of new initiatives.

Figure 9
San Diego Foundations Have Fewer Assets per Capita for Grantmaking
Foundation Assets per Capita, 2004



Data: Foundation Center

13. Steuerle, C. E., and Hodgkinson, V.A. (1998). Meeting social needs: Comparing the Resources of the Independent Sector and Government. The Urban Institute Press, Washington, D.C., 2-28.

Table 15
Independent Foundations Are the Largest Providers of Funds
 Foundations and Total Giving (in \$ Millions) by Type, 2004

Foundation Type	San Diego MSA				Los Angeles MSA				California			
	Foundations		Total Giving		Foundations		Total Giving		Foundations		Total Giving	
Independent	411	86.9%	\$91.6	64.7%	2,320	88.8%	\$1,218.6	85.9%	5,447	87.3%	\$3,126.7	77.1%
Corporate	10	2.1%	\$4.2	2.9%	74	2.8%	\$46.1	3.2%	163	2.6%	\$202.0	5.0%
Community	4	0.8%	\$44.1	31.2%	7	0.3%	\$101.4	7.1%	49	0.8%	\$562.1	13.9%
Operating	48	10.1%	\$1.7	1.2%	211	8.1%	\$53.1	3.7%	583	9.3%	\$162.7	4.0%
TOTAL	473	100%	\$141.6	100%	2,612	100.0%	\$1,419.2	100.0%	6,242	100.0%	\$4,053.7	100.0%

Data: Foundation Center

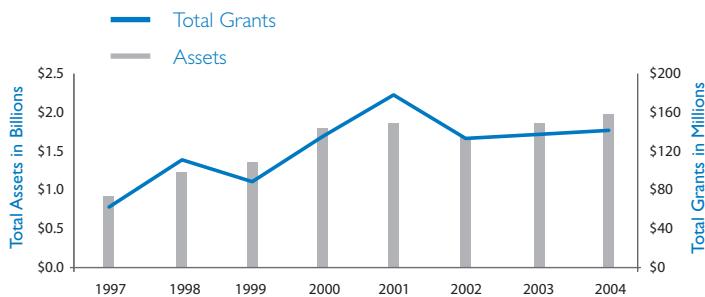
Lack of adequate foundation resources for nonprofit operating costs may also drive San Diego's nonprofits deeper into deficit spending, and impede their ability to provide competitive wages to their employees.

Independent foundations make up the majority of foundations in San Diego County (86.9 percent), hold the most assets (68.5 percent), and grant the most dollars (64.7 percent). Yet Table 15 shows that San Diego's community foundations comprise a larger share of the community foundation giving than their counterparts in Los Angeles or across the state (comparable numbers for Orange County are not readily available). It

is likely that the community foundations play a disproportionately greater role in San Diego because there is an absence of other major foundation activity.

Figure 10 indicates both foundation asset and grantmaking levels appear to be making a slight rebound after the declines experienced following the 2001-2002 drop in the stock market and the slowdown of the overall economy.

Figure 10
Private Foundation Grants Are Rebounding
 San Diego Foundation Assets and Grants, 1997-2004



Data: Foundation Center
 California Department of Finance (Population)

Trends and Implications: Looking to the Future

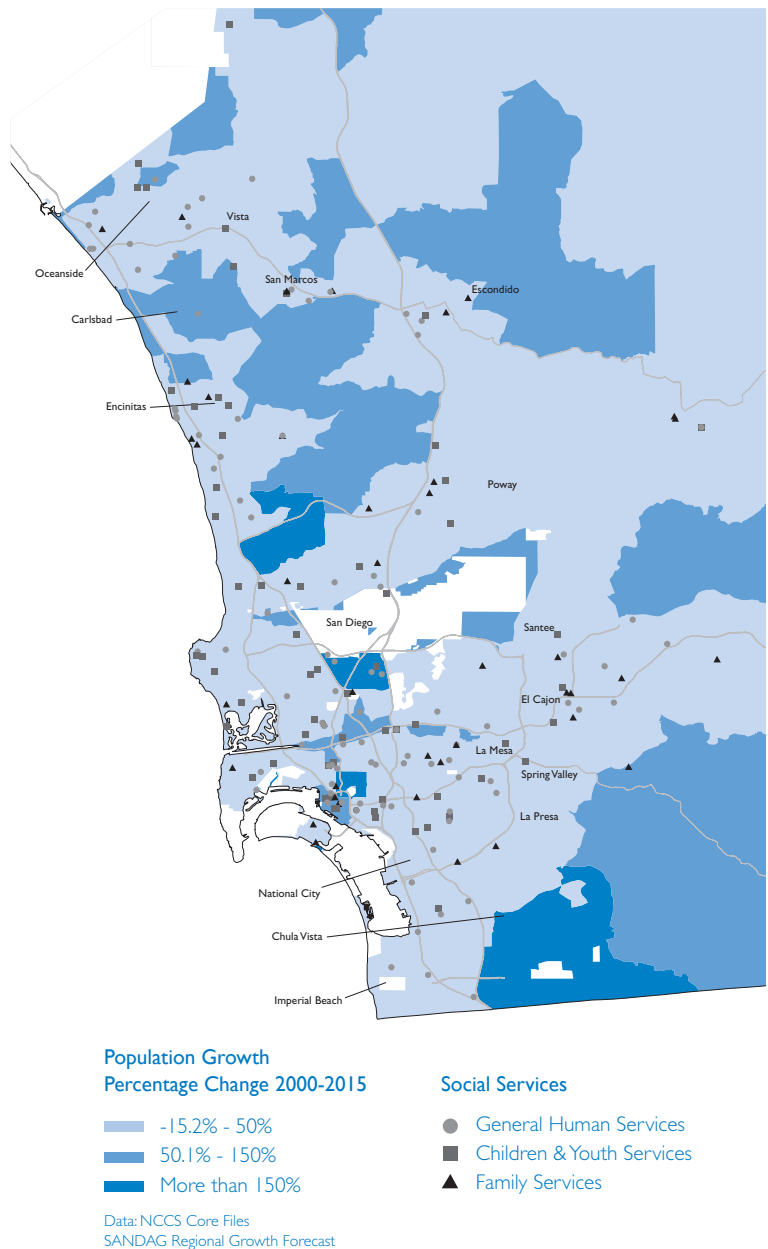
San Diego County is projected for even more population growth and economic expansion, accompanied by increasing ethnic and cultural diversity and an aging population. Map 2 shows that San Diego's future population growth will be concentrated in areas where nonprofit social services are currently scarce.

Map 2
Social Services and Population Growth in 2015

The San Diego Association of Governments (SANDAG) recently predicted that the region's population will add an additional million more people in the decades between 2000 and 2030.¹⁴ Furthermore, SANDAG projected that Hispanic and Asian ethnic groups in the county will almost double in size, while the non-Hispanic White population will steadily decline and the African-American population will remain constant. With the non-Hispanic White share of the total population falling below 50 percent, there will no longer be an ethnic majority in the county.

To the degree that this ethnic diversification is accompanied by an influx of foreign-born persons – particularly those with limited English proficiency – San Diego's nonprofits will need to accommodate these linguistic and cultural backgrounds in providing education, health care, and social services. Nonprofits can also play key roles in preparing newcomers to participate in the region's civic affairs and political life.

Additionally, SANDAG projected that the number of people age 64 to 84, and 85 and older, will grow by 131 percent and 175 percent, respectively. In contrast only an increase of 13 percent for those age 17 and under is projected.



14. 2030 Regional Growth Forecast. (2004, June 4). SANDAG. From: www.sandag.org.

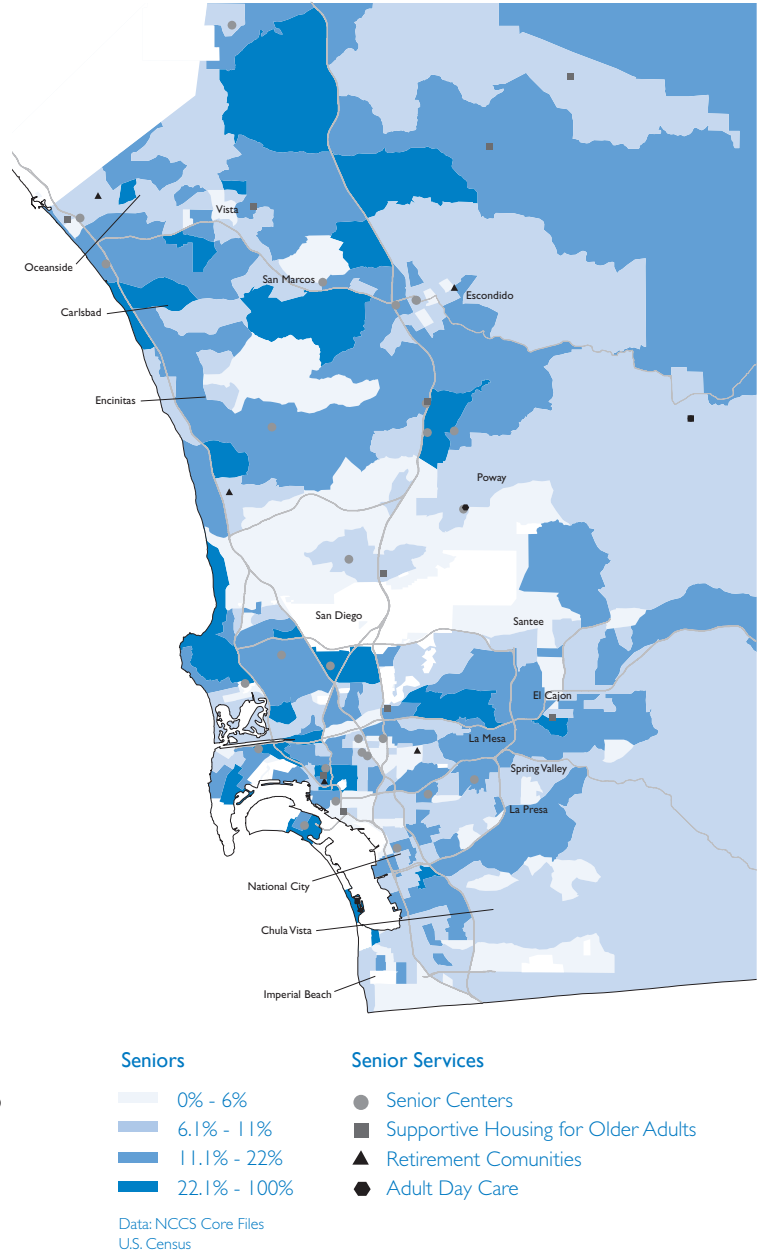
By 2030, 19 percent of the region's population will be 65 and older, which is a higher percent of that population than in the "retirement state" of Florida. For this reason, the demand on the nonprofit sector will intensify for services and amenities for the elderly and infirm. Examples of these include medical and nursing care, assisted living housing and services, transportation assistance, physical rehabilitation, senior recreation programs, gerontological research, and specialized education and training to prepare workers to provide these services.

Also, we notice in Map 3 that there appears to be a geographical mismatch between where senior citizens are residing and where nonprofit services targeted at this age group are physically located. This does not take into consideration the possible availability of public and for-profit senior services that may also be available.

The investments and services of the nonprofit sector are critically needed to sustain the region's economic growth and employment strategies to generate better jobs.

San Diego's population growth has been fueled and sustained by the vitality of the region's economy over the past two decades. The good news is that such economic growth is projected to continue in the coming decades.¹⁵ However, there are negative impacts associated with economic growth including environmental degradation, possible wage disparities, and intensified service demands. Through their services and policy advocacy, nonprofits can support continued economic expansion and minimize its negative

Map 3
Seniors Lack Access to Important Nonprofit Services



15. 2030 Regional Growth Forecast. (2004, June 4). SANDAG. From: www.sandag.org.

impacts to advance the health, safety, and quality of life of local communities.

Budgetary constraints at all levels of government are likely to add to the demands on the nonprofit sector for its services.

Based on our previously presented trend analysis, it appears that demand for nonprofit services will at least remain stable for the foreseeable future. At the same time, ongoing budgetary problems that are confronting state and federal government are predicted to drive substantial cutbacks in government services.¹⁶ Nonprofit organizations will be expected to take up the slack, with fewer public dollars available to do so. It remains to be seen how the funding to fill this void will be generated.

The sector needs to better prepare for a substantial transition in its executive leadership in the coming decades.

Leaders of San Diego's nonprofit organizations will play an important role in the nonprofit sector's ability to meet the future challenges outlined in this report. San Diego's nonprofits will require skilled and educated leaders to move the sector strategically forward. A survey of San Diego's nonprofit executive directors indicated nearly 68 percent said they planned to leave their positions within the next five years. Furthermore there has been very little planning within nonprofit organizations to replace these leaders. In San Diego, the cost of living and the low average nonprofit hourly wage make the task of

recruiting qualified candidates from outside the region particularly difficult. Simply put, they cannot afford to move here.

If planned for properly, San Diego nonprofits can grow their own leadership internally through training and mentoring. While often framed as a "looming crisis," we suggest that a period of executive leadership transition can be harnessed and channeled into a very positive direction. Additionally, this leadership transition period can allow for consideration of new ideas such as innovative new business models. San Diego's nonprofit sector needs to take a proactive stance on this issue of leadership development and transition to successfully meet the challenges that lie ahead.

¹⁶ Levy, S. (2004, February 13). Economic Impacts of Spending Cuts and Tax Increases. Institute of Regional and Urban Studies. From: <http://irvine.org/assets/pdf/pubs/jobs/BudgetSeries7SpendingCuts.pdf>.

Final Thoughts

We have highlighted a variety of strengths that are characteristic of San Diego's vibrant and expanding non-profit sector. The sector is a key employer and contributor of revenues and services to the regional economy. It acts on behalf of government in providing many critical services. The sector holds substantial assets and has grown in financial strength over the past five years.

However, there are some areas of concern to note. For instance, the sector lags behind in its hourly wage rate for employees, in a region with a notably high cost of living. There is an increased trend in deficit spending. Additionally, San Diego's foundations hold limited assets in comparison to other California metropolitan areas.

Considering the current state of the sector as outlined in this report, we conclude by noting that there needs to be further deliberation over how strategically the sector is positioned to meet the future needs of this rapidly changing region. We highlight, in particular, several key trends projected for the region that are likely to intensify and complicate demands on the sector: more population growth and diversification; economic expansion; government budget constraints; and nonprofit executive transition.

The sector, therefore, stands at a critical juncture in its history. We call on the audience for this report to be involved in the task of specifying the roles and responsibilities that the sector should assume in the decades ahead, and the capacities it must build to do so. Indeed, it is only through dialogue and partnership between vibrant public, for-profit, and nonprofit sectors that the daunting challenges facing the region may be effectively and justly addressed.

In response to this need for regional, cross-sectoral partnership and deliberation, we add that the Center for Applied Nonprofit Research at the University of San Diego will continue to offer members of all sectors vital research, programs, and a venue to assemble. Here, we can all gather and talk about the critical issues facing the nonprofit sector and the region, as well as develop creative strategies for addressing the key issues we identify.

Appendices

Data Sources

A large portion of the data was gathered by the Institute for Nonprofit Organization Management at the University of San Francisco.

Data about the number of nonprofit organizations and their financials are from the Internal Revenue Service (IRS) and the National Center for Charitable Statistics (NCCS) at the Urban Institute. This data is based on nonprofit organization tax filings with the IRS, which is public information.

Nonprofit Employment figures were provided by the California Employment Development Department, Labor Market Information Division. Nonprofit employment is determined by matching the master list of California nonprofits with data from the ES-202 program. For-profit employment is assumed to be the remainder of private firm employment. Additional information about the ES-202 program is available at <http://www.labormarketinfo.edd.ca.gov>.

Foundation data was gathered from NCCS files and the website of the Foundation Center, <http://foundationcenter.org>.

Data about San Diego County contracts was provided by the Purchasing and Contracting Office of San Diego County.

Population data for 2000 and 2004 are from the U.S. Census and the American Community Survey, accessed through the American Factfinder website (<http://factfinder.census.gov>). The San Diego Association of Governments (SANDAG) supplied regional demographic data projections. Additional population data came from the California Department of Finance.

501(c) Classification

The most common 501(c) organizations include:

501(c)(1) - Federal corporations organized under an Act of Congress and declared exempt from payment of federal income taxes, such as federal credit unions.

501(c)(2) - Corporations holding title to property for tax exempt organizations.

501(c)(3) - Organizations for furthering charitable, religious, scientific, and educational purposes and/or providing services in the public interest, such as Goodwill Industries or the American Red Cross of San Diego County, and Catholic Charities of the Diocese of San Diego.

501(c)(4) - Civic leagues operated to promote social welfare, or local employee associations whose earnings go exclusively towards educational, charitable, or recreational purposes, such as volunteer fire companies; the Sierra, Rotary, and Kiwanis clubs; and the American Association of Retired Persons (AARP).

501(c)(5) - Labor, agricultural, and horticultural organizations to protect interests of workers in connection with their employment, or to promote more efficient production techniques in agriculture, such as the California Association of Marriage and Family Therapists or San Diego City Firefighters IAFF Local 145.

501(c)(6) - Business leagues, real estate boards, or chambers of commerce established to improve conditions in one or more lines of business, such as the San Diego Regional Chamber of Commerce and the National Football League (NFL).

About NTEE codes

In order to provide a concise summary of the diverse array of organizations belonging to the nonprofit sector, we have relied upon a classification system called the National Taxonomy of Exempt Entities Core Codes (NTEE-CC), created by the National Center for Charitable Statistics at the Urban Institute. The system is used by the Internal Revenue Service (IRS), Independent Sector, the Foundation Center, and many foundations, researchers, analysts and others. The NTEE classification system has an heirarchical logic, analogous to the North American Industrial Classification System (NAICS), which is commonly used to classify all businesses, including some nonprofits.

Every nonprofit organization granted 501(c) tax exemption by the IRS is assigned a 3-digit NTEE core code based on its primary program activity. The first NTEE digit is a letter that signifies one of the 26 fields such as education (B), health (E), or recreation (N). The second and third positions of the NTEE code are a two digit number which specify a function within each field. For example, within the health field the code E20 designates hospitals and E32 is for community clinics. In education, B70 is assigned to libraries, and Parent Teacher Associations are assigned B94.

The advantage of using NTEE classifications is that they can be aggregated into broad groups, which are what we rely on to provide concise summary tables in this report. The display to the right shows how we grouped the NTEE fields to make our 13 categories. A full list of NTEE codes is available online online at <http://nccs.urban.org>.

NTEE Major Groups and Fields

Arts, Culture, and Humanities

Arts, culture, and humanities

Education

Education (excluding universities or colleges)

Higher Education

Universities and colleges

Health

Health (excluding hospitals)
Mental health and crisis intervention
Diseases, disorders, and medical disciplines
Medical research

Hospitals

Hospitals

Human Services

Crime and legal services
Employment
Food, agriculture, and nutrition
Housing and shelter
Public safety, disaster preparedness and relief
Recreation and sports
Youth development
Human services

Environment and Animals

Environment
Animal-related

International, Foreign Affairs

International, foreign affairs, and national security

Philanthropy and Grantmaking

Philanthropy, grantmaking, and supporting organizations

Public, Societal Benefit

Civil rights, social action, and advocacy
Community improvement
Voluntarism
Science and technology
Social science
Public and societal benefit

Mutual Benefit

Mutual and membership benefit

Religion Related

Religion-related

Unknown, Unclassified

Unknown

Some examples drawn from San Diego's nonprofit sector are:

Arts, Culture, Humanities

San Diego Opera
Natural History Museum
Centro Cultural de la Raza

Education

High Tech High School
The Keiller Leadership Academy
The Monarch School

Higher Education

University of San Diego
Point Loma University
Gemological Institute of America Inc.

Health (Excluding Hospitals, Mental Health and Crisis Intervention, & Research)

San Diego Blood Bank Foundation
Alliance Healthcare Foundation

Hospitals

Sharp Healthcare
Mercy Hospital
Children's Hospital

Human Services

St. Vincent DePaul Village
Center for Employment Training (CET) San Diego
Little League Baseball International

Environment and Animals

Escondido Creek Conservancy
San Diego Zoo

International/Foreign Affairs

Serving Hands International
Project Concern
San Diego World Affairs Council

Philanthropy and Grantmaking

San Diego Foundation
Jewish Community Foundation of San Diego

Public and Societal Benefit¹⁸

Normal Heights Community Development
Volunteer San Diego

Religion-related¹⁹

Catholic Diocese of San Diego
San Diego Torah Center

Mutual Benefit²⁰

Jobs Daughters International
National Naval Officers Association
The Key Club

Understanding Foundation Types

Independent Foundations

Formed with the intention of supporting charitable activities. Example: Family foundations

Corporate Sponsored Foundations

Formed through the ties it has with a particular corporation that provides its funding. Example: Qualcomm Foundation

Community Foundations

Uses funds from multiple donors to serve defined geographic areas

Operating Foundations

These foundations serve to provide direct services and support and to conduct research. They may also make grants. Example: San Diego Hospice Foundation

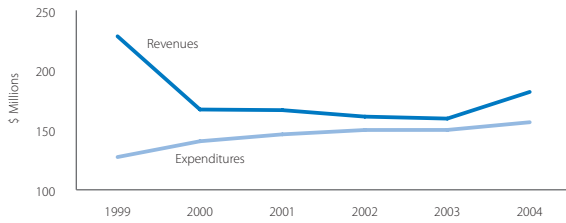
18. Public and Societal Benefit encompasses a broad set of groups that work on behalf of the public at large – on research, social change, and specific issues, such as civil rights protection – which purportedly benefit everyone, not just a specific group.

19. The Religion-related category may not encompass all such organizations that actually exist in the county, since these entities – for instance, church congregations and religious orders – are not required to file income tax returns with the IRS.

20. Mutual Benefit refers to membership organizations whose activities and resources are on behalf of eligible members.

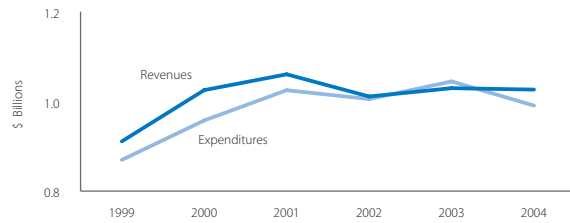
Longitudinal Nonprofit Revenues and Expenses by Field

Figure A-1
Revenues and Expenditures in the Arts, Culture, and Humanities Field



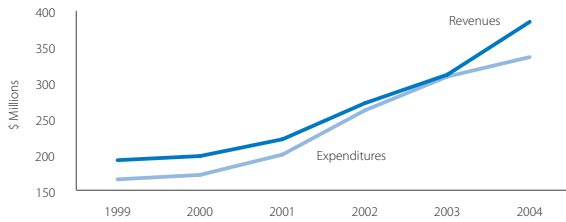
Data: NCCS Core Files

Figure A-4
Revenues and Expenditures in the Health Field



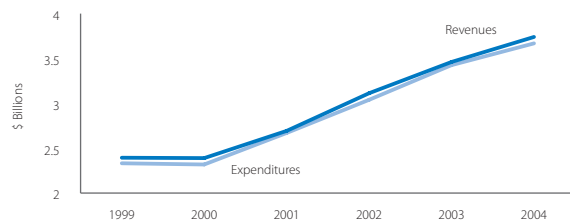
Data: NCCS Core Files

Figure A-2
Revenues and Expenditures in the Education Field



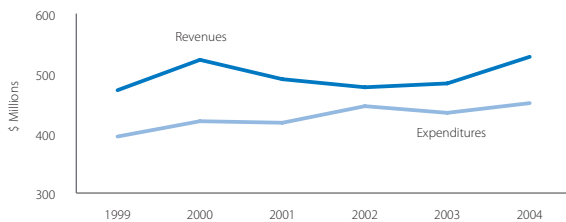
Data: NCCS Core Files

Figure A-5
Revenues and Expenditures in the Hospital Field



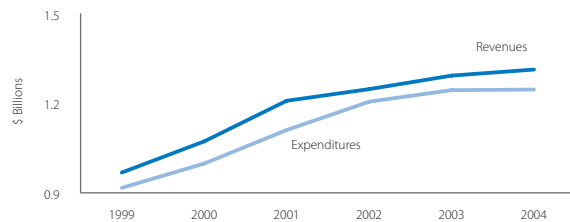
Data: NCCS Core Files

Figure A-3
Revenues and Expenditures in the Higher Education Field



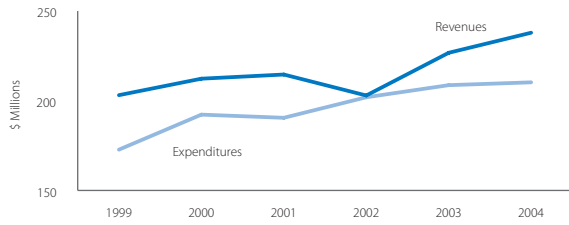
Data: NCCS Core Files

Figure A-6
Revenues and Expenditures in the Human Services Field



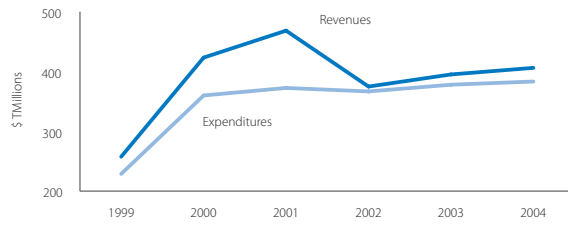
Data: NCCS Core Files

Figure A-7
Revenues and Expenditures in the Environment Field



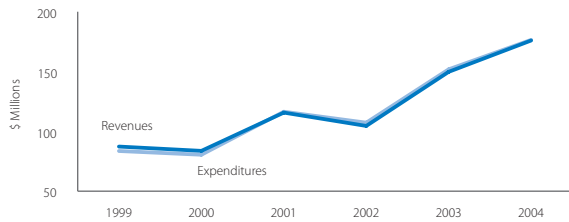
Data: NCCS Core Files

Figure A-10
Revenues and Expenditures in the Public Benefit Field



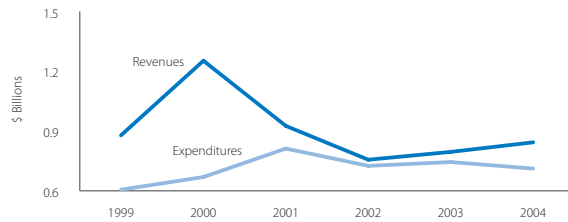
Data: NCCS Core Files

Figure A-8
Revenues and Expenditures in the International Field



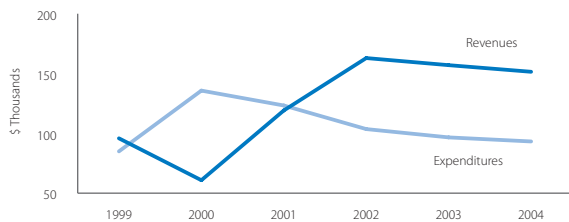
Data: NCCS Core Files

Figure A-11
Revenues and Expenditures in the Foundation and Giving Programs Field



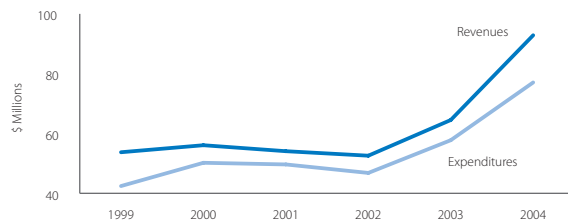
Data: NCCS Core Files

Figure A-9
Revenues and Expenditures in the Mutual Benefit Field



Data: NCCS Core Files

Figure A-12
Revenues and Expenditures in the Religion Field



Data: NCCS Core Files

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The following staff from various organizations responded to our questions and provided insights about San Diego nonprofit activity.

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About the Center

The Center for Applied Nonprofit Research is housed in the School of Leadership and Education Sciences at the University of San Diego. Designed as a learning laboratory the Center examines issues of strategic importance to the nonprofit sector. Our objective is to enrich the nonprofit community and those who care about it, by analyzing trends that have an impact on the local sector, publishing and making available reports on characteristics of the local and national nonprofit sector, providing research and evaluation services, and providing access to informational resources.

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