UCLA CENTER FOR CIVIL SOCIETY

Creating Opportunities

The State of the Nonprofit Sector in Los Angeles

2007

UCLA SCHOOL OF PUBLIC AFFAIRS

University of California, Los Angeles
School of Public Affairs
Center for Civil Society

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Creating Opportunities:
The State of the Nonprofit Sector in Los Angeles 2007

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Foreword

For more than ten years, the UCLA School of Public Affairs has been working with nonprofit and civic leaders, policymakers, business executives and citizens to develop innovative solutions to some of society's greatest challenges. The School's three departments – Public Policy, Social Welfare, and Urban Planning – and nine research centers conduct landmark research locally, nationally and internationally; host a broad array of civic leaders for seminars and conferences on important policy issues; and place our skilled students in internships with nonprofit organizations and government agencies. In addition, our faculty and alumni serve in a wide array of leadership positions throughout the region, the state, the nation, and the world.

Part of the mission of the School of Public Affairs is to act as a convener and catalyst in public dialogues. The Center for Civil Society is one of the School's most important linkages in engaging the Southern California region. The Center serves as a focal point for the School's programs and activities in nonprofit leadership and management, grassroots advocacy, nongovernmental organizations, and philanthropy. The Center's *The State of the Nonprofit Sector in Los Angeles* report and conference have become a yearly event around which local nonprofit, philanthropic and civic leaders can participate in important dialogues around the sector's development.

The 2007 *State of the Nonprofit Sector* report continues to examine the intersection of policymaking and nonprofit organizations. Nonprofit and community organizations serve an important, dual role: they are both providers of essential services and advocates for their clients who are often the most vulnerable in society. Given the environment in which public funding for human services, healthcare, arts and culture, and education programs has been dramatically reduced or eliminated altogether, nonprofit organizations continue to exhibit an admirable resilience; however, this is no reason to continue this mode of operations. The 2006 Report called for new models of partnership and the 2007 Report takes this a step further by suggesting the infrastructure in which to pursue a new sort of collaboration.

UCLA, the School of Public Affairs, and the Center for Civil Society remain steadfast in our commitment to use knowledge as a bridge to our communities in an effort to provide a better future for not only the Southern California region, but also the state, and by extension, the world.

Barbara J. Nelson
Dean
UCLA School of Public Affairs

Executive Summary

This is the fifth report on the state of the nonprofit sector and philanthropy in Los Angeles, issued by the UCLA Center for Civil Society. This year's theme Creating Opportunities is meant to signal that the LA nonprofit sector is at some sort of a crossroad: on the one hand, after years of expansion and turbulent fiscal environments, the nonprofit sector seems to have entered a period of consolidation. Growth rates are down, public funding levels are stagnant in many fields of nonprofit activity, many agencies face sustainability problems, and needs are rising. On the other hand, these challenges also create opportunities for innovative ways of responding, for developing new business models and forging new partnerships, and, above all, for adopting a more forward-looking approach to advocacy for and by nonprofit organizations and foundations.

Creating Opportunities as a theme is about anticipating changes, identifying future activities and sources of support, and becoming an informed and knowledgeable advocate for those served by the nonprofit and philanthropic community

The theme Creating Opportunities is about anticipating changes, identifying future activities and sources of support, and becoming an informed and knowledgeable advocate for those served by the nonprofit and philanthropic community. The crossroad is about which long-term strategic posture to assume. One is about continuing on the current course of experiencing, in more or less passive ways, the effects of government policy, societal shifts, demographic trends, and economic and political changes - changes filtering through complex systems to end at the doorstep of the many nonprofits serving neglected and vulnerable people and communities.

While the current route has the nonprofit sector at the ‘receiving end’ of developments, the other, and the one proposed here, casts the sector in a proactive role: a nonprofit sector that anticipates changes in the external environment and the threats and opportunities it offers; a nonprofit and philanthropic sector that sees its future closely intertwined with the ability to advocate for its causes and needs, and to find voice for itself and for those it seeks to serve and represent. Such a proactive rather than reactive policy stance implies first and foremost that the sector needs a better understanding of future developments, and requires a more forward-looking assessment of current events and issues.

For this purpose, the 2007 Report calls for a Southern California Nonprofit and Philanthropy Forecast to enable the sector to become more proactive. Designed as a collaborative platform among foundations, nonprofits and public grantmaking institutions, the Forecast could become an essential component for stimulating the development of an advocacy infrastructure this region so clearly needs. Above all, such an infrastructure can help bring about a renewal in the public-private partnership between the region's nonprofit and philanthropic community, government and the business community to address the region’s most pressing issues.

Among this year's major findings are:

- There are currently close to 53,000 nonprofit organizations in Los Angeles County of which 32,528 are registered as 501 (c) (3) public charities.
- On average, the nonprofit sector employed about 208,000 persons on a monthly basis in Los Angeles County across a total of close to 5,000 organizations and $2.2 billion in quarterly wages.
- In terms of nonprofit expenditure as a percentage of Gross Metropolitan Product, we find that spending has remained relatively stable since 2004, hovering at a little under 7% of GMP.

- Overall, the nonprofit sector grew by only 1% from 2003 to 2005, but almost 20% from 2000 to 2005.
- There is a slight widening of the gap between nonprofit and for-profit wages. At the county level, nonprofit wages remained relatively stable at about $43,000 per year while private sector wages increased by about $2,000 and public sector wages increased by about $1,000.

In sum, while nonprofit sector growth in terms of number of organizations is the highest it has been in any given 12 month period from January 2006 to January 2007, the three year average actually shows rather steady growth at about 4% since 2004. At the same time, many nonprofit organizations are serving a greater number of people per organization and spending less per person in need, as shown by expenditures for community clinics and the homeless. For existing and established organizations, expenditure has remained stagnant, increasingly only about 1% over a two year period. In other words, the sector has grown more in numbers than in financial capacity.

In terms of employment and wages, we also see that average annual income for the nonprofit sector has only increased slightly. Moreover, average annual wages in the nonprofit sector are stagnant, while both the private and public sectors are showing increases. The gap in mean annual wages between the nonprofit sector and the other two sectors has widened.

Los Angeles County foundations have grown significantly in recent years. The number of foundations located in Los Angeles County almost doubled from 1995 to 2006. In terms of assets, Los Angeles County foundations experienced a slight contraction from 2000 to 2003, and then rebounded between 2003 and 2004 for an overall growth rate of 19% during the period. Similarly, foundation contributions remained fairly flat from 2000 to 2003, and then experienced a 19% increase from 2003 to 2004.

> ***Many nonprofit organizations are serving a greater number of people per organization and spending less per person in need, as shown by expenditures for community clinics and the homeless.***

Photo of Downtown Los Angeles by Stan Paul

Introduction

The UCLA Center for Civil Society monitors developments in the Los Angeles nonprofit and philanthropic sector on an ongoing basis. Throughout the year, we examine policy issues affecting the sector, look at the wider social and economic environment of nonprofits, philanthropy, and civic engagement; compile and analyze relevant economic and social statistics; and engage in dialogue with practitioners and leaders in the field. Some of the major results of this ongoing effort are presented in this publication, whose combined purpose is to serve as an annual Report on the state of the nonprofit sector in the region.

The Report offers statistical updates on the contours of the nonprofit sector in Los Angeles, including foundations, and highlights topics and issues of particular interest and concern. In doing so, the Report seeks to inform debate about the sector's current and future role, and the wider civil society of which it is a part. To supplement the statistics presented in this report, we also present insights gained from two focus groups which we convened in March 2007: one with executive directors of Los Angeles area nonprofits and another with volunteer consultants who work with a variety of local nonprofit organizations. Focus groups offer an opportunity to share experiences and better inform the findings. Questions discussed in the focus groups centered around six main topic areas related to the nonprofit sector: growth, capacity, composition, federal and state policy and budgets, accountability, and homelessness.

This year, in addition to presenting updates on the scale and scope of nonprofits and philanthropy, we take an initial look at nonprofit capacity to serve local needs in selected fields, and explore in more depth some implications of current policy and budget developments at the Federal, State and local levels. Clearly, public budget negotiations are important for nonprofits during the best fiscal times, particularly in a region like Los Angeles where many nonprofits, such as health and human service providers, rely to significant degrees on public funds to support operations. Budgets are not only about contracts and dollars, however; they are expressions of stewardship for the public good generally, and of obligations and responsibilities for meeting social needs specifically. Budgets spell out a division of labor between the public and the private sectors, a partnership in a generic sense that requires capacity and commitment from all sides. For nonprofits and philanthropic institutions, successful engagement with government - be it at local, State or Federal levels – rests on an active, even proactive approach.

Indeed, in an era where governments are doing less, advocacy for and by the sector becomes ever more important, and one should expect the voice of nonprofits to be heard loud and clear in City Hall, the County Supervisor Offices, and the halls of Sacramento and Washington, D.C. For advocacy to be successful and yield sustainable outcomes, an infrastructure for collective action among nonprofit and philanthropic leaders is clearly needed. Yet despite some encouraging developments in recent years – such as the establishment of a philanthropy liaison office in City Hall or the greater emphasis on the homeless population – we find that too little advocacy work is taking place, and many nonprofits seem to shy away from more active engagements with the legislature and the executive.

In an era where governments are doing less, advocacy for and by the sector becomes ever more important.

While there may well be good reasons why nonprofits are advocacy-shy, e.g., being too busy providing services to meet growing needs, there is one more reason why nonprofits and philanthropies have to become better advocates for themselves and the constituencies they represent: the changing role of government itself. In the past, nonprofits were able to identify needs and provide services because public funds were available to support their activities to address them. Over the last few years, this pattern seems to have been replaced by a new and largely unspoken model of 'being expected to do more with less' and a laissez-faire attitude that 'nonprofits will handle this somehow.' This pattern of short-term budget fixes in the absence of more profound policy debates seems to take the place of the public-private partnership that has long characterized the relationship between government and nonprofits in the region.

Unilateral action by government in imposing budget cuts, changing contract conditions and requirements, 'pushing the envelope' to nonprofits, or expecting foundations to compensate for shortfalls in public budgets – all this demands, in our opinion, greater policy awareness and understanding of and by nonprofit organizations and foundations. In other words, we see the future of the region's nonprofit and philanthropic sector closely intertwined with its ability to advocate for its causes and needs, and to find voice for itself and for those it seeks to serve and represent. Being a good advocate means being able to see and create opportunities, and to help shape a future that is closer to the preferences of nonprofits and philanthropic leaders and the constituencies they represent.

This pattern of short-term budget fixes in the absence of more profound policy debates seems to take the place of the public-private partnership that has long characterized the relationship between government and nonprofits in the region.

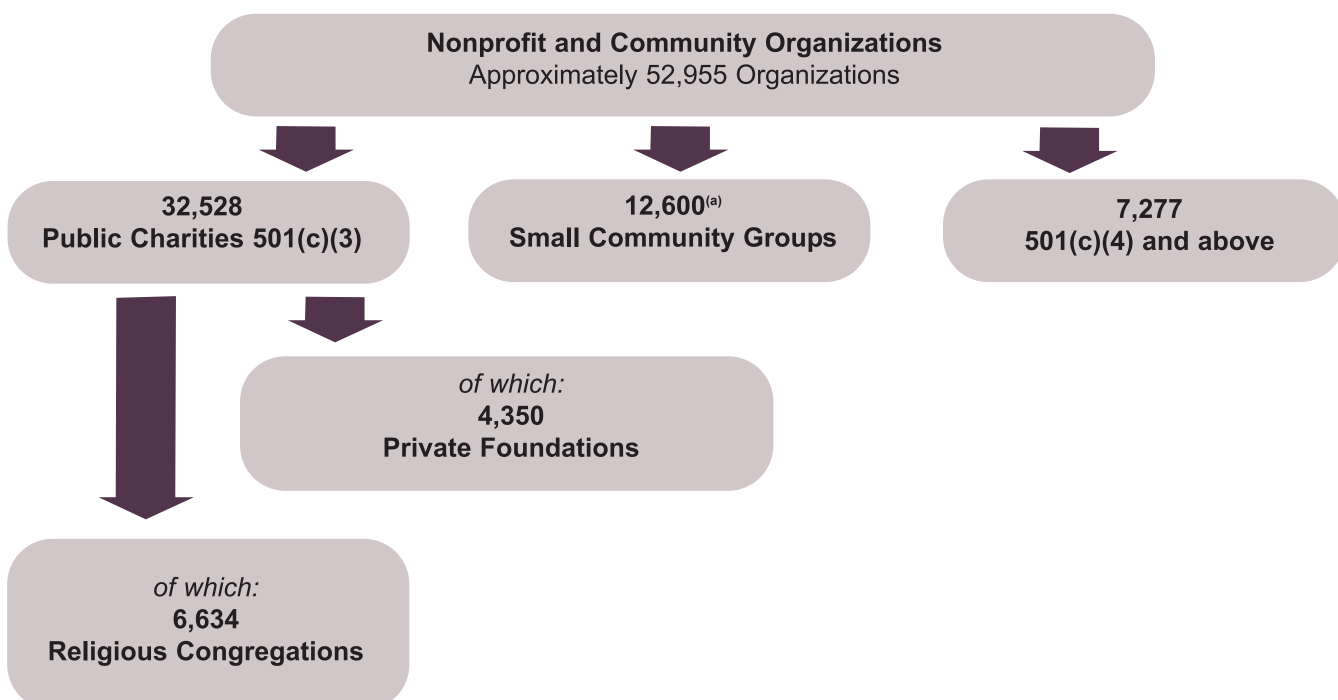
However, such a proactive approach implies first and foremost that the sector needs a better understanding of future developments, and requires a more forward-looking assessment of current issues. For this purpose, the 2007 Report calls for a Southern California Nonprofit and Philanthropy Forecast to enable the sector to become more proactive. Designed as a collaborative platform among foundations, nonprofit organizations, and grantmaking public charities representing a broad sweep of Southern California's social sector, the Forecast could become a planning tool for nonprofits and foundations alike in their joint goals to develop and influence public policies that impact the sector and to stimulate greater collaboration across sectors to address society's – and the Southern California region's – most pressing issues.

The Nonprofit Sector in Los Angeles – An Update

Throughout 2006 and into this year, the nonprofit sector in Los Angeles County experienced moderate growth in terms of number of organizations, reversing the slowdown following the California budget crisis earlier in the decade. There are currently close to 53,000 nonprofit organizations in Los Angeles County of which 32,528 are registered as 501 (c) (3) public charities. About 20% of registered 501 (c) (3) organizations are religious congregations and about 13% are private foundations. In addition, member-serving organizations of various kinds registered as 501 (c) (4-26) make up 14% or about 7,300 of the total number of organizations. There has not been much growth in this latter group, with a 1% increase over the previous year.

We estimate that there are about 12,600 small, informal community groups in LA County, an increase of about 8% from last year.[1] Given the limited information available for these informal community groups and that 501 (c)(4-26) organizations are primarily member-serving rather than public-serving, the data presented in the rest of this report refer only to the 32,528 public charity organizations registered under section 501 (c)(3) of the Internal Revenue Code.

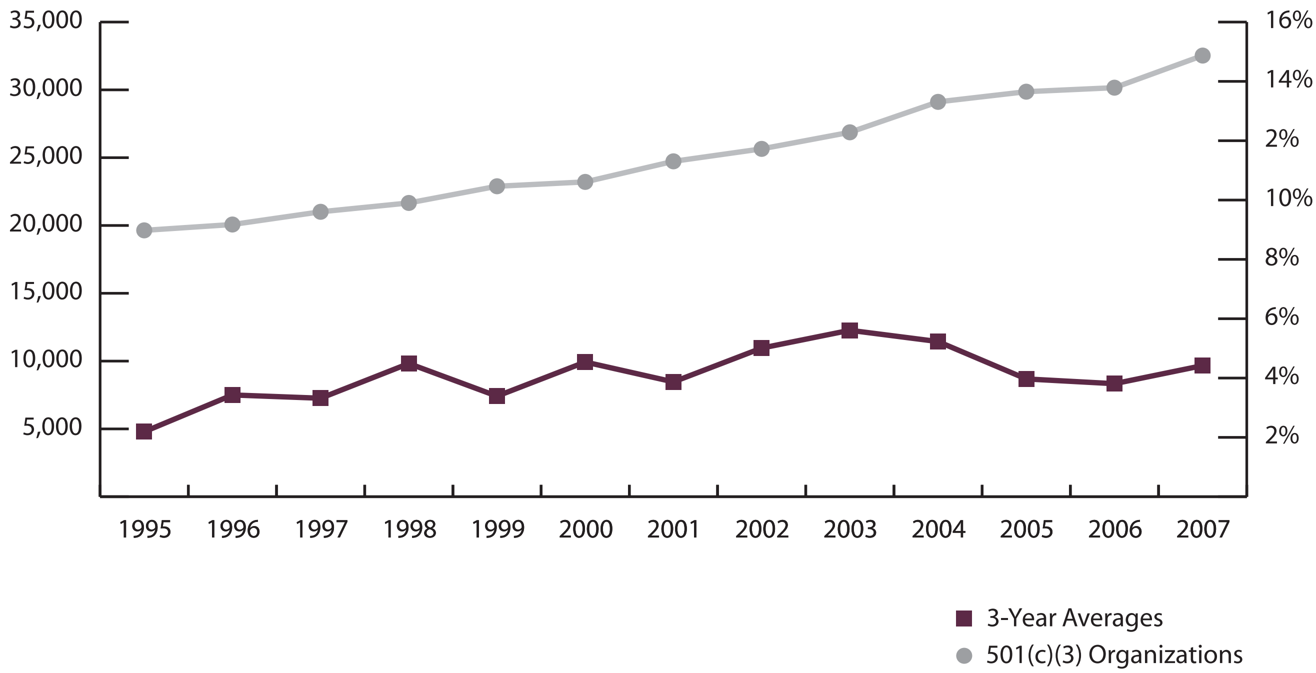
Figure 1. The Los Angeles County Nonprofit and Community Sector, 2007



Source: National Center for Charitable Statistics, IRS Business Master File, January 2006
(a)Estimated Growth of 13.2% from 2001 based on actual 501(c)(3) growth between 2004-2007

1. Based on actual growth of 501c(3) organizations between 2006-2007. This estimation reflects the discrepancy between the number of nonprofit organizations in the California Secretary of State Registry and the number of nonprofit organizations in the NCCS IRS Business Master File. The NCCS Business Master File contains information on all active tax-exempt organizations and data contained on the BMF are mostly derived from the IRS Forms 1023 and 1024 (the applications for IRS recognition of tax-exempt status). In 2001 approximately 10,000 smaller organizations, typically with annual expenditures below $25,000, were contained in the State Registry, but not in the IRS files. This number was projected for 2006 based on the number of organizations in 2004 (see Anheier et al, 2005) and the actual growth rate of 501(c) (3) organizations in the IRS Business Master File for December 2004 - January 2006.

Figure 2. Growth in the Number of 501(c)(3) Organizations in Los Angeles County



Source: IRS Business Master Files, 1995-2007

At first sight, in terms of number of organizations, the nonprofit sector experienced the largest growth over any 12 month period since 1996, an increase of 8% from January 2006 to January 2007.[2] However, given the way and timing that data on the number of nonprofit organizations are typically recorded, collected and issued for any given year, a more accurate measure of growth is the average change for the previous, current, and following years or a three year average.[3] Therefore, the three year average trend line in Figure 2 shows that growth has actually remained relatively steady at 4% since 2004, and has been ranging between 3.3% and 5.6% over the last ten years.

LA County added about 2,500 nonprofit organizations to the existing stock over the course of the last year, or six to seven per day on average; however, these data say nothing about how 'active' nonprofit organizations actually are. Data on defunct, deregistered or simply inactive nonprofits are largely absent, which means that growth in the number of organizations reported here should be interpreted as gross rather than net expansion, and very likely an over-estimate of the actual stock of active organizations.

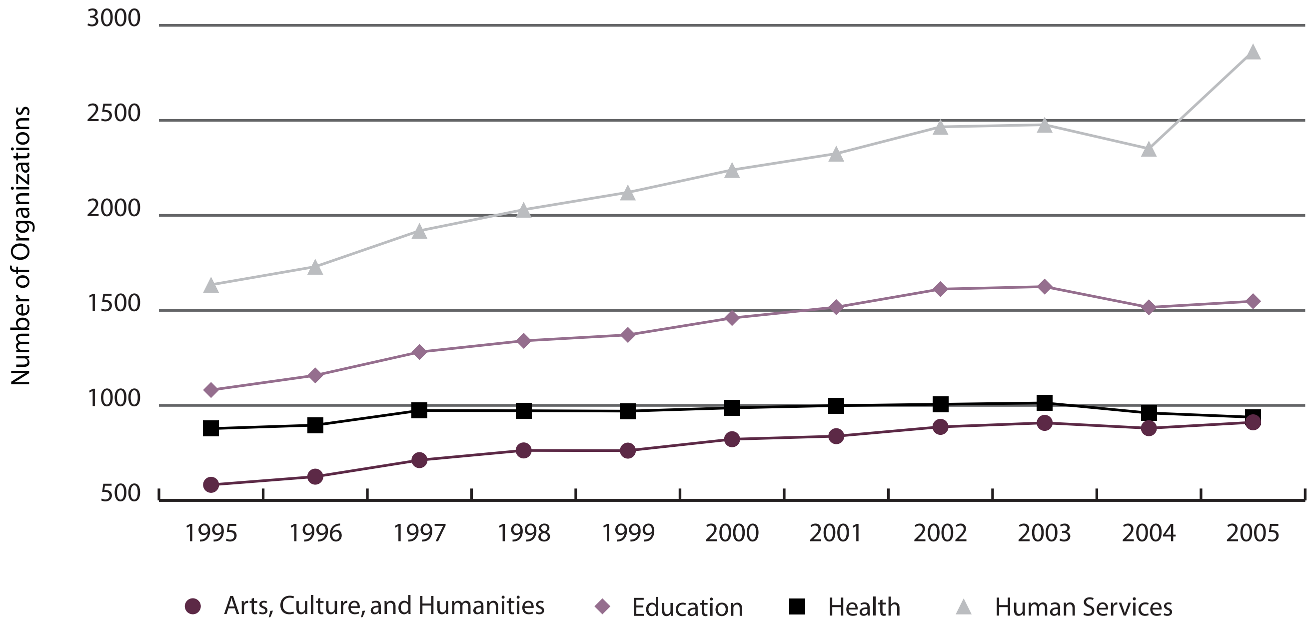
While growth in the number of nonprofit organizations across all major nonprofit fields declined between 2003 and 2004, Figure 3 reveals a mixed pattern for 2004-2005: the health sector remained relatively steady, the education and arts and culture fields experienced modest increases, and the human services sector, of which recreation and sports organizations are a part, experienced the greatest rate of growth.

How does the growth in Los Angeles County compare to surrounding counties in Southern California? As in LA County, we observe moderate increases across the four surrounding counties as well, as indicated by Figure 4 in the upward trend in the average growth from 2005 to 2007. Riverside County continues to grow at the most rapid pace, followed by Orange and San Bernardino Counties, with the Los Angeles County nonprofit sector next to last in terms of average growth.

2. The number of nonprofit organizations counted for each year is not on a strict 12 month period since the data (IRS Business Master Files from the National Center for Charitable Statistics) is released about once or twice a year and at various times (i.e. August of 1995; June of 1996; January of 2007). The only other 12 month period in the data is from January 2002-January 2003 with a 5% growth.

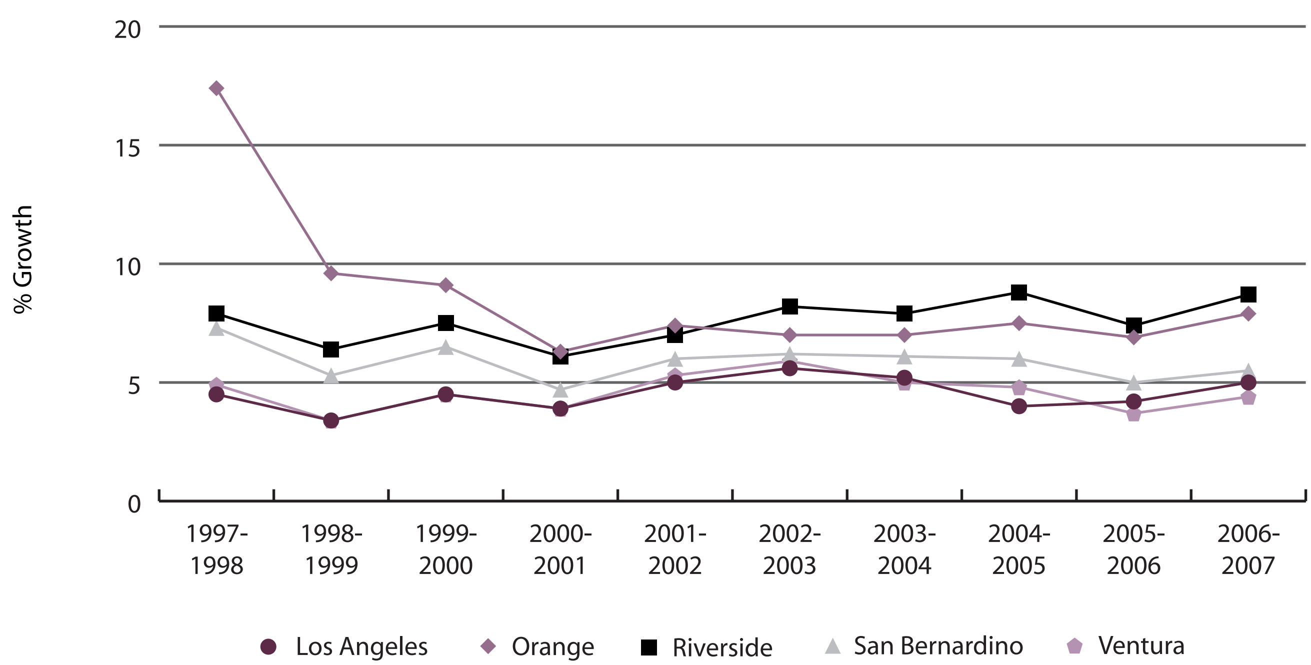
3. The three year average is an average of present, previous, and following years; it is used to demonstrate trends in which year to year figures tend to fluctuate.

Figure 3. Growth Rate of Nonprofit Organizations by Select Subfields, Los Angeles County, 1995-2005



Source: IRS Core Files, 1995-2005

Figure 4. Growth Rate of Nonprofit Organizations, 1995-2007, 3-Year Averages by County

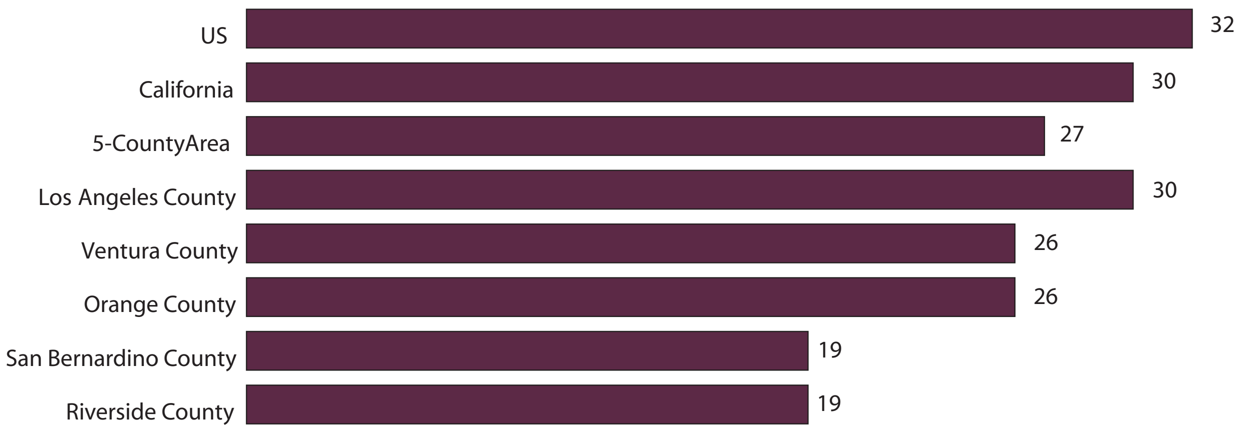


Source: IRS BMF Files, 1995-2007

Expenditures[4]

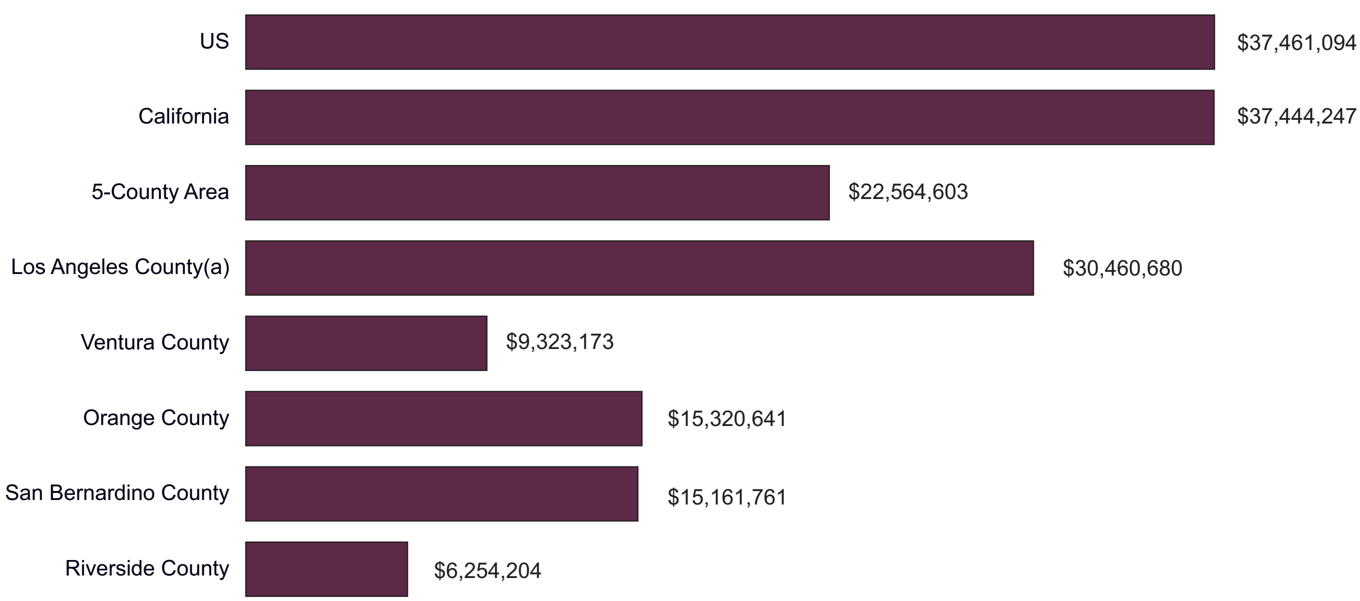
Figures 5a and 5b show that the relative size of the nonprofit sector in the five-county region remains somewhat below state and national averages at about 27 organizations per 10,000 persons served (10% less then the state and about 14% less than national average), or just under $2,300 per resident in terms of nonprofit expenditure as opposed to $3,750 for the country as a whole. Los Angeles County remains the highest both in terms of organizations and expenditure compared to the other four counties. It is on par with the state average in terms of organizations with about 30 organizations per 10,000 persons served, but only 81% of the state and nation in terms of expenditure, suggesting a smaller size of the average nonprofit in LA. Riverside and San Bernardino Counties are on par in terms of organizations per 10,000 served, but, as reported last year, Riverside spends only half as much as San Bernardino County.

Figure 5a. Nonprofit Organizations per 10,000 Population, 2005



Source: IRS BMF, 2005

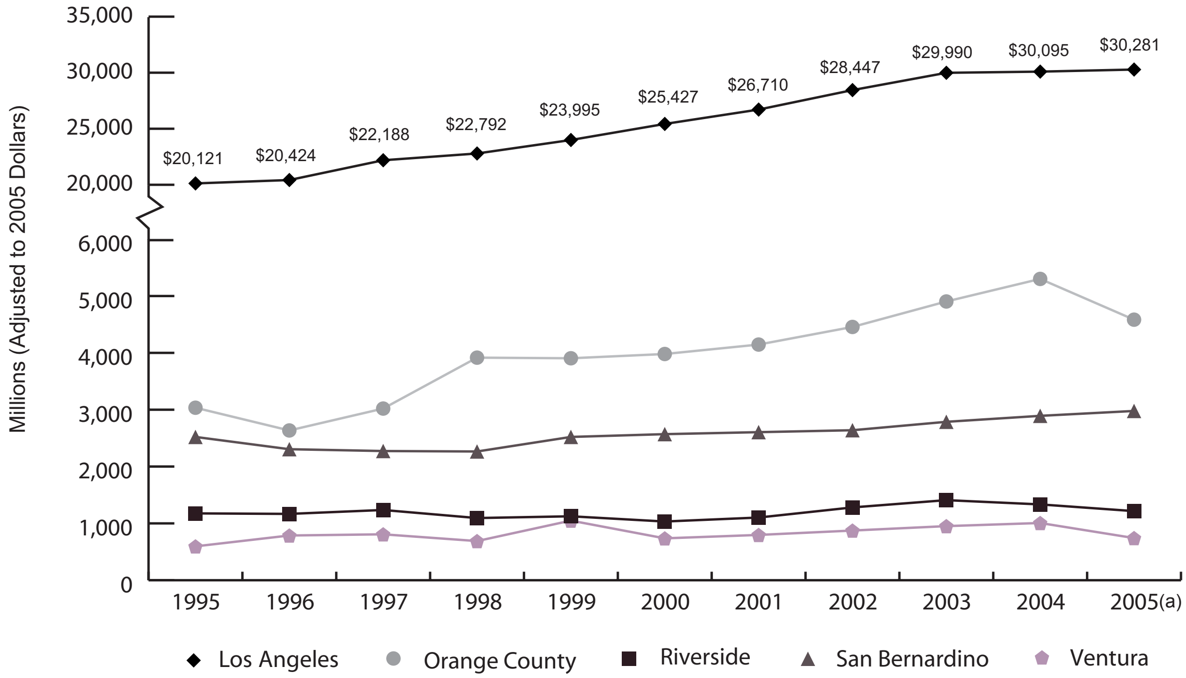
Figure 5b. Nonprofit Expenditure per 10,000 Population, 2005



Source: IRS CORE Files, 2005; OSHPD, 2005; U.S. Census Population Estimates (http://www.census.gov/popest/datasets.html)
(a) Expenditure for the nonprofit hospital sector extrapolated from Office of Statewide Health Planning Department (OSHPD) data (12% increase between 2003-2005)

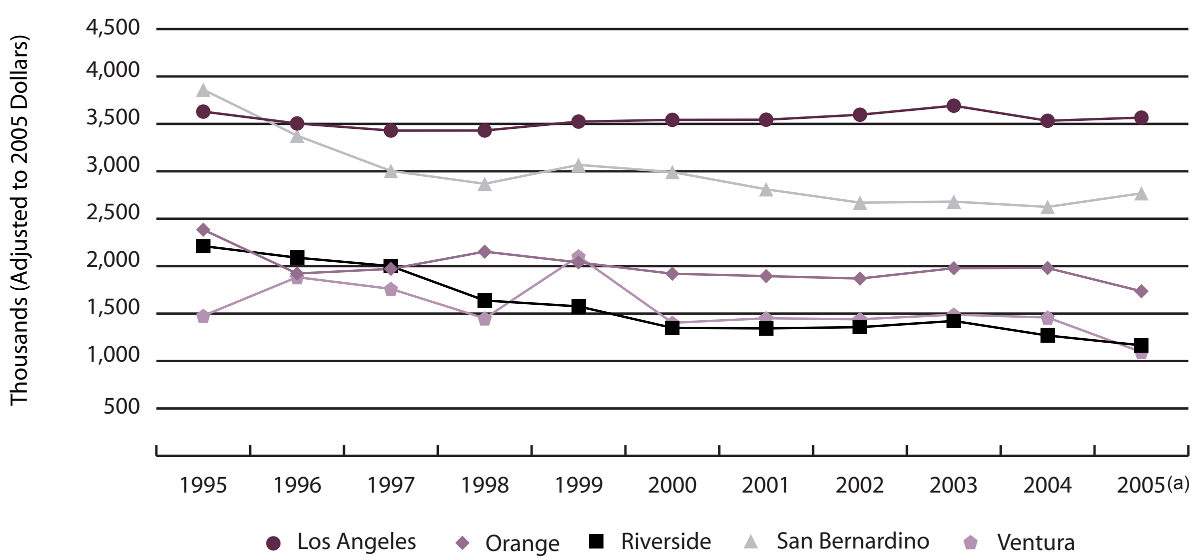
4. All expenditure information is extracted from NCCS Core files, which only capture 501(c)(3) public charities filing Forms 990 or 990-EZ and reporting gross receipts of at least $25,000. Organizations in the IRS Core Files are about one quarter of those listed in the IRS Business Master Files.

Figure 6. Growth Rate of Nonprofit Organizations by Select Subfields, Los Angeles County, 1995-2005



Source: IRS Core Files, 1995-2005; Office of Statewide Health Planning and Development (OSHPD).
(a) Expenditure for the nonprofit hospital sector in Los Angeles County extrapolated from the Office of Statewide Health Planning and Development (OSHPD) data (12% increase between 2003-2005)

Figure 7. Average Expenditure of Nonprofit Organizations, 5 County Region, 1995-2005



Source: IRS Core Files 1995-2005; Office of Statewide Health Planning and Development (OSHPD), 2005.
(a) Expenditure for the nonprofit hospital sector in Los Angeles extrapolated from Office of Statewide Health Planning and Development (OSHPD) data (12% increase between 2003-2005).

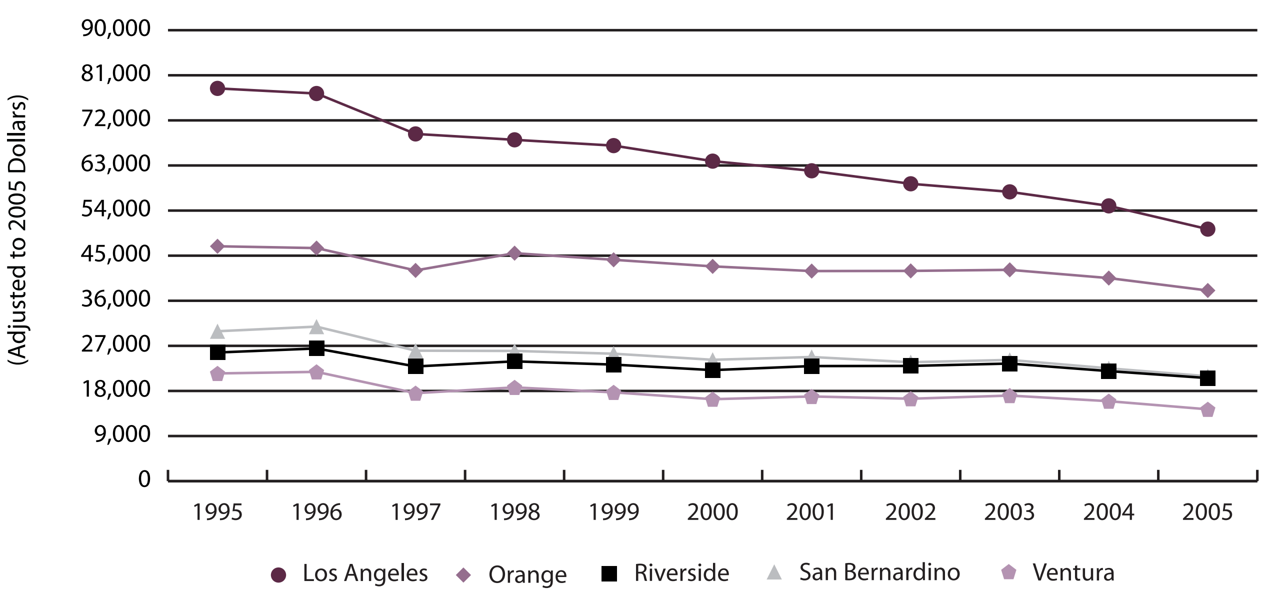
Comparing expenditure over time, Figure 6 shows no significant growth across the region. Indeed, expenditures have either remained flat or declined slightly in the region. Expenditures for Orange and Ventura Counties appear to have declined while those for Los Angeles, San Bernardino, and Riverside Counties appear to have reached a plateau.[5]

Total expenditures have to be seen in relation to the financial size of nonprofit organizations. Average and median expenditures provide some insight into how the financial capacity of organizations is developing. Is the 'average' nonprofit organization growing in size? Or do nonprofits remain stable over time, perhaps even shrinking in terms of average trends? For nonprofits as a whole in Los Angeles County, Figures 7 and 8 show that average expenditures are steady while median expenditures are decreasing. For Ventura and Orange Counties, we see that average expenditure has decreased from 2004 to 2005, but median expenditure has remained relatively stable for the same time period. These results suggest that while the nonprofit sector in the region seems to expand in terms of numbers over time, and contract slightly in terms of expenditures, the average financial capacity of nonprofits remains stagnant at best.

> ***This growing gap between median and average expenditures implies that the health field is increasingly dominated by a smaller number of larger organizations, and suggests that a consolidation process may be underway.***

However, total expenditures for the nonprofit sector as a whole may mask some of the changes occurring in particular fields. Figures 9 and 10 show that while average and median Health expenditures are higher than in other fields, median expenditure has fallen over time while average expenditure has increased. This growing gap between median and average expenditures implies that the health field is increasingly dominated by a smaller number of larger organizations, and suggests that a consolidation process may be underway. By contrast, median and average expenditures for Education and Arts and Culture organizations have remained relatively stable. Human Service organizations, on the other hand, appear to be similar to health organizations in that there is a growing gap between average and median expenditures: average expenditures have remained steady while median expenditures appear to have fallen, particularly in 2005. In other words, in both health and social services, we observe slight consolidation or concentration trends that have yet to yield greater financial capacity for the 'average' nonprofit organization in these two fields.

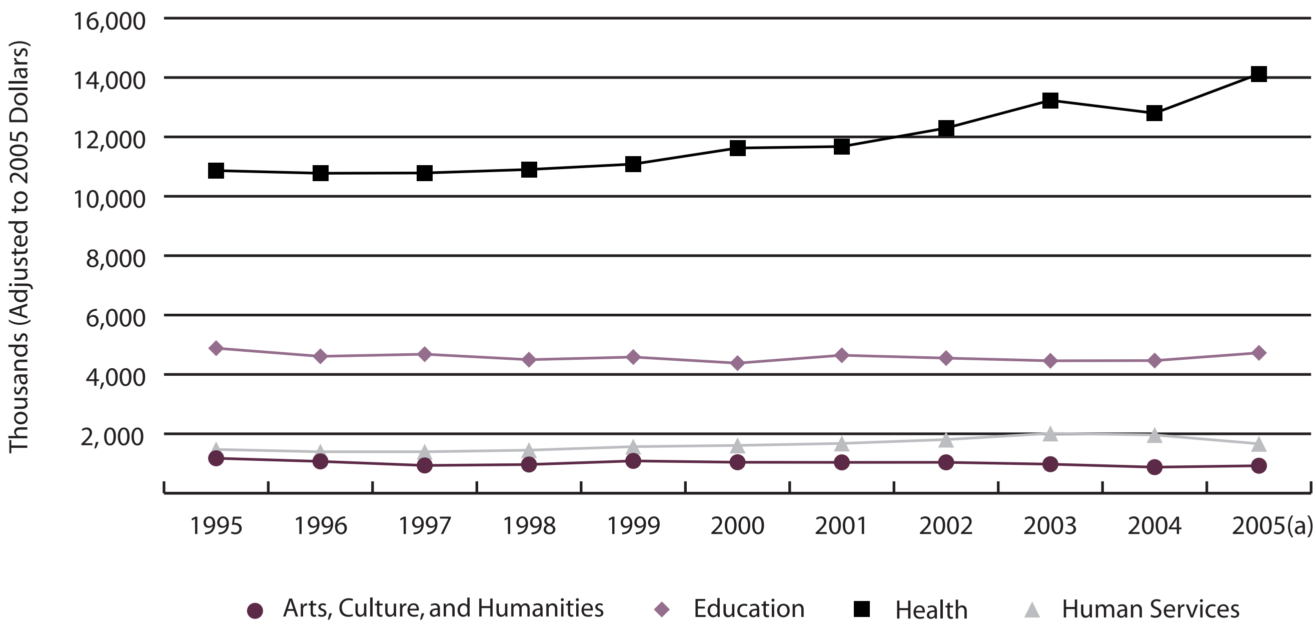
Figure 8. Median Expenditure of Nonprofit Organizations, 5 County Region, 1995-2005



Source: NCCS Core Files, 1995-2004

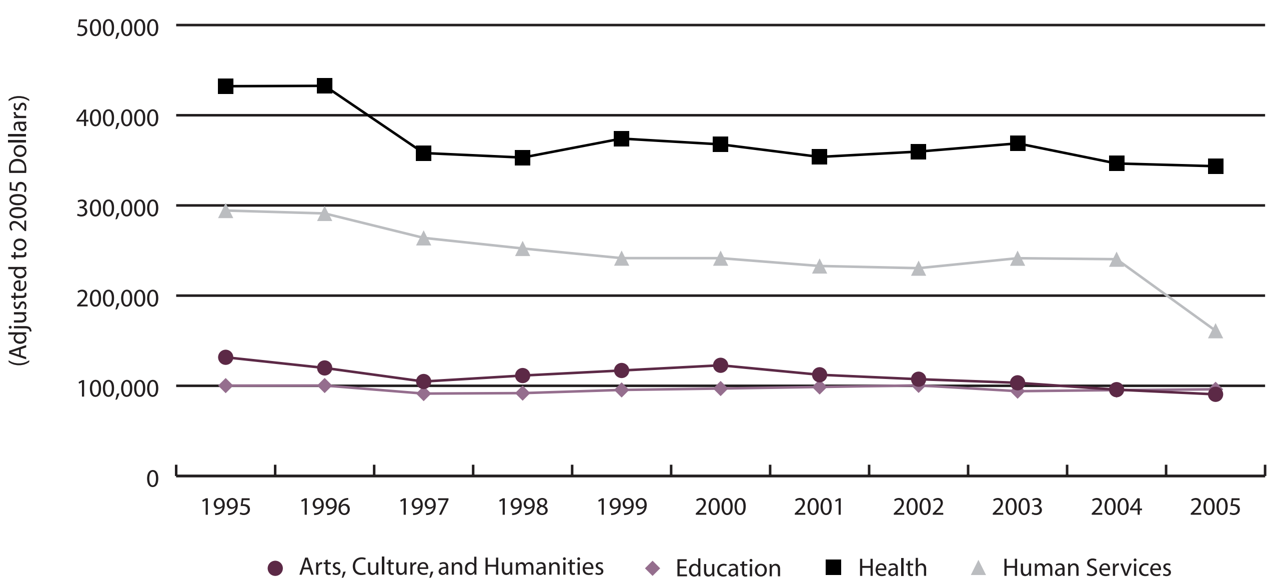
5.This year, we projected expenditures for Los Angeles County hospitals based on data observed from the California Office of Statewide Health, Planning, and Development (OSHPD). OSHPD data showed a 12% increase in nonprofit hospital expenditure for Los Angeles County from 2003-2005 while other data sources (California Economic Development Department and the IRS Core Files) showed a slight decrease in hospital expenditure. This discrepancy may be due to differences in the way hospitals are coded between the OSHPD data and NCCS Core data; in addition, we also found that some large nonprofit hospitals in the OSHPD data are not captured in the NCCS BMF data (e.g., USC Norris Cancer Hospital, Kaiser Foundation Hospitals, etc). Since hospitals are among the largest entities in terms of expenditure (see Table 1) in the nonprofit sector, a change in hospital data will necessarily affect the sector overall. Consultations with health experts from the UCLA School of Public Affairs and the UCLA Center for Health Policy Research informed us that OSHPD data is an accurate and reliable source of hospital statistics in California, and we therefore based hospital expenditure on OSHPD data.

Figure 9. Average Expenditure of Nonprofit Organizations by Select Subfields, Los Angeles County 1995-2005



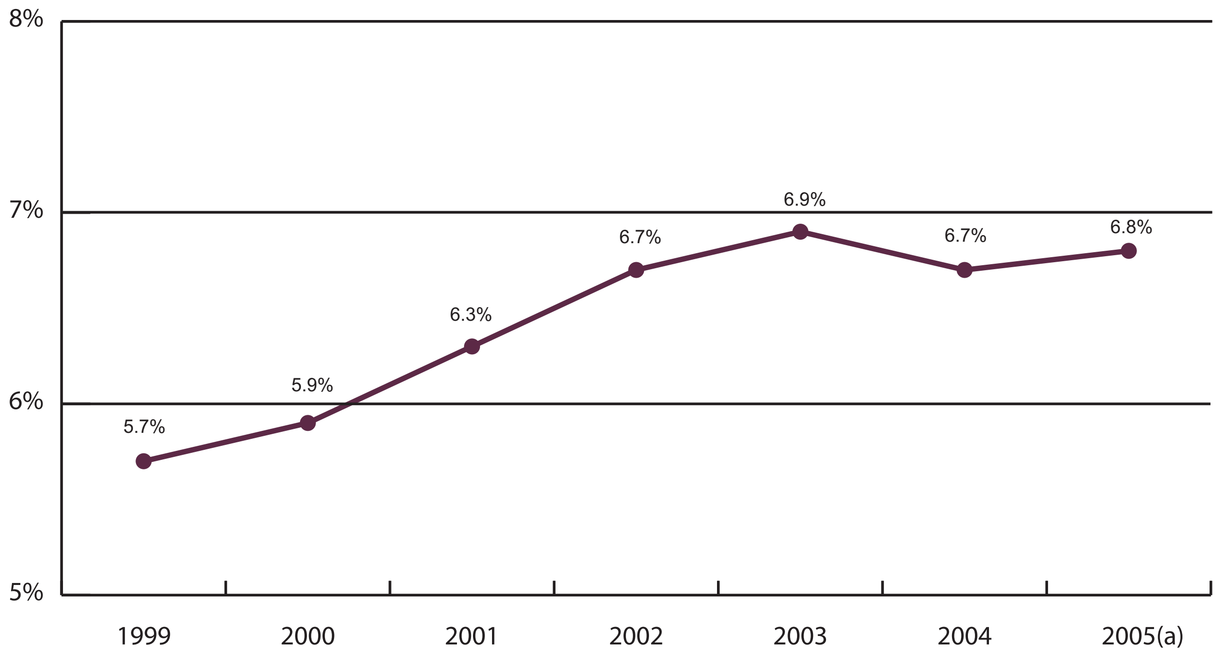
Source: IRS Core Files 1995-2005; Office of Statewide Health Planning and Development (OSHPD, 2005)
(a) Expenditure for the nonprofit hospital sector extrapolated from Office of Statewide Health Planning and Development (OSHPD) data (12% increase between 2003-2005)

Figure 10. Median Expenditure of Nonprofit Organizations by Select Subfields, Los Angeles County, 1995-2005



Source: IRS Core Files 1995-2005

Figure 11. Nonprofit Expenditures as a Percentage of Los Angeles-Long Beach Metropolitan Area Gross Metropolitan Product



Source: IRS Core Files 1995-2005; U.S. Conference of Mayors; Office of Statewide Health Planning and Development (OSHPD), 2005
(a) Expenditure for the nonprofit hospital sector extrapolated from Office of Statewide Health Planning and Development (OSHPD), data (12% increase between 2003-2005

In terms of nonprofit expenditure as a percentage of Gross Metropolitan Product, Figure 11 above shows that spending has remained relatively stable since 2004 hovering at a little under 7% of GMP. This means that the nonprofit sector is no longer growing at the expansive rates of the earlier part of this decade, and that other parts of the region's economy are outperforming nonprofit developments.

We suspect two factors behind this slowdown, although we cannot be certain about the nature and scale of their impact: a first factor could be a somewhat anti-cyclical, delayed pattern of nonprofit expansion, whereby nonprofit sectors might grow more towards the end of business cycles when donations and public revenue are likely to be higher than during recovery and initial boom periods when revenue sources are lower. The second factor is the combined medium to long-term impact of Federal and State budget cuts and continued fiscal uncertainty (Bowman, 2003), whereby reduced government spending (inputs) results in lower levels of measured economic activity by nonprofits in terms of expenditures towards GMP (outputs). In other words, as government input to nonprofit organizations declines, the 'value added' by nonprofit organizations will either decline as well or find compensation in other inputs (donations) and outputs (greater fees and charges).

The nonprofit sector is no longer growing at the expansive rates of the earlier part of this decade, and other parts of the region's economy are outperforming nonprofit development.

The relative stability of the LA nonprofit sector is also borne out in the internal composition of total expenditures over time. Table 1 shows two and three year changes in nonprofit expenditures by subfield. The health sector, which includes hospitals, represents the bulk of expenditures and has been relatively stable since 2000, making up about 43-45% of total expenditure. The two-year change, however, shows that the health sector decreased by about 1%. By virtue of its size, a 1.2% reduction in nonprofit health care means a 0.5% drop for the nonprofit sector as a whole. The education sector is the second largest, accounting for about one quarter of all nonprofit expenditure, and has experienced only a slight 1% increase over two years. Overall, the nonprofit sector grew by only 1% from 2003 to 2005, but almost 20% from 2000 to 2005.

Table 1. Changes in Nonprofit Expenditure by Subfield, Los Angeles County, 2000, 2003, 2005

Subfield	2000 (% of Total)	2003 (% of Total)	2005 (% of Total)	2 Year Change	5 Year Change
Health (b)	45.1%	44.7%	43.7%	-1.2%	15.4%
Education (a)	25.2	24.2	24.2	1.0	14.4
Human Services	14.2	16.6	15.7	-4.4	32.3
Other (c)	7.6	6.8	7.4	9.5	16.8
International	2.6	3.4	4.9	45.8	122.8
Religion	1.5	0.9	0.9	-3.5	-30.6
Environment	0.5	0.4	0.4	0.0	-30.6
Arts, Cultures, and Humanities	3.4	0.030	0.030	-5.00	-1.60
Total (d)	$25,427	$29,991	$30,282	1.0%	19.1%

Source: IRS Core Files 2000, 2003, 2005; Office of Statewide Health Planning and Development (OSHPD), 2005
(a) Includes higher education
(b) Includes hospitals; 2005 hospital expenditure based on OSHPD data (12% increase between 2003-2005)
(c) Includes mutual benefit; public and society benefit; and unknown categories
(d) Figures are in millions and adjusted to 2005 dollars.

Figure 12. Comparison of Nonprofit/For-profit/Public Sectors as Percentage of Total, Selected NAICS Industries, Los Angeles County, 2006

Source: California Economic Development Department

Figure 12 shows the percentages of nonprofit, for-profit, and public entities in terms of number of organizations, employment, and total wages by select industries. For wages and employment, nonprofit organizations make up the majority in the individual and family services as well as in civic and social organizations. For-profit dominate in arts, entertainment, and recreation as well as in child care services and nursing and residential care facilities. The public sector, not surprisingly, dominates in the education field in terms of wages and employment, and health care has seen an expansion of for-profit firms in recent years, with hospitals and clinics assuming for-profit status.

What Figure 12 shows is that the nonprofit sector is part of a 'mixed economy of care' in which it plays varying roles relative to those of business and government. In some fields, nonprofits are the majority provider, the 'mainstream,' while in others they are in a minority position, perhaps even niche providers. Yet in either case, changes in the scale and role of nonprofits in a particular field will have implications for business and government agencies working in the same area, and vice versa. For this reason, it is better to think of the nonprofit sector not in isolation of the other two sectors, but in terms of a complex and changing partnership where each partner brings in specific capacities in addressing social needs.

Social Enterprise

by

Adlai Wertman

Wherever one goes today in the nonprofit sector the terms "social enterprise" or "social entrepreneurship" are high on the agenda. Books are written, college and graduate school courses are taught, institutes are opening (like the one at Stanford) to discuss – and foundations are being created solely to fund – "social ventures".

First, we must note that there are two very distinct categories of "social enterprises". The first involves for-profit businesses with a full or partial social mission. A business that falls within this model is often dubbed a "socially responsible business"; a "social venture"; "venture philanthropy"; and "doing good while doing well". In these cases, companies pursue some sort of double bottom line, and the issue is how they pursue it. On the most passive level, companies adopt a 'do no harm' posture that may include being environmentally conscious or using fair labor factories. Some go further with a marketing focus; choices here involve creating a marketing plan for the firm or a product that includes a partnership or identification with a particular cause or organization – and, typically, the donation of a portion of the profits from the cross-marketed product to the nonprofit cause. The most recent example of this is Product Red – a large marketing partnership between Bono's efforts in Africa and established brands such as The Gap and Apple's iPod. Some firms create entire companies with the intention of donating all or a portion of profits to a cause – Ethos Water is such a company (purchased this year by Starbucks). Finally, there are myriad new models loosely defined in this category. For example, is opening a mall in a poverty stricken area itself a social enterprise?

The second version of "social enterprise" involves programs run by a nonprofit which produce revenues. The two factors that make the 'businesses' in the nonprofit sector distinct are: (i) they are built to be closely aligned and help accomplish the mission of the agency; and (ii) the profit motive is secondary to the social mission. The IRS is very strict about the nature of these businesses. If the enterprise portion of the program is not built to support the mission, there are severe Unrelated Business Income tax penalties. So, a nonprofit enterprise that only supports the mission by donating its profits to the entity (e.g. a candy store to support a clinic) could be subject to UBI since no direct line can be drawn between the programs of the clinic and running a candy store. So far, successful enterprises in the nonprofit world have been mainly limited to job training and placement. A rehab center or job training entity can easily tie any business that creates training, transitional work or even permanent placement back to its missions and programs. Nonetheless, support groups; associations; consultants and academics are working hard across the sector to create new and exciting models.

However, before assuming that this is the ultimate wave of the future, the industry must first take a giant step back and look at why nonprofits want to go into business - an area where most of them have little to no direct experience or expertise. The most frequently mentioned reason is 'sustainability'. Unfortunately, this term also allows for multiple interpretations. Opening a business solely to produce income to support the organization, while legally troubling, could certainly support financial sustainability (while straining other resource of the agency). Alternatively, a temp agency providing job opportunities for ex-felons might produce enough revenues just to make particular program (within an agency) sustainable. Before we go too far in designing models, we must first take a close look into the meaning, desirability and even appropriateness of sustainability as a goal for nonprofits.

Adlai Wertman is President and CEO of Chrysalis. He also teaches courses in nonprofit management at UCLA's School of Public Affairs.

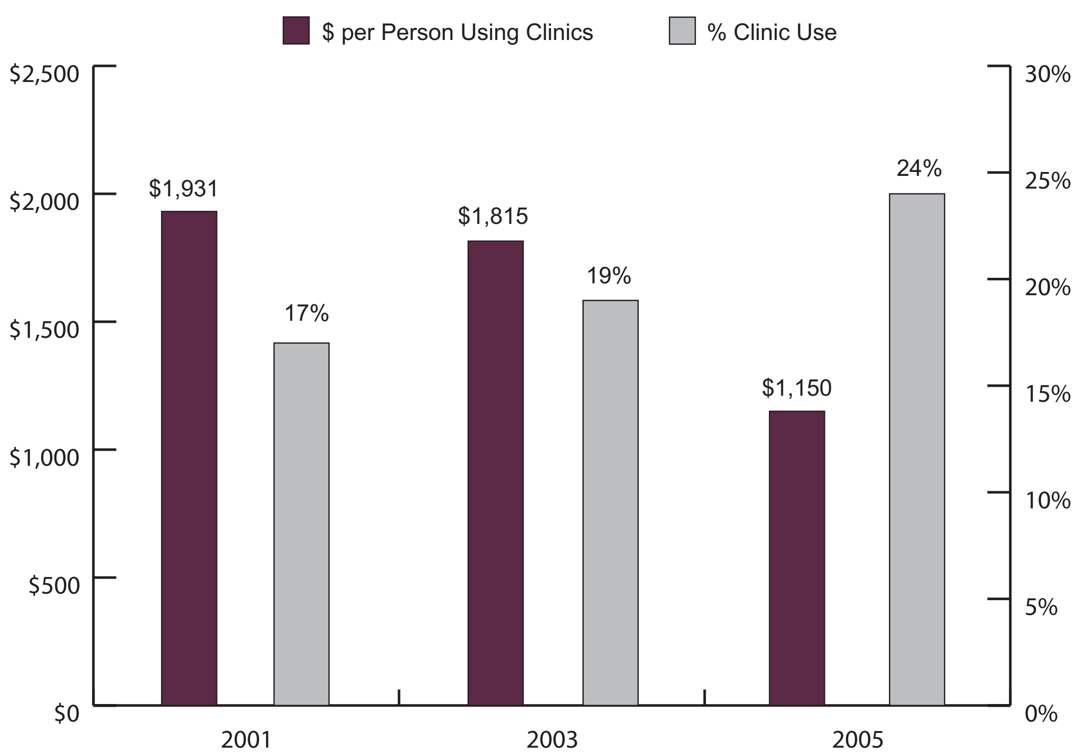
Capacity

Clearly, L.A. County faces growing and changing needs that the nonprofit sector will undoubtedly be called on to meet. Nonprofit leaders agree that growing numbers of elderly, ethnic, and low-income populations will put pressures on the County's safety-net system that is already in distress. There are also the needs of children, the uninsured as well as the "hidden" populations such as the homeless and undocumented, as burgeoning concerns. To what extent are nonprofits currently managing some of these concerns, and will they be capable of doing so going forward? For this year's Report, we were able to examine three areas: health, homelessness, and housing. Available data reveal a complex, though troubling picture, although the field of housing affordability is showing some bright spots, and the homelessness issue may turn for the better given the greater attention paid to this longstanding social problem (see below).

Despite an increase in health coverage, nonprofit and government-supplied health services continue to be an important source of health coverage for Los Angeles residents, and certainly not for the uninsured only.

The Uninsured. Despite declining numbers of uninsured residents in Los Angeles County over the past five years, the number of people that access community clinics as the primary source of medical care continues to grow. The rate at which residents used community clinics during this same time climbed 7%. This suggests that despite an increase in health coverage, nonprofit and government-supplied health services continue to be an important source of health coverage for Los Angeles residents, and certainly not for the uninsured only. However, as Figure 13 shows, despite a growing demand for community clinics, nonprofit dollars spent per uninsured person fell by almost $700. This decrease is due more to an increasing demand for services rather than a drop in nonprofit health expenditures. However, it does indicate that nonprofit health expenditures have not grown at a rate comparable to demand increases. In other words, nonprofit capacity is trying to catch up but seems to fall further behind.

Figure 13. Changes in Nonprofit Health Expenditure and Community Clinic Use, Los Angeles County 2001-2005



Source: IRS Core files 2001-2005; Community Health Interview Survey (www.chis.ucla.edu)
Note: Community Clinic use data includes government clinics and community hospitals; Nonprofit expenditure includes spending by health organizations (ntee major group=HE) and excludes hospital expenditure.

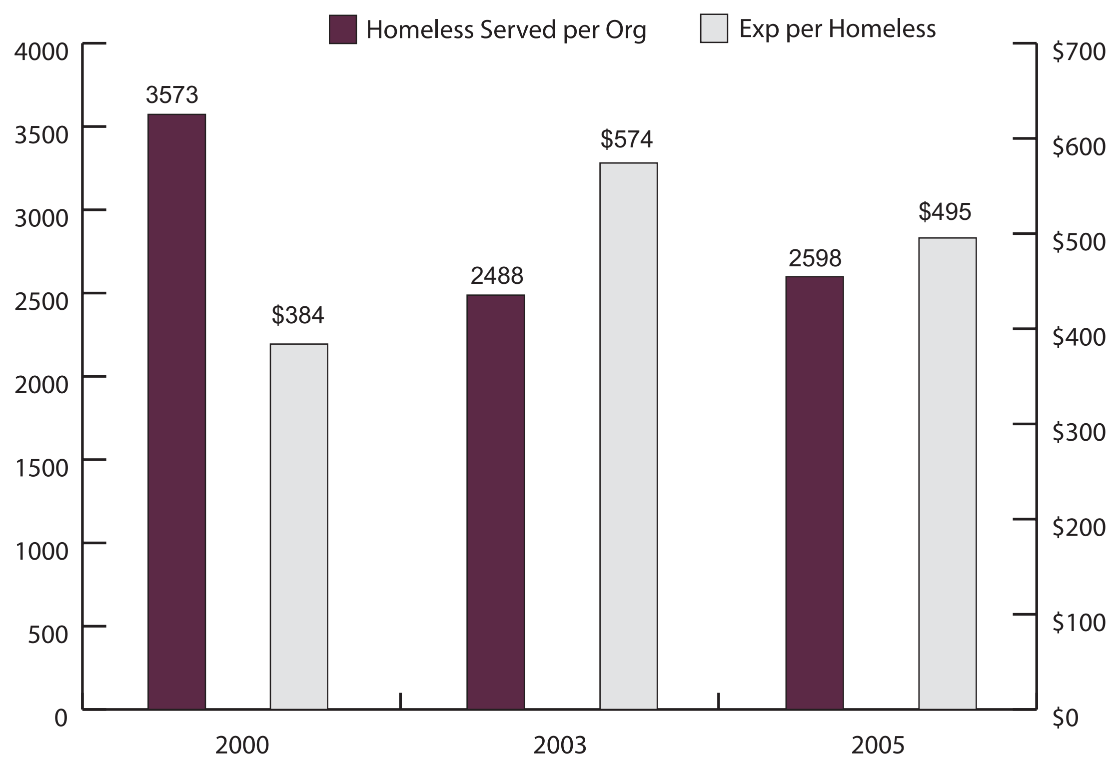
The Homeless. Over the past five years, the growing numbers of homeless in Los Angeles County has garnered national attention. In the most recent homeless count, Los Angeles reported nearly 90,000 homeless residing in the County (Institute for the Study of Homelessness and Poverty, 2005). This large population of homeless did not explode overnight; rather, the number of homeless has been steadily growing. Between 2000 and 2005, the number of homeless grew by almost 10,000 or 12%. While the number of nonprofit organizations increased over this same period, it has remained rather stagnant since 2003 and expenditure has decreased from 2003-2005.

In the most recent homeless count, Los Angeles reported nearly 90,000 homeless residing in the County. This large population of homeless did not explode overnight; rather, the number of homeless has been steadily growing.

Although the number of nonprofit temporary housing and homeless shelters increased by 50% from 2000-2003, from 22 organizations to 33 organizations, and only slightly from 2003-2005 (from 33 to 34 organizations), the homeless population remains underserved. As Figure 14 shows, each nonprofit temporary housing or homeless shelter served almost 2,600 homeless persons in 2005, a 4% increase from 2003. In addition, nonprofit expenditures for homeless have increased 56% between 2000 and 2003 from $30 million to $47 million. As a result, nonprofit expenditures per homeless person increased by almost $200. However, by 2005, and because of the continued increase in numbers of homeless, expenditures per homeless person fell by almost $100 per person.

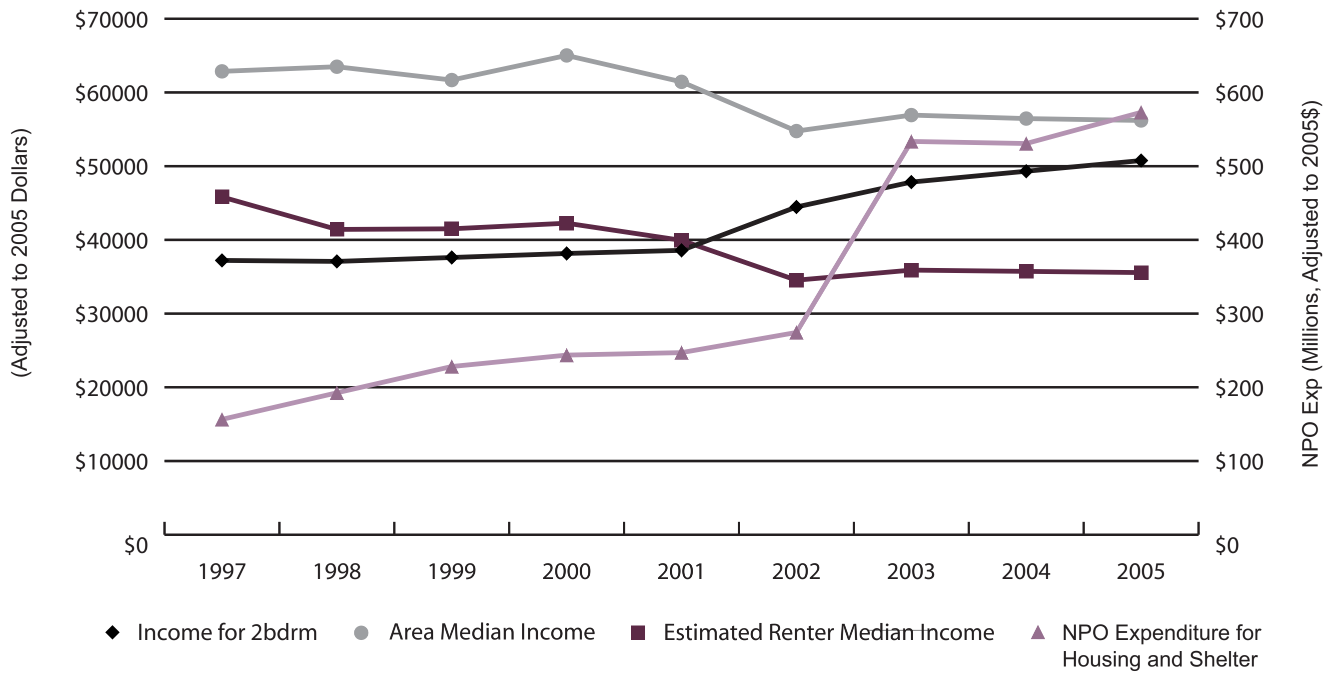
Nonprofit expenditures for homeless have increased 56% between 2000 and 2003 from $30 million to $47 million. As a result, nonprofit expenditures per homeless person increased by almost $200. However, by 2005, and because of the continued increase in numbers of homeless, expenditures per homeless person fell almost $100 per person.

Figure 14. Nonprofit Expenditure per Homeless Person and Number of Homeless Persons Per Nonprofit Homeless Shelters, Los Angeles County 2000-2005



Source: IRS Core Files, 2000-2005, Weingart Foundation, Los Angeles Homeless Services Authority (LAHSA), Economic Roundtable.
Note: Nonprofit expenditure and number of organizations serving the homeless includes organizations classified as temporary housing and homeless shelters (NTEE-CC =L40 & L41).

Figure 15. Comparison of Cost of Rental Housing and Income and NPO Expenditure, Los Angeles County, 1997-2005



Source: IRS Core Files 1997-2005; National Low Income Housing Coalition Web site, U.S. Census.
Note: Income required for a 2-bdrm apartment at fair market rents is based on 30% of income spent on housing costs.
Nonprofit expenditure for housing includes organizations classified as housing development (NTEE-CC =L20; L21; L22; L24; L25).

Housing. The cost of housing has increased for all residents in the region, but renters have been affected the most. In Los Angeles County, as in other counties, renter incomes are growing more slowly than both the Area Median Income (AMI) and the cost of housing (Figure 15). In 1997, the median income for a renter was approximately 73% of AMI, but by 2005 it was only 63%.[6] The cost of rental housing, in contrast, grew 72%. Ten years ago, over half (59%) of all renters in the County could afford the fair market rent for a two-bedroom apartment.[7] However, by 2005, only a third (33%) of renters could afford the fair market rent.[8]

The total number of organizations providing services addressing housing and affordability[9] decreased between 2000 and 2004 from 215 to 204. At the same time, however, the number of residents unable to afford rents increased substantially, which implies that on average more persons are being served per organization. While nonprofit expenditures in this field nearly doubled between 2002 and 2004, and increased another 8% between 2004 and 2005, an estimated additional 200,000 residents became unable to afford fair market rents, an increase of 27%.

In our focus groups, when asked if the L.A. nonprofit sector will be able to maintain or increase capacity in the future, most participants expressed skepticism for a number of reasons, including: an increase in demand for services and higher overhead costs coupled with flattening public support and greater competition for foundation funding and individual donations; a lack of proper communication channels to inform the public about the nonprofit sector; shifting demographics; and the need for more technical expertise, especially among smaller agencies.

Executives agreed that the nonprofit sector continues to show resiliency, and seems in constant search of new strategies, e.g., investing more in quality staff, focusing on collaboration and creating new networks and partnerships.

Importantly, some executives agreed that the nonprofit sector continues to show resiliency, and seems in constant search of new strategies, e.g., investing more in quality staff, focusing on collaboration and creating new networks and partnerships.

6. National Low Income Housing Coalition, “Out of Reach” reports from 1998 to 2005, www.nlihc.org (accessed between October 9 and November 3, 2006).

7. Rents are considered unaffordable when a tenant must spend more than one third of income on rent.

8. National Low Income Housing Coalition, "Out of Reach" reports from 1998 to 2005, www.nlihc.org (accessed between October 9 and November 3, 2006).

9. Nonprofit organizations reporting their primary activity (ACTIV1) as Low-income housing (380); Low and moderate income housing (381); Housing for the Aged (382); or Other housing activities (399) are considered engaged in activities related to housing and affordability.

Employment and Wages

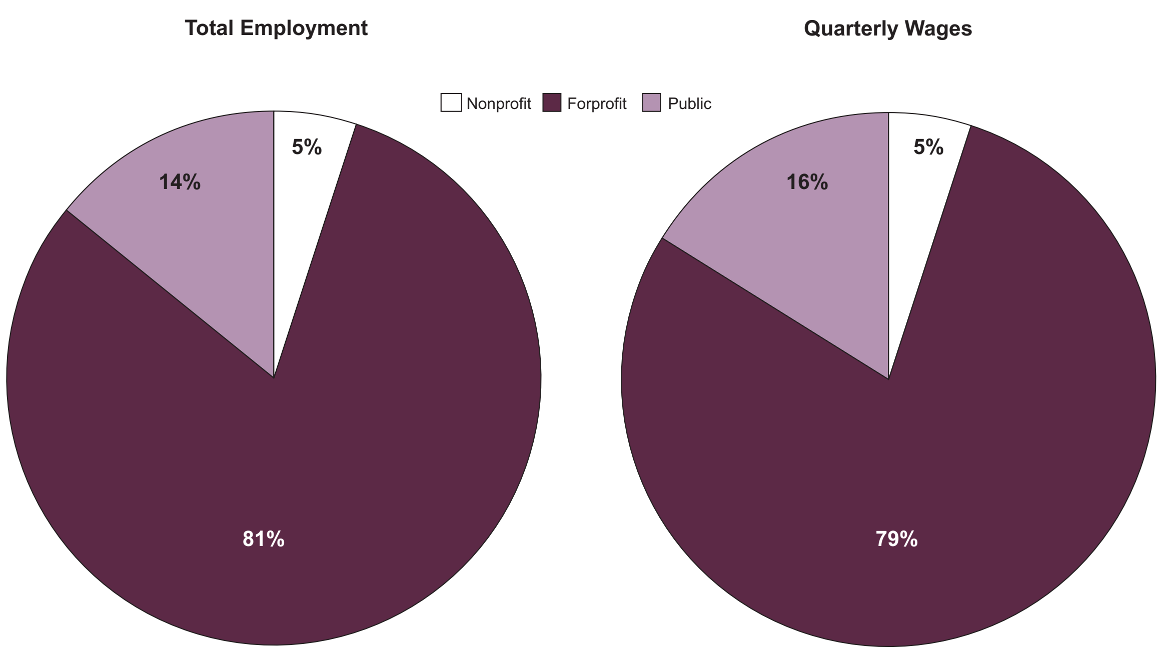
For the second quarter of 2006, at both the state and county level, the nonprofit sector accounts for about 5% of total employment and wages, with the public sector representing about 14-16% and the private sector around 80% (Figure 16). At the state level, the distribution is similar, with the nonprofit sector accounting for about 5% of employment; 4% in wages; and the public sector comprising 16% of employment and 17% in wages, with the balance of 80%, or about four out of five jobs, in the for-profit sector. Los Angeles County nonprofit sector wages account for about 31% of state nonprofit wages and also about 30% of state nonprofit sector employment.

On average, the nonprofit sector employed about 208,000 persons on a monthly basis in Los Angeles County across a total of close to 5,000 organizations and $2.2 billion in quarterly wages. Figure 17 compares the number of establishments, wages, and employment by size of firm. We see that, as reported last year, almost three quarters of nonprofit organizations with paid staff are small, with less than 20 employees. Not surprisingly, in terms of wages and employment, large organizations, while making up only about 1% in terms of total number of establishments, account for 53% of total wages and 42% of total employment. Small organizations with less than 20 employees employ only about 10% of the nonprofit workforce on an average monthly basis and account for only about 7% of the total quarterly wages.

In terms of average annual wages, those working in the hospital field still lead the sector, with an average annual wage of about $54,000 followed by educational services with an average wage of $40,000 a year (Figure 18). At the bottom of wage scale are the child day care centers, religious organizations, and civic and social organizations, all below $30,000 in annual wages.

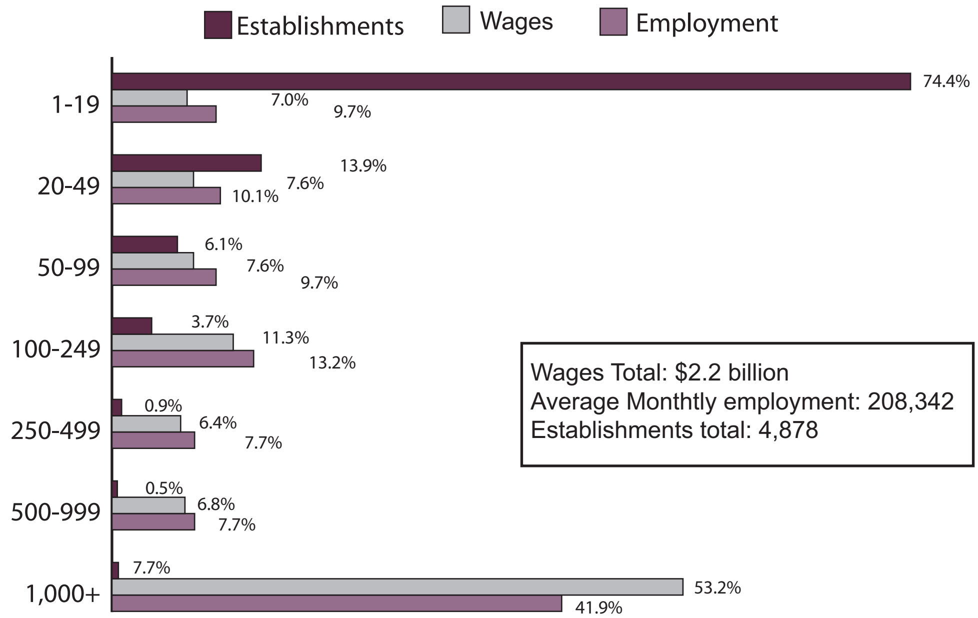
Last year, we reported that nonprofit sector wages were catching up to private sector wages. This year, however, we see a slight widening of the gap between nonprofit and for-profit wages (Figure 19). At the county level, nonprofit wages remained relatively stable at about $43,000 per year while private sector wages increased by about $2,000 and public sector wages increased by about $1,000. At the state level, the nonprofit sector saw a slight wage decrease from 2005 (2.4%), whereas both the public and the private sector wages increased. The difference, however, between nonprofit and for-profit sector pay is smaller at the county level than at the state level.

Figure 16. Total Employment and Wages, by Sector, Los Angeles County 2006



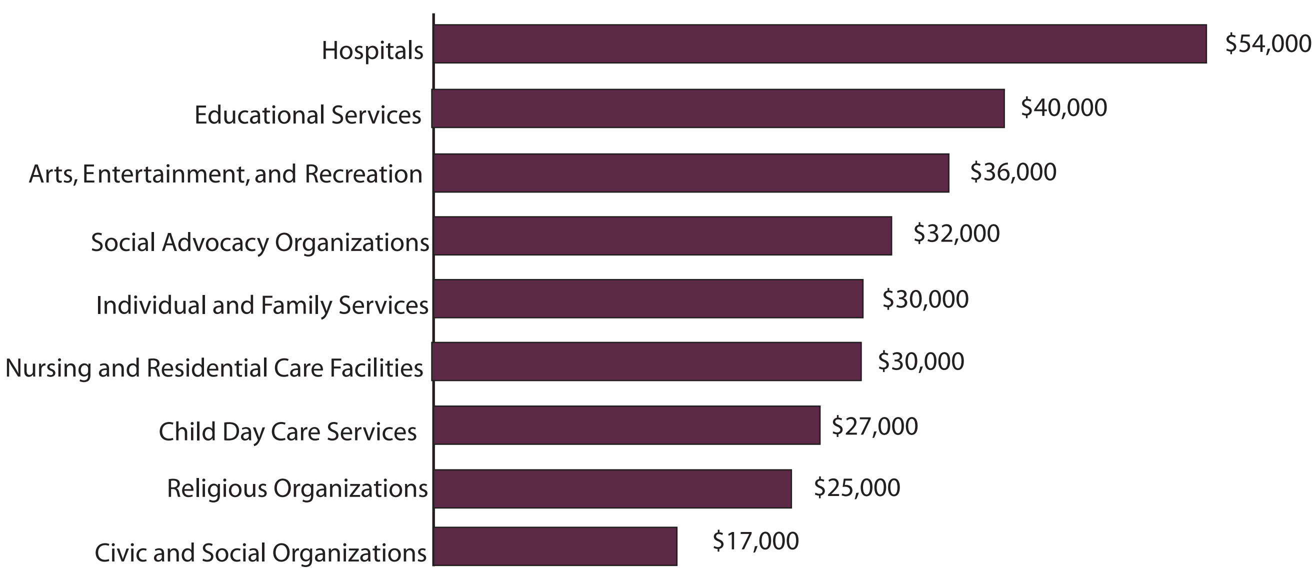
Source: California Economic Development Department, 2006 Second Quarter

Figure 17. Percentage of Total Wages, Employment, and Number of Establishments, by Size, Los Angeles County 2006 Second Quarter



Source: California Economic Development Department, 2006 Second Quarter

Figure 18. Average Annual Wages for Nonprofit Sector, Select NAICS Industries, Los Angeles County, 2006



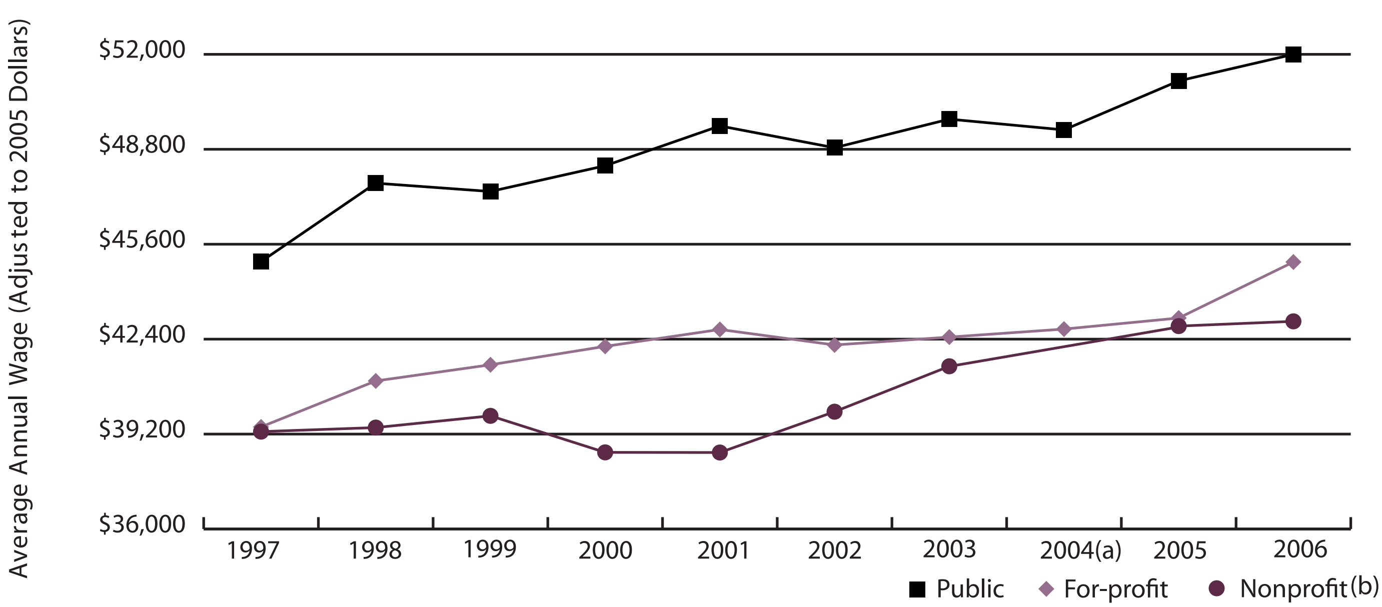
Source: California Economic Development Department, 2006 Second Quarter

Summary. While nonprofit sector growth in terms of number of organizations is the highest it has been in any given 12 month period from January 2006 to January 2007, the three year average actually shows rather steady growth at about 4% since 2004. For existing and established organizations, expenditure has remained stagnant, increasing only about 1% over a two-year period. At the same time, there are indications that many nonprofit organizations are serving a greater number of people per organization and spending less per person in need, as shown by expenditures for community clinics and the homeless. In terms of employment and wages, we see that average annual income for nonprofit sector staff, too, shows only slight increases. Moreover, while average annual wages in the nonprofit sector are becoming more stagnant, wages in both the private and public sectors are showing increases. The gap in average annual wages between the nonprofit sector and the other two sectors has widened.

The overall result is that while continuing to slow down, and beginning to consolidate, the sector does not appear to be contracting.

So are nonprofit organizations consolidating in the face of increased demands and a continued slow growth in the number of organizations? Across two of the four major sectors (human services and health) we looked at, this appears to be the case as average expenditure appears to rise or remain stable while median expenditure appears to have fallen. The overall result is that while continuing to slow down, and beginning to consolidate, the sector does not appear to be contracting. It may well be that after years of expansion in the scale and scope of the LA nonprofit sector, we are entering a period of reorganization and consolidation.

Figure 19. Average Annual Wage by Sector, Los Angeles County 1997-2006



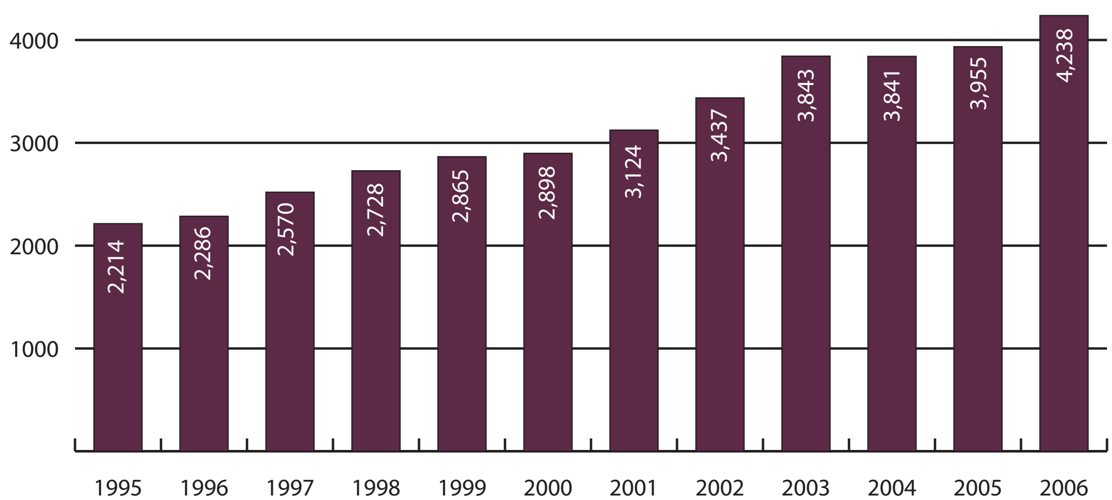
Source: California Employee Development Department, Labor Market Information Division, 2nd Quarter 2005 Employment for June.
(a) Employment figures for 501 c(3) organizations in 2004 not available.
(b) 501c(3) private nonprofit organizations only; includes full-time and part-time employees only; EDD quarterly wage reports from employers only includes total wages paid to each employee for the three month period; it contains no figure for hours worked or hourly pay rate.

Foundations

Foundations represent a small but growing source of support for the nonprofit sector in Los Angeles County. Indeed, Los Angeles County foundations have grown in absolute terms in recent years. As shown in Figure 20, the number of foundations located in Los Angeles County almost doubled from 1995 to 2006. In terms of assets, Los Angeles County foundations experienced a slight contraction from 2000 to 2003, and then rebounded between 2003 and 2004 for an overall growth rate of 19% during the period, as Figure 21 indicates. Similarly, foundation contributions remained fairly flat from 2000 to 2003, and then experienced a 19% increase from 2003 to 2004 (Figure 22). However, if this growth is seen in the context of L.A.'s nonprofit sector as a whole and the economy at large, a somewhat surprising finding emerges: over the medium-term, foundation growth has not kept pace with the overall expansion of the local nonprofit sector and the economy as a whole. However, if

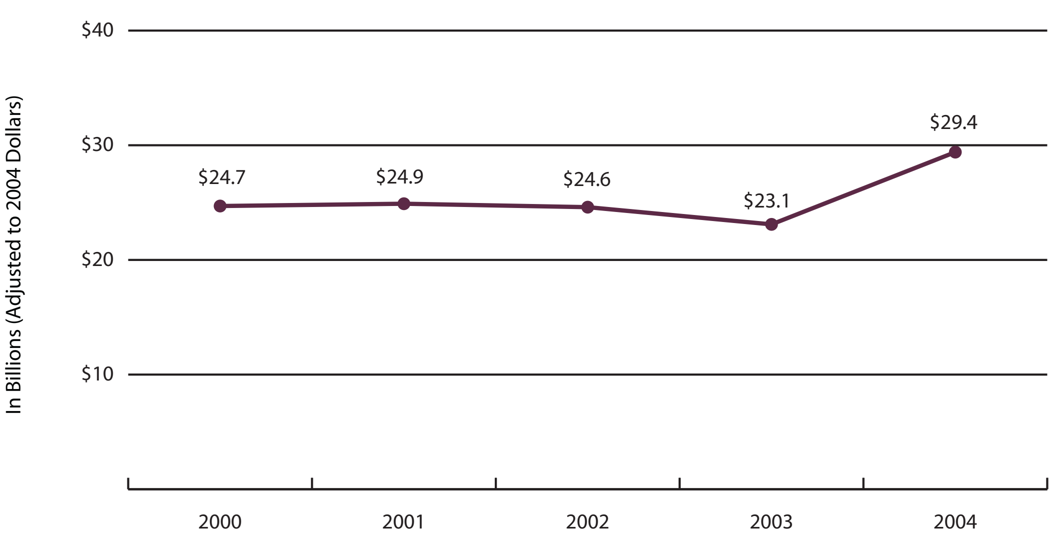
Over the medium-term, foundation growth has not kept pace with the overall expansion of the local nonprofit sector and the economy as a whole.

Figure 20. Number of Foundations in Los Angeles County, 1995-2006



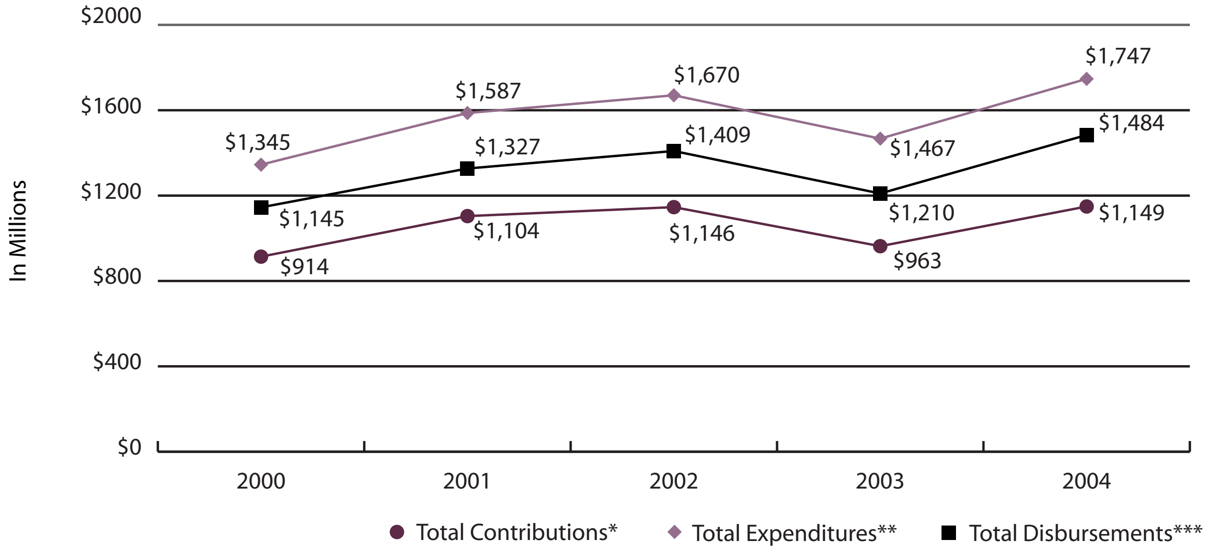
Source: NCCS Business Master Files

Figure 21. Total Foundation Assets, Los Angeles County, 2000-2004



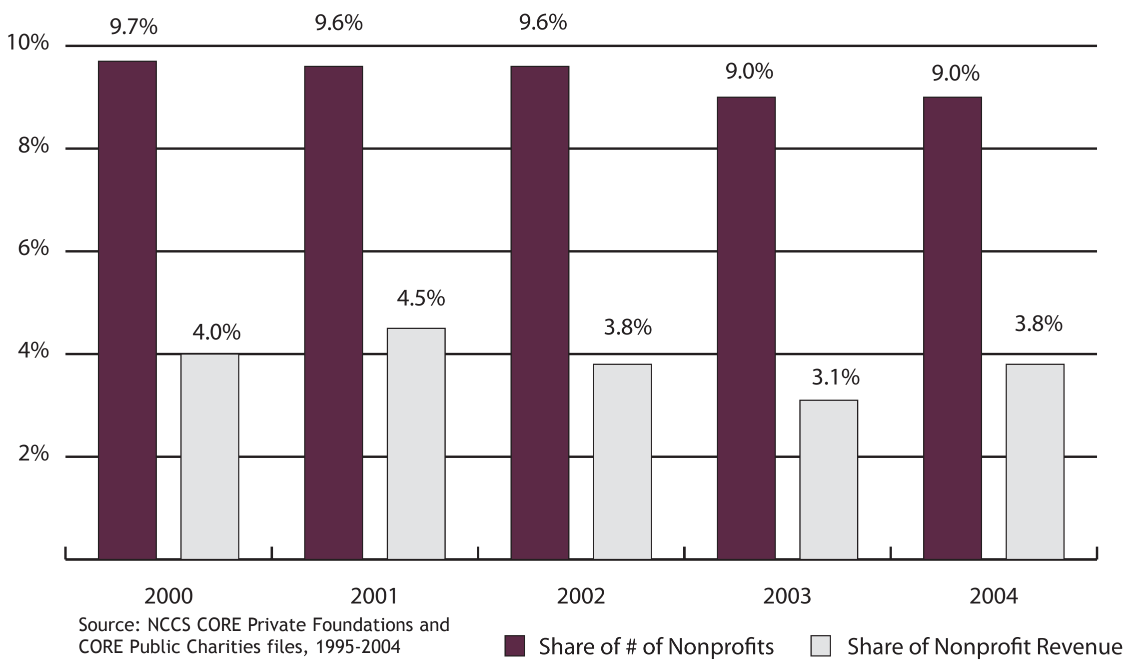
Source: NCCS Core Files

Figure 22. Contributions, Expenses, and Disbursements, Foundations in Los Angeles County



Source: NCCS CORE Files.
*Contributions, gifts, grants paid as per IRS 990PF Part 1, line 25(a)
**Total expenses and disbursements as per IRS 990PF lines 24 and 25 (Part 1, Line 26(a))
*** Total Expenses and disbursements for charitable purposes (cash basis) (lines 24 and 25)(Part 1, line 26(d))

Figure 23. Foundations as a Share of Total Nonprofits and Foundation Contributions as a Share of Total Nonprofit Revenue



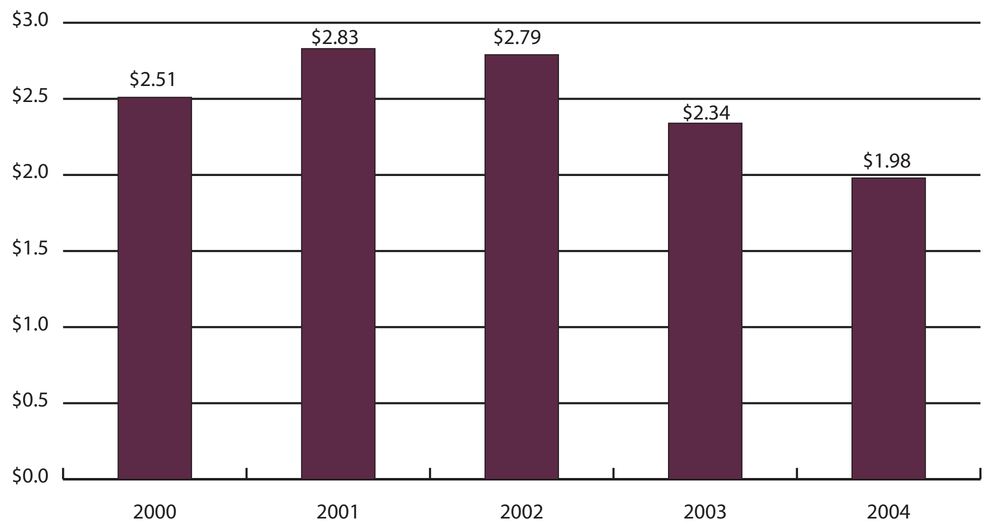
Source: NCCS CORE Private Foundations and CORE Public Charities files, 1995-2004

this growth is seen in the context of LA's nonprofit sector as a whole and the economy at large, a somewhat surprising finding emerges: over the medium-term, foundation growth has not kept pace with the overall expansion of the local nonprofit sector and the economy as a whole. In 2004, the number of foundations represented a smaller share of all nonprofits (9% as compared to 9.6%), and foundation giving represented a smaller share of nonprofit revenue (3.8% as compared to 4.5%) than in 2001 (Figure 23). Furthermore, as Figure 24 shows, foundation giving expanded at a slower rate than the region's overall economy, measured in terms of Gross Metropolitan Product (GMP).

To some extent, asynchronies between short to medium-term economic growth and investment cycles, endowment build-up and payout rates, and nonprofit needs are at work here: foundation endowments typically grow most towards the end of business cycles before GMP expansion rates begin to decline, and nonprofit needs are frequently greatest when foundation assets are under stress, and GMP experiences lower growth, stagnation or even contraction. Whatever the reasons for the somewhat reduced relative scale of foundation contributions, the implication is clear: a larger nonprofit sector will compete more for increasingly scarce foundation dollars than in the past.

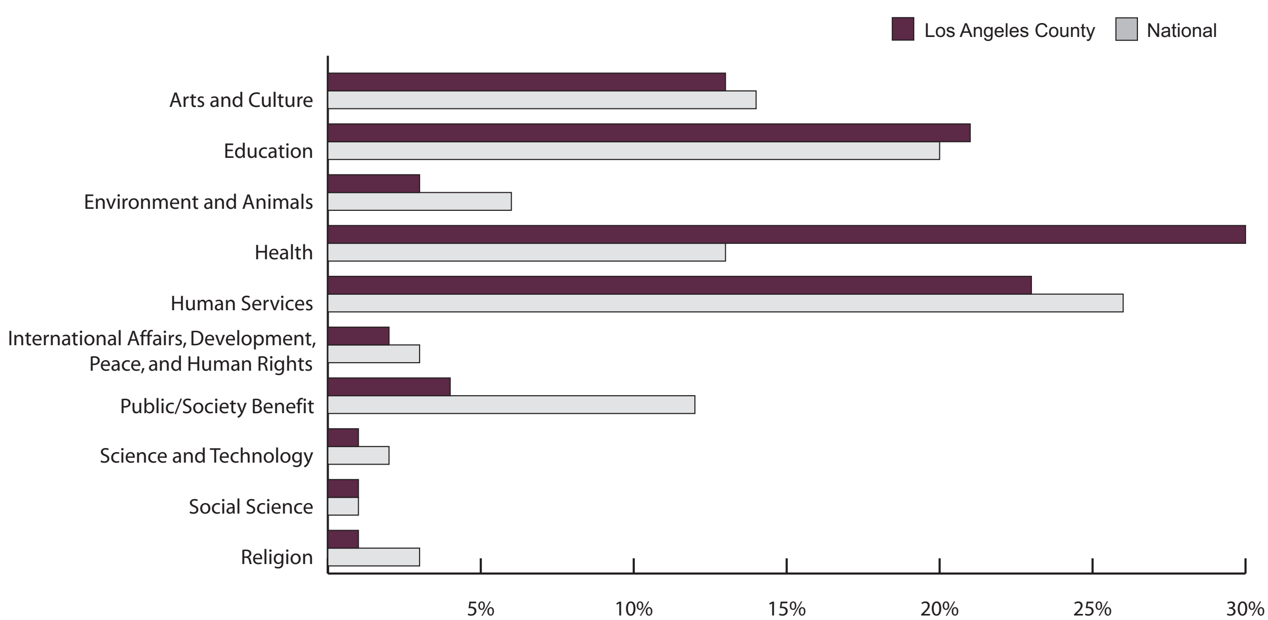
Foundation Priorities. When compared to foundations nationwide, we find that Los Angeles County foundations are characterized by a distinct giving profile. As shown in Figure 25, in 2005 the field of Health attracted close to half of all dollars given

Figure 24. Contributions by Local Foundations Per $1,000 Gross Metropolitan Product (Adjusted to 2004 Dollars)



Sources: Contributions are obtained from the NCCS Core Files; GMP data is obtained from the U.S. Conference of Mayors

Figure 25. Share of Grants by Subject Category, Los Angeles County and Nationally, 2005



Source: The Foundation Center, 2007. Dollar figures in thousands. Based on the Foundation Center's grants sample database (circa 2005), which includes grants of $10,000 or more awarded to organizations by a sample of 1,154 larger foundations, including 128 California-based foundations. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.

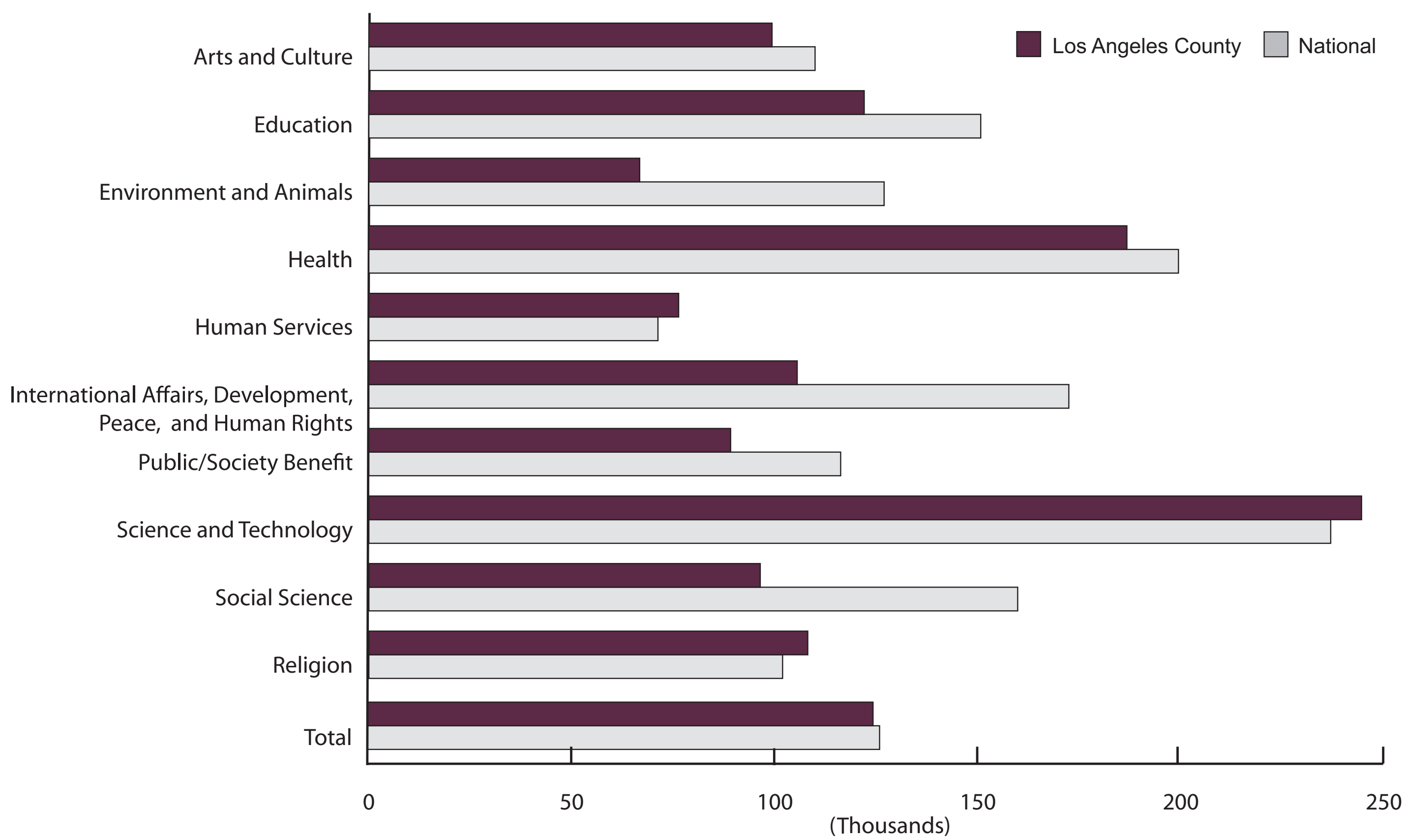
by foundations in Los Angeles County (45%), as compared to less than a quarter of all dollars given by foundations nationally (21%).

This pattern can be attributed to the large number of health conversion foundations and other prominent health funders in the region (Foundation Center, 2006). By contrast, Los Angeles County foundations gave a smaller share of all dollars to public or society benefit (3% vs. 11%) and the environment or animals (1% vs. 6%) than foundations nationally. In other respects, the profile of Los Angeles County foundations is similar to that of foundations nationwide. Both Los Angeles County foundations and foundations nationwide gave a little over 20% of all dollars to education, close to 15% to human services, and a little more than 10% to arts and culture. Both nationally and in Los Angeles County, foundations gave a very small share of all dollars to religion (1% and 2% in 2005, respectively).

On average, grants given by Los Angeles County foundations tended to be about the same size as those given by foundations nationally-around $125,000 in 2005. When disaggregated, however, the average grant size given by LA County foundations was smaller by national standards across many subject categories, as shown in Figure 26. Los Angeles County foundations gave grants that were smaller than the national average in the areas of arts and culture, education, the environment and animals, health, international affairs, public or society benefit, and social science. In the areas of human services, science and technology, and religion, LA County foundations gave slightly larger grants on average than foundations nationwide.

In terms of grants allocated to special populations, Los Angeles County foundations and foundations nationally both prioritized children and youth, economically disadvantaged people, and ethnic or racial minorities (see Table 2). However, when compared to foundations nationally, Los Angeles County gave a larger share of dollars earmarked for special populations to ethnic and racial minorities in 2005 (18% as compared to 14% nationally).

Figure 26. Average Grant Size by Subject Category, 2005



Source: The Foundation Center, 2007. Dollar figures in thousands. Based on the Foundation Center's grants sample database (circa 2005), which includes grants of $10,000 or more awarded to organizations by a sample of 1,154 larger foundations, including 128 California-based foundations. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.

Table 2. Share of Grants Given to Special Populations

Special Population	Los Angeles County			National		
	2001	2003	2005	2001	2003	2005
Aging/Elderly/Senior Citizens	3.2%	3.5%	5.2%	3.6%	2.7%	2.9%
Alcohol or Drug Abusers	1.0%	2.0%	1.3%	1.6%	1.4%	1.3%
Children & Youth	23.2%	24.9%	23.3%	31.8%	30.3%	30.2%
Crime or Abuse Victims	2.5%	1.7%	2.5%	2.1%	1.8%	1.8%
Economically Disadvantaged	22.4%	30.2%	28.6%	21.6%	25.3%	26.2%
Gays or Lesbians	0.3%	0.5%	0.5%	0.2%	0.2%	0.3%
Immigrants & Refugees	2.3%	3.8%	3.2%	1.3%	1.5%	1.6%
Men & Boys	4.4%	2.8%	2.9%	2.4%	2.3%	2.1%
Military & Veterans	0.2%	0.1%	0.1%	0.3%	0.3%	0.5%
Ethnic or Racial Minorities*	24.0%	17.4%	18.2%	12.5%	13.4%	13.7%
Offenders or Ex-Offenders	0.5%	0.9%	0.9%	0.8%	1.1%	1.1%
People with AIDS	1.4%	1.0%	0.8%	3.7%	2.0%	2.3%
People with Disabilities	4.8%	5.2%	5.7%	7.0%	5.1%	5.2%
Single Parents	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%
Women & Girls	9.8%	6.0%	6.8%	11%	12.3%	
Total	100%	100%	100%	100%	100%	100%

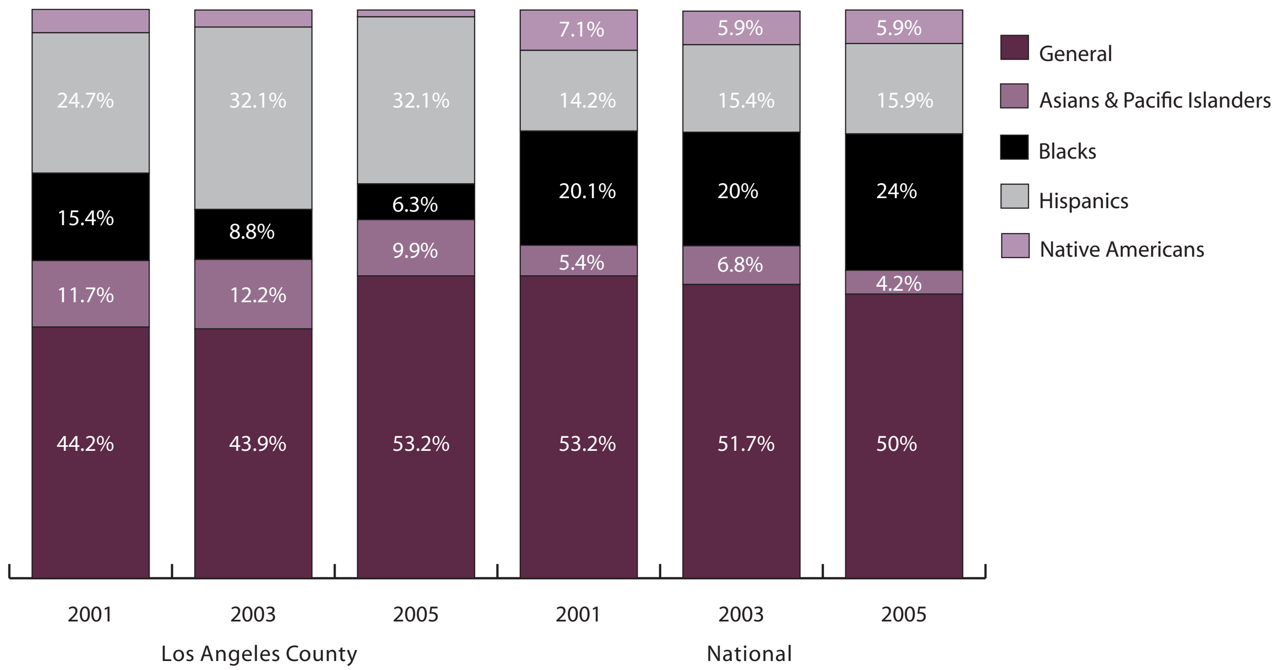
Source: The Foundation Center, 2007. Based on the Foundation Center's grants sample database (circa 2005), which includes grants of $10,000 or more awarded to organizations by a sample of 1,154 larger foundations, including 128 California-based foundations. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.
Note: Figures represent only grants awarded to groups that could be identified as serving specific populations or grants whose descriptions specified a benefit for a specific population. These figures do not reflect all giving benefiting these groups, In addition, grants may benefit multiple population groups, e.g., a grant for homeless children, and would therefore be counted more than once.
1. Coding for these groups generally includes only "domestic" populations. Overseas grants are only coded for ethnic or racial minorities if they specifically mention a benefit for a particular minority group.

When dollars given to ethnic and racial minorities are disaggregated in Figure 27, we see that LA County foundations gave a smaller share to Black causes and a larger share to Hispanic causes than foundations nationally-most likely a reflection of the growing Hispanic population in Southern California. In 2005, for example, almost 30% of all dollars to ethnic and racial minorities given by Los Angeles County foundations went to Hispanic causes, as compared to only 16% of dollars nationally. Meanwhile, only 6% of all dollars given by Los Angeles County foundations went to Black causes, compared to 24% of all dollars given to ethnic and racial minorities nationally.

it is perhaps not surprising that foundations gave a larger share of all dollars for economically disadvantaged populations to homeless persons than did foundations nationwide.

Similarly, LA County foundations gave a higher priority to migrant workers and the homeless than foundations nationally. In Figure 28, we see that in Los Angeles County, an increasing share of all dollars were allocated to migrant workers-up from 2% in 2001 to almost 5% in 2005. Meanwhile, foundations nationally gave only one-half of one percent of all dollars earmarked for economically disadvantaged populations to migrant workers during the same year. Given the prominence of homelessness as a policy issue in the Los Angeles area, it is perhaps not surprising that foundations gave a larger share of all dollars for economically disadvantaged populations to homeless persons than did foundations nationwide.

Figure 27. Gift Dollars to Ethnic or Racial Minorities*



Sources for figures 27 and 28: The Foundation Center, 2007. Based on the Foundation Center's grants sample database (circa 2005), which includes grants of $10,000 or more awarded to organizations by a sample of 1,154 larger foundations, including 128 California-based foundations. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.

Note: Figures represent only grants awarded to groups that could be identified as serving specific populations or grants whose descriptions specified a benefit for a specific population. These figures do not reflect all giving benefiting these groups, In addition, grants may benefit multiple population groups, e.g., a grant for homeless children, and would therefore be counted more than once.

1. Coding for these groups generally includes only "domestic" populations. Overseas grants are only coded for ethnic or racial minorities if they specifically mention a benefit for a particular minority group.

Figure 28. Gift Dollars to Economically Disadvantaged Groups

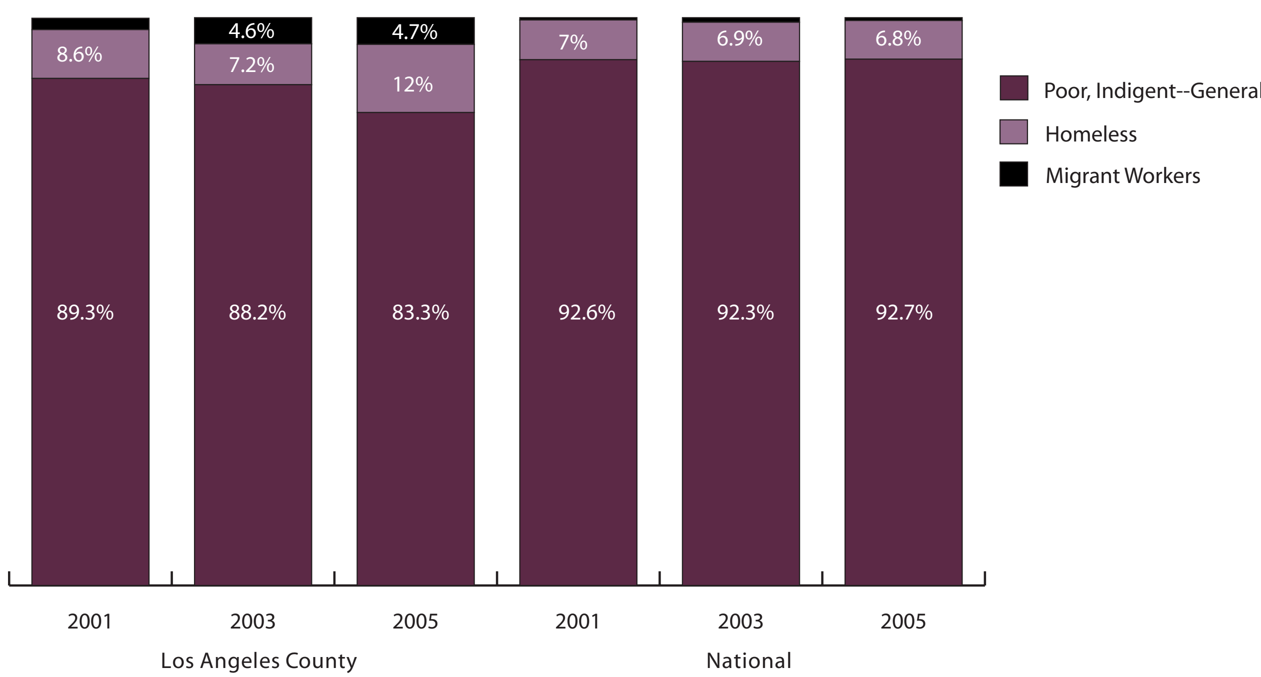
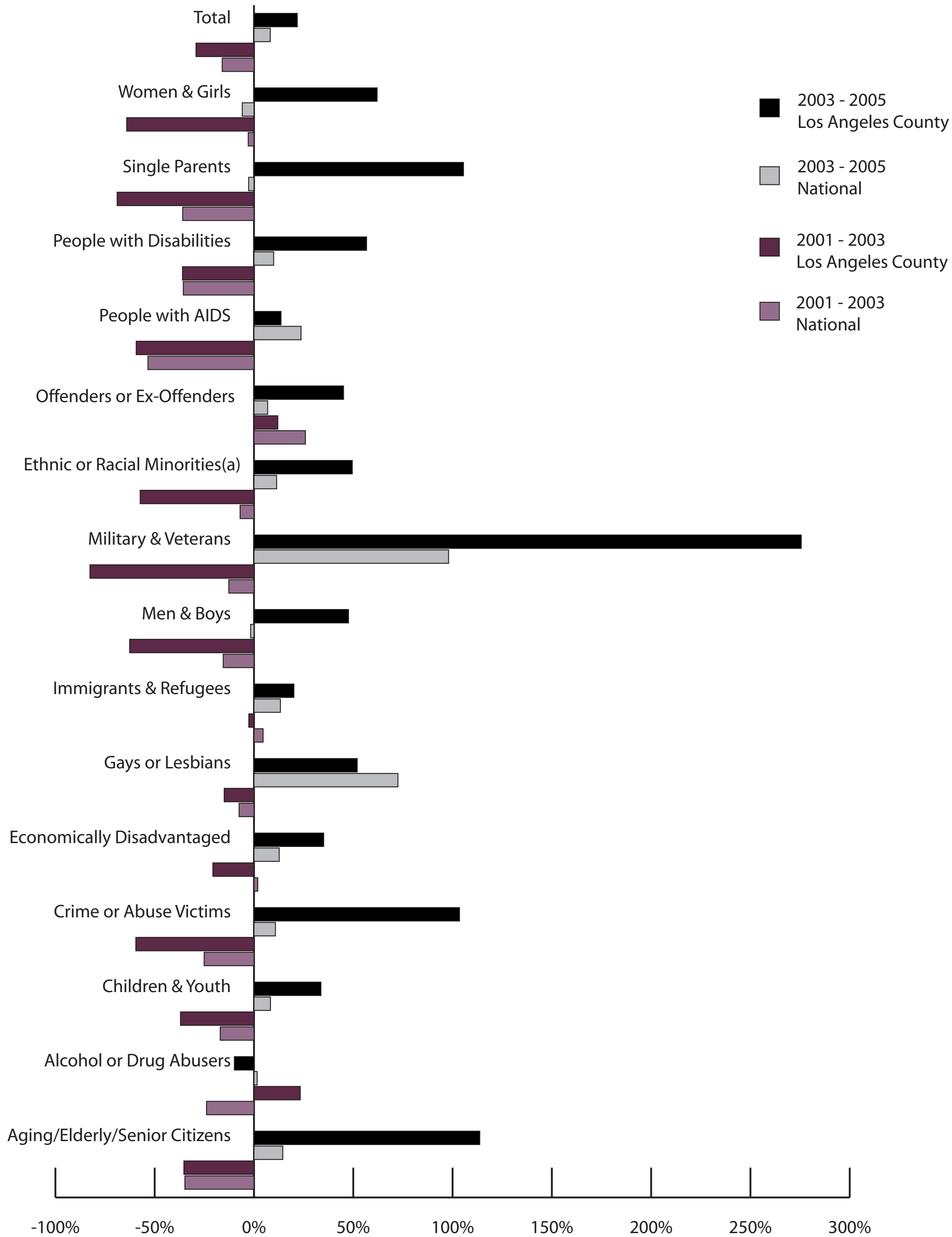


Figure 29. Annual Percent Change in Gift Dollars to Special Populations



Source: The Foundation Center, 2007. Based on the Foundation Center's grants sample database (circa 2005), which includes grants of $10,000 or more awarded to organizations by a sample of 1,154 larger foundations, including 128 California-based foundations. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.

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(a). Coding for these groups generally includes only "domestic" populations. Overseas grants are only coded for ethnic or racial minorities if they specifically mention a benefit for a particular minority group.

Type of Foundation Support. The giving patterns of Los Angeles County foundations mirrored those of foundations nationwide (see Table 3). In 2005, both local foundations and foundations nationwide allocated the bulk of gift dollars to program support (51% and 45%, respectively), followed by capital support (18% and 19%, respectively) and general support (15% and 20%, respectively). As Figure 30 shows, on average, grants for research and capital support were largest, followed by program support. Grants for general operating support and student aid funds were relatively small.

It is no surprise that funders emphasized program restricted grants, which make it easier to track the use of grant dollars and gauge the achievement of goals connected to funding. Meanwhile, it is often assumed that general operating grants are most prized by grantees because of their superior flexibility. However, a study by the Center for Effective Philanthropy (2006) suggests that operating grants would be perceived as more valuable to grantees if these grants were larger and longer term than what is typically provided.

The findings presented here underscore the tradeoff between flexibility and size confronted by grant recipients-smaller general operating grants afford more flexibility, while larger grants, which are better able to enhance nonprofit capacity, tend to be more restricted in their use. It is worrisome that transparent programmatic themes, preferred organizational characteristics, funding contingencies, and competitive selection procedures associated with larger restrictive gifts can lead to goal displacement, as nonprofits conform to the explicit requirements and preferences of foundation grants in an effort to compete more effectively for gifts.

Grants for general operating support and student aid funds were relatively small.

Table 3. Share of Grant Dollars Given by Type of support

	Los Angeles County			National		
	2001	2003	2005	2001	2003	2005
General Support	10.1%	15.1%	15.3%	15.9%	21.8%	20.0%
Capital Support	23.4	14.2	18.1	21.9	17.0	18.5
Program Support	46.0	41.5	50.8	49.6	44.0	44.9
Research	8.5	6.8	13.5	8.5	11.6	8.8
Student Aid Funds	2.6	3.6	3.6	11.3	4.6	5.1
Other	2.0	0.4	0.5	2.4	1.9	2.4
Not Specified	21.8	29.2	16.4	18.4	18.5	17.4

Source: The Foundation Center. Dollar figures in thousands. Based on the Foundation Center's grants sample database (circa 2005), which includes grants of $10,000 or more awarded to organizations by a sample of 1.010 larger foundations, including 110 California-based foundations. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.

Note: Grants may occasionally be for multiple types of support and would thereby be counted twice. Qualifying types of support are tracked in addition to basic types of support., e.g., a challenge grant for construction, and are therefore represented separately.

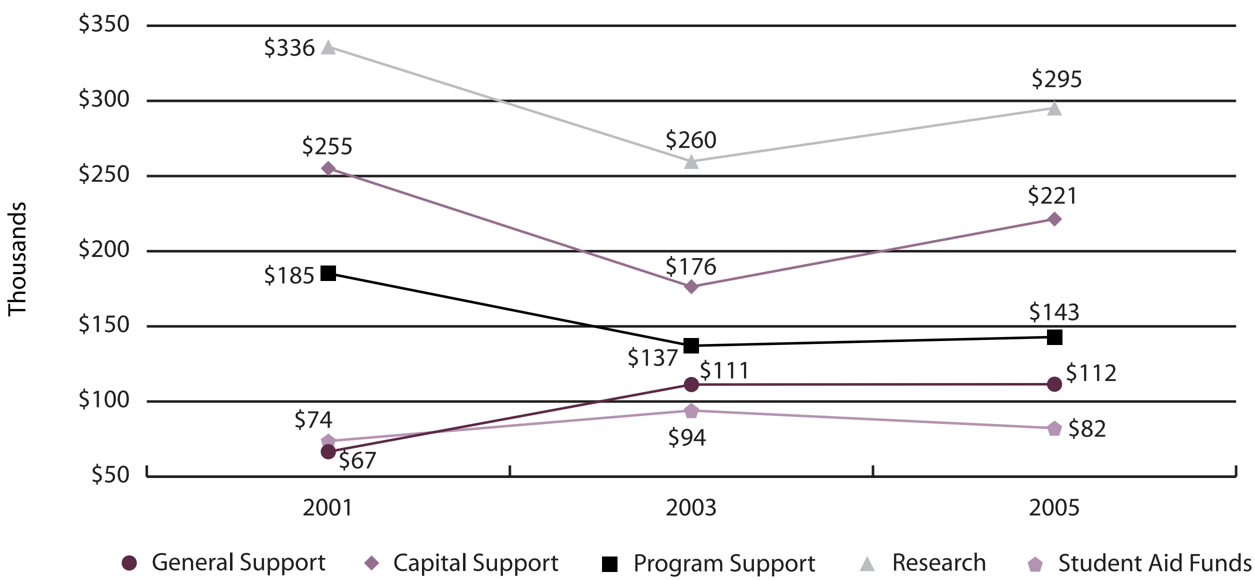
Summary. When compared to national trends, Los Angeles County foundations gave greater priority to ethnic and racial minorities, a reflection of the immense cultural diversity of the Los Angeles area. Moreover, Los Angeles foundations were more likely than foundations nationwide to target Hispanic groups in their giving, suggesting that the sector is responsive to the shifting demographics of the region it serves. And while foundations located in Los Angeles County allocated a small share of all dollars to grants that target homelessness (12% in 2005), they were more likely to do so than foundations nationwide.

Los Angeles foundations were more likely than foundations nationwide to target Hispanic groups in their giving, suggesting that the sector is responsive to the shifting demographics of the region it serves.

This said, the findings we present in this report suggest that the relative financial weight of foundations for the nonprofit sector may be somewhat declining, at least in the short to medium-term. While local foundations are growing in terms of numbers, assets and giving, they are not keeping pace with the growth of the nonprofit sector or the overall economy. As a result, grant dollars given by local foundations now represent a smaller share of nonprofit revenue and Gross Metropolitan Product than in previous years. Moreover, like foundations nationally, local foundation giving emphasizes restricted support, with unrestricted general operating support (that is highly valued by nonprofit recipients) allocated in smaller grants that have limited ability to enhance nonprofit capacity. In response, some local foundations in the field of human services particularly have increased their giving for core costs.

In addition, area foundations give grants that are on average smaller than those given by foundations nationwide to many subject categories. This may be an indication that local foundations

Figure 30. Average Grant Size by Type of Support



Source: The Foundation Center. Dollar figures in thousands. Based on the Foundation Center's grants sample database (circa 2005), which includes grants of $10,000 or more awarded to organizations by a sample of 1.010 larger foundations, including 110 California-based foundations. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.

Note: Grants may occasionally be for multiple types of support and would thereby be counted twice. Qualifying types of support are tracked in addition to basic types of support., e.g., a challenge grant for construction, and are therefore represented separately.

are more equitable in their giving-that is, that they are less likely to concentrate giving among a few large grants to prominent recipients at the expense of many smaller organizations. Conversely, it could signal a tendency towards matching grant requirements, which puts much additional onerous strain on grant-seeking organizations. Finally, the striking focus on giving to the health field exhibited by foundations in the Los Angeles region suggests a somewhat lopsided approach. Given the multiplicity of needs that characterize the Los Angeles area, a move toward greater diversification may be desirable.

In our focus groups, many of the participants shared concerns about the state of foundation funding in L.A., claiming that foundation grants are harder to come by (especially for smaller organizations), too short-term, and not focused enough on core operating support. As one participant remarked, "I think it's a disservice to help start a program and then stop funding it. This type of funding – mainly for special projects – can lead to 'mission drift' or instances of 'chasing the money.'" One executive, with over 40 years of grant-writing experience, shared that she has been writing grants for $5,000 and $10,000, not $50,000 or $100,000 like she had been for years. Participants also observed that fewer foundation dollars translates into greater reliance on individual donors and fees-for-service. According to a nonprofit consultant, organizations are 'running more like for-profits in a lot of ways' as they increasingly compete for services and funding. At the same time, participants conceded that many nonprofits – especially smaller agencies – simply do not have the technical expertise in fundraising or finance to sustain themselves.

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The 2007 Policy Environment for Nonprofits

The nonprofit sector operates within a constantly shifting policy environment that creates both opportunities that help organizations fulfill their missions and constraints that make their work more difficult. In this section, we highlight issues and concerns we have found in the proposed 2007/08 federal and state budgets that are of importance to nonprofit organizations. We also review recently enacted legislation on nonprofit accountability, provide an update on faith-based initiatives, and examine state and local policies, both passed and proposed, that may provide important opportunities for nonprofit organizations in health and human services.

The Federal Budget

Federal and state budget decisions affect nonprofits by determining the availability of federal, state, and county revenue nonprofits can draw on to meet the needs of their communities. However, even those agencies that do not rely on government funds for support are affected by public budget decisions, because when the amount of public resources available to address public problems decreases, the demand on the nonprofit sector to supply those services increases. In this section, we review aspects of the President's proposed budget for FFY 2008 that impact nonprofit organizations.

Medicaid. This year, the President's proposed cuts of $25.7 billion to the Medicaid program between FFY 2008-12 threaten to decrease public funds available to nonprofits that operate in the health care field. Most cuts shift costs to states by, for example, reducing payments to public hospitals and eliminating payment for some services to children with disabilities. California, which is projected to struggle with deficits for the next several years, may be hard pressed to offset such losses with state funds.

According to public hospital officials, the proposed cuts to Medicaid, known in California as Medi-Cal, could result in the loss of $500 million a year to California public institutions and the private agencies they contract with. The Los Angeles County healthcare system could lose $200 million a year. The proposed cuts would eliminate the use of Medi-Cal funding to cover the cost of low-income uninsured who are often the ‘working poor’ – those who make too much money to qualify for Medicaid but too little to afford their own health insurance (“President’s Budget,” 2007).

State Children’s Health Insurance Program (SCHIP). This program provides federal funding that supports states' efforts to expand health coverage to uninsured children. In California, SCHIP funding covers about two-thirds of the cost for Healthy Families, a program that provides low-cost health coverage to over 775,000 California children in low-income families who are not eligible for Medi-Cal. SCHIP expires in 2007, and according to estimates by the California Budget Project, the President's proposed FFY 2008 budget would allocate around $1 billion over the next five years, which is less than half of what it would cost to maintain the current program. Moreover, the President’s budget discourages California and other states from using SCHIP funds to cover children in families with income above 200 percent of federal poverty level (FPL), thus potentially eliminating federal funding to support coverage for approximately 200,000 California children in families with incomes between 200 and 250 percent of the FPL who are enrolled in Healthy Families (“SCHIP Reauthorization,” 2007).

Other Proposed Changes. The President also proposes cuts to the Headstart Program, possibly resulting in 10,700 fewer slots in California in FFY 2008; to the Childcare and Development Block Grant (CDBG), which would make it more costly for California to comply with work participation requirements enacted in 2006; and to the Women, Infants, and Children Program (WIC), which as a result would have the capacity to serve an estimated 55,600 fewer Californian children and women in 2012 than it currently serves. In addition, funding to the Community Development Block Grant (CDBG), which supports a range of community development activities, including housing development, homeless assistance, and economic development, would suffer cuts, along with the Social Service Block Grant (SSBG), which supports the assistance of victims of Hurricane Katrina, Community Care licensing, and services to the deaf in California. The President’s proposed budget eliminates funding in 2008 for The Commodity Supplemental Food Program, which provides support for food packages to approximately 51,700 low-income elderly per month in California. The Community Services Block Grant (CSBG), which provides funds to community action agencies that support emergency housing, housing assistance, domestic violence services, and other services for vulnerable populations, would also be eliminated, resulting in a loss to California of $295.5 million between FFY 2008-12 (“President’s Budget,” 2007).

The State Budget

At the state level, Governor Schwarzenegger’s proposed budget for 2007-2008 increases spending by 4.4% from 2006-2007. Some critical public programs targeted at low-income residents will receive a much needed boost in funding, including an additional $11.2 million for Access for Infants and Mothers (AIM), $1.9 billion for Medi-Cal, $566 million for SSI/SSP (including a Cost of Living Adjustment for SSI/SSP recipients), $91.4 million for Child Welfare Services, and $8.8 million to implement the California Prescription Drug Program.[10]

10. Governor Arnold Schwarzenegger’s Web site, http://gov.ca.gov/index.php/issue/budget

Other programs will suffer funding cutbacks. Most strikingly, 18% of the total reductions in the Governor's plan to balance the state budget come from cuts to the CALWORKs program.[11] Suspension of the July 2007 CALWORKs cost of living adjustment and continuing suspension of the October 2003 cost of living adjustment amounts to $693 million in savings to the state. Hardest hit by this cut would be children, who make up 80% of CALWORKs recipients. The proposed budget also cuts cash assistance for children whose parents do not meet CALWORKs requirements within 90 days and "safety-net" cash assistance for certain children after their parents have reached state's 60-month time limit. As it stands, welfare spending continues its downward slide as a priority in the California budget; the proposed cuts would bring welfare spending to 2.9% of all spending, down from 6.8% of all spending in 1996-97 and 3.2% in 2006-2007 ("Moving Forward," 2007).

Implications for Nonprofits

In our focus groups, most participants agreed that despite increased organizational expenses, such as rent, staff salaries, health insurance, and workman's compensation, public funding has remained stagnant at best for several years. Some nonprofit executives shared that their government contract rates have not increased in close to ten years despite annual rises in overhead costs. One executive stated that her organization's rent recently increased by more than 400%, and declared that "nonprofits that don't own are in incredibly perilous situations."

One obvious solution to the withdrawal of government support is revenue diversification, but nonprofit leaders stated that other sources of nonprofit support, such as foundation money and individual donations, are also harder to come by than in the past. Accordingly, executives maintained that nonprofit organizations need to do more to publicize their work, their needs, and the issues affecting local communities. Leaders stressed that a lack of communication translates directly to a lack of resources. One nonprofit leader noted that "there is a key connection between capacity needs and getting the word out," while another stated that "if we're not meeting needs and can't provide enough services, we have to let people know about it." According to executives in the focus groups, public relations efforts need to be directed toward government officials as well as to the public at large. "We need elected officials to pay attention. If not, more money will continue to be diverted from programming."

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Legislative Issues

Institutional trust has an impact on volunteering and giving, and thus is essential to charities-the public is not likely to support charities suspected of carrying out their missions in an unethical, illegal, or irresponsible way. Not surprisingly, a few high profile cases of abuse can erode the public's confidence in the entire sector, raise demand for nonprofit accountability, and ultimately result in legislative efforts to increase regulation of nonprofits. Sometimes abuses are clear violations of the law. A former financial controller for Goodwill Industries, for example, was convicted in 2003 of embezzling more than $500,000 to cover gambling debts, and IRS commissioner Mark Everson reported in a *USA Today* article in 2005 that tax-exempt groups have been involved in half of the IRS' 31 categories of tax-shelter scams (Iwata, 2005). Even legal maneuverings can provoke scathing critique when they appear to lack transparency. The American Red Cross, for example, was highly criticized when it diverted donations solicited for victims of 9/11 to a relief fund so that when the next disaster hit, they would have the capacity to mobilize quickly. When the practice came to light, it ignited a firestorm of criticism, and the organization responded by firing its CEO, changing its board, and retooling its policies.

There is evidence that public attitudes toward charities tumbled after the 9/11 scandal, and have remained low ever since. Surveys conducted by the Princeton Research Group on behalf of the Center for Public Service show that only around 12-15% of people surveyed expressed "a great deal" of confidence in charitable organizations between 2002 and 2004, a level of confidence that is 10% to 15% lower than in the summer of 2001. In 2004, only 11% of those surveyed felt that charities do a "very good" job at spending money wisely (Light, 2004).

The Pension Protection Act of 2006. Under increasing scrutiny, the nonprofit sector is exploring ways to rebuild public trust. For example, the Independent Sector, a nationwide coalition of 500 nonprofit organizations, joined lawmakers in calling for stronger penalties for nonprofit officials and donors who engage in illegal transactions. These efforts have resulted in the Pension Protection Act of 2006, which deters individuals from attempting to use donations for personal gain and ensures that donations are used for charitable purposes. Under the law, taxpayers who itemize deductions may only claim deductions for donated clothing and household items that are in "good used con-

11. Ibid.

dition." While there has been a lack of clarity over the issue, there are indications that the burden of identifying the condition of the item must be established by the donor, not the charitable organization. In addition, deductions for items with minimal value (i.e., socks) can be prohibited by the Treasury Secretary, and individual items for which deduction of $500 or more are claimed now require the filing of a qualified appraisal of the item with the tax return. To monitor whether donated items are used for charitable purposes, nonprofits are now required to file a form 8282 if they sell or dispose of donated items valued at more than $500 within three years of receipt, unless the item is consumed or used for charitable purposes. Under the new law, nonprofits also risk large penalties if they fraudulently claim an item was used for charitable purposes to enable a larger tax deduction by the donor.[12]

Sarbanes-Oxley and the California Nonprofit Integrity Act. The Pension Protection Act of 2006 is the latest in a series of federal and state legislation meant to strengthen oversight of nonprofit management practices. The Sarbanes-Oxley Act, which became federal law in 2002, focuses on reforms geared toward corporate corruption but includes two provisions that require nonprofit compliance. One makes it illegal to destroy litigation-related documents, while another makes it a crime to retaliate against whistle-blowing nonprofit employees. To help ensure compliance, nonprofits should formalize policies on written document retention and destruction and on management of complaints.

In 2005, the Nonprofit Integrity Act was enacted in California. Under the law, all nonprofits with revenues over $2 million must publicly disclose all financial statements and are required to have an independently conducted annual audit. They must also form an audit committee separate from their finance committee and ensure that CEO and CFO compensation is just and reasonable. Further, all nonprofits, regardless of size, must register with the Registry of Charitable Trusts within 30 days of receiving assets and publicly disclose any audited financial statements. The law also regulates fundraising in a variety of ways. Hospitals, educational institutions, and religious organizations are exempt from the provisions in the act.

While the public should have access to accurate information about nonprofit finances, programs, and activities, there is a cost to increased oversight. More regulations force nonprofits to divert resources toward compliance, including preparation and filing of reports to multiple agencies and several audits a year, which can be extremely costly. Funds and energy may be diverted away from service delivery-a sign of the very administrative-heavy practices that these regulations are designed to discourage. And increased oversight, while it suppresses illegal activity and allays concerns about unfettered corruption, may also feed the perception that charities are untrustworthy. Finally, as nonprofits are held to higher efficiency and effectiveness standards, their legitimacy is questioned when they fail to produce evidence of their impact. For example, a Los Angeles-based gang-prevention program that allocates public funds to community agencies that implement interventions, has recently come under fire for lacking measurable results, leading to the threat of funding cuts. However, evaluating programs is costly and finding evidence of program impact can be difficult when social problems are multi-faceted and resistant to 'quick fixes.'

With this said, the push to tighten laws and regulations affecting nonprofit accountability shows no signs of abating. The Senate Finance Committee appears to have momentum in this area, and the House Ways and Means Committee may intensify their examination of nonprofits, especially hospitals. Meanwhile, nine states introduced legislation intended to increase transparency requirements in 2006 and many states increased the threshold for which nonprofits are required to submit financial statements for auditing. While a minority of last year's state bills became law, the sheer volume of proposed legislation was an indication that regulation of nonprofit practices will continue to increase at the state level.

In our focus groups, most participants agreed that current regulations do little to discourage wrongdoing, and at the same time increase the "cost of doing business." For some participants, the laws made no difference, for their organizations were already following most of the guidelines anyway. For others, however, especially smaller agencies, the regulations "just add another layer of bureaucracy." And in many cases, according to participants, the smaller groups do not always have the financial expertise to comply. At the same time, many of the consultants, while abhorring the new auditing requirements for accounting, did express a greater need for nonprofit accountability for performance outcomes and efficiency. "I've found that a large percentage of agencies don't have performance goals. There's no accountability for performance."

Faith Based Initiatives On January 29, 2001, President George W. Bush issued Executive Order 13198 which was designed to address perceived barriers that prevent faith-based organizations from providing human services in partnership with the federal government. The Initiative endorses strategies such as making federal funding more accessible to faith-based organizations, and supports federal, state and local government efforts to collaborate with local faith-based organizations.

As part of a broader movement that encourages greater government collaboration with community-based religious groups, especially in the provision of services to low-income people, the White House Faith-Based Initiative furthers the agenda initiated by the "charitable choice" provision of Section 104 of the Personal Responsibility and Work Opportunity Reconciliation

12. To learn more: see http://www.independentsector.org/programs/gr/charityreform.html

Act of 1996, which prohibits states, if they contract with nonprofit organizations for the delivery of human services, from requiring faith-based organizations to alter their internal forms of governance (such as employment practices that hire on the basis of religious belief) and remove religious icons, art, or other symbols of faith on the physical site at which services are delivered when they contract to deliver services. Recent legislative efforts in Congress have similarly attempted to remove barriers to the participation of faith-based organizations in the provision of human services to low-income people, and several states, including Mississippi, Texas, and Minnesota, have passed legislation to actively encourage faith-based organizations to become more involved in the provision of human services.

As this report is going to print, a church-state separation case challenging the constitutionality of the president's faith-based initiative is before the Supreme Court. The Wisconsin-based Freedom from Religion Foundation is challenging the initiative on first amendment grounds, arguing that the White House is using taxpayer funds to support religion. Under debate is the issue of whether taxpayers have legal standing to sue the government over how taxpayer money is spent by government officials. The government's argument rests on the general rule that taxpayers can only sue if they show that they have suffered personal injury, but the Wisconsin group points to a 40 year old case, Flast vs. Cohen, in which the Supreme Court created an exemption when it ruled that taxpayers could sue when government spends money to promote religion. During arguments, the court seemed split on the case, which will be decided in the next several months. If the issue is decided in favor of the Freedom from Religion Foundation, the group will still have to prove its case in court.

AB 165 has been introduced at the state level in California. The bill would create a California Office of Faith-Based and Community Initiatives within the office of the Governor.

The Supreme Court case highlights mounting concerns about separation of church and state within the context of a recent swell of initiatives meant to encourage government subsidies for religious activity, and may signal diminishing support for future legislative efforts in this area.

One such proposal – AB 165 – has been introduced at the state level in California. The bill would create a California Office of Faith-Based and Community Initiatives within the office of the Governor. Based on similar legislation at the federal level, the office would encourage government partnerships with faith-based community agencies by developing a clearinghouse of information on public funding at the federal, state, and local levels for charitable services performed by charitable organizations, encouraging those organizations to learn about and request public funding, and acting as a liaison between state agencies and those organizations. The office would also provide information about the barriers to collaboration between faith-based organizations and governmental entities to the Governor, the Legislature, and an advisory board of the office and recommend strategies to remove those barriers. When this Report went to print, the bill had been referred to the Committee on Business and Professions.

New Opportunities

Many of the proposed cuts to state and federal programs this year reduce the amount of resources available to address social problems and thus increase the need for services. The burden to meet these needs is shifted onto the private sector, including nonprofit organizations, at the same time that government support to the sector becomes scarcer. There is no doubt that this year's proposed budget cuts will produce challenges for the nonprofit sector if passed; however, there are also some noteworthy policy developments on the horizon that could translate into major opportunities for nonprofit organizations.

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Federal Healthcare Policy. Broadly, President Bush's health care plan aims to make private health insurance more affordable, increase the number of Americans with health coverage, and move the nation 'away from reliance on government-run health care.' The crux of the President's proposed health care overhaul is a health care tax deduction to help individuals purchase health insurance on the private market. The standard health care tax deduction would allow families to shelter the first $15,000 of their income ($7,500 for individuals) from taxes. The President hopes that this standard deduction will make purchasing individual health insurance more affordable while rewarding individuals who already purchase individual health care.[13] Critics argue that the President's tax cut for health care would not be accessed by the majority of Americans who currently don't have health care.

California Healthcare Policy. At the state level, the Governor has also unveiled a series of reforms designed to make healthcare accessible by requiring all Californians to carry a minimum level of health coverage. To help individuals obtain coverage, the plan would provide subsidies to help low-income adults not covered by public programs purchase coverage, and expand California's Healthy Families program from its current coverage of children with family incomes under 250 percent of the FPL to children with family incomes up to the 300 percent of the FPL. The Governor's plan also penalizes employers with 10 or more workers if they do not provide health coverage for employees, requires

13. White House Office of Communications, 2007 State of the Union Address available at www.whitehouse.gov.

hospitals to pay a fee, increases payments to Medi-Cal providers by $4 billion, and requires health insurance companies to insure all who apply and to spend at least 85% of premiums on patient care. To offset costs, funding that counties receive to treat the uninsured would be reduced.

While ambitious, the Governor's plan raises a series of questions, such as whether individuals will bear a disproportionate share of risks, whether low-income individuals and families that are ineligible for public programs can afford to pay for comprehensive coverage, and whether there is enough federal and state money to pay for the plan. For example, expansion of the Healthy Families program to children with family incomes up to 300 percent of the FPL puts the plan at odds with the federal proposal, which discourages use of SCHIP money (used to fund Healthy Families) to cover children in families with income above 200 percent of FPL ("SCHIP Reauthorization," 2007).

Meanwhile, healthcare advocates and some democratic lawmakers have recently renewed efforts to promote a "single-payer" plan that places the entire health care industry under a government-run health plan that would pay for medical treatment for all Californians. Health care facilities would remain privately run. SB 840, a bill that would enact single-payer health coverage in California, has been advanced in different forms by State Senator Sheila Kuehl for three years in a row. Last year, the bill was approved by the Legislature, but vetoed by the Governor.

Homelessness: Update on the County and City plans. In April of 2006, the LA County Board of Supervisors approved a $100 million plan to aid transients and persons released from hospitals or jails without a place to stay, establish a dedicated center for homeless families, located downtown, which would rapidly transfer people to long-term housing throughout the county, and create a special court designed for homeless persons to resolve outstanding warrants for misdemeanor quality of life infractions. The most ambitious part of the plan involves the establishment of five "regional stabilization centers" across the county that will provide temporary shelter and social services for homeless persons. The plan would reduce the concentration of services on Skid Row, thus distributing responsibility for homelessness more evenly throughout the county. As noted in a report by the Inter-University Consortium against Homelessness (Wolch, et. al., 2007), only 25 of 88 cities in the county direct funds toward housing and services for homeless people. In effect, cities that do not provide resources for homelessness rely on the many agencies in the downtown Skid Row area.

From the start, the regional centers have been the most controversial part of the county's strategy. On the heels of the plan's announcement, West Covina officials told the *Los Angeles Times* that converting their drop-in center to one of the regional stabilization centers would interfere with efforts to revitalize West Covina's downtown area. ("W. Covina resists idea of Regional Homeless Center," 2006), and community opposition in Sylmar has stalled a plan to set up a center that would house homeless women and children transferred from Union Rescue Mission on Skid Row. Also, the fairness of a plan that would divide funds evenly among the five regions without regard for differing regional levels of need has been questioned ("Finding a Way Home," 2006).

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Adding to these implementation issues, county officials were caught off guard when the US Department of Housing and Urban Development (HUD) recently allocated $8 million less than the agency received last year, eating into projected funds for the project ("Troubles Stall Help," 2007). Despite these hurdles, Assistant Administrative Officer Lari Sheehan of the County's Chief Administrative Office has said that there is interest in establishing centers in South Los Angeles, Pomona, and the "gateway cities" area south of downtown, but no commitments have been made (DiMassa & Leonard, 2007).

At the same time, the city continues its efforts to address homelessness in Los Angeles. The Affordable Housing Trust Fund has been fully funded at $100 million for two years running, with $50 million a year devoted to permanent supportive housing for homeless individuals. According to the plan, on-site supportive services, including case management, employment and training services, money management counseling, and assistance with independent living skills, must be combined with housing. The funding will be used for development and operating costs, with funds for on-site social services coming from nonprofit collaborators.

However, the city is hard pressed to put enough money in the Affordable Housing Trust Fund to offset the costs for developers. A plan to create a permanent funding source by borrowing $1 billion through a housing bond was narrowly defeated in November. Investors would have been paid back with money from a property tax increase of about $14 per $100,000 of a house's value. The plan failed to secure the required two-thirds vote needed to raise property taxes, and Mayor Villaraigosa has stated that he will place the plan on the ballot again during the next presidential primary or general election (Helfand & Hymon, 2007).

In the focus group, nonprofit leaders underscored the need for more affordable housing in the Los Angeles area. While they commended the City and County for pushing forward with plans to address the issue, they agreed that a greater degree of strategic coordination between the two would be fruitful. They worried that policy shifts at the federal level, such as the proposed elimination of the Community Services Block Grant and the withdrawal of HUD funding for supportive services, would compromise their ability to serve the homeless, while noting that the city and county plans represent a significant effort to come up with much needed solutions to the county's persistent problem with homelessness, and one that nonprofit organizations can participate in.

"Dumping" patients on Skid Row and New Solutions. In Los Angeles County, a shortage of homeless programs and an overtaxed healthcare system have converged in highly publicized incidents that involve the "dumping" of homeless hospital patients on Skid Row. The City of Los Angeles has sued several local hospitals for allegedly releasing patients onto the street without an adequate discharge plan, and City Attorney Rocky Delgadillo has proposed legislation that would make the practice a crime. Introduced by State Senator Gilbert Cedillo, SB 275 would prohibit hospitals from transporting patients to locations other than their residences without their informed consent (Winton & Blankstein, 2007). Hospital advocates note that, within the context of inadequate resources for homelessness, discharge planners can spend hours or days trying to find a place for homeless patients who are well enough to leave the hospital. Meanwhile, emergency room patients that need longer term inpatient care must wait for hours or days for a hospital bed to become available, in part because beds become de-facto shelter for homeless patients that are well enough to leave but have nowhere to go upon discharge.

Emergency room patients that need longer inpatient care must wait for hours or days for a hospital bed to become available, in part because beds become de-facto shelter for homeless patients that are well enough to leave but have nowhere to go upon discharge.

Some rays of light include the expansion of a respite-care program on Skid Row. Funded by private foundations, the 42-bed program offers up to 90 days of medical support and housing to homeless patients who are recuperating from illness or injury. The County has also earmarked nearly $20 million to pay for housing alternatives for people released from hospitals or jails with nowhere to stay (Cousineau, 2006).

California's Initiative system. As we mentioned in last year's report, California's initiative system serves as a potential mechanism for the funding of programs that are central to the work of nonprofit organizations, but that policymakers are unable or unwilling to adequately support. For example, the passage of Proposition 10 in 1998 generated funds for early childhood development, and Proposition 63 in 2004 provides support for mental health services by placing a 1% tax on income over $1,000,000.

In November, California voters passed one initiative that provides important resources for the nonprofit sector, and failed to pass another that would have afforded significant supports. Proposition IC, the Housing and Emergency Shelter Trust Fund Act of 2006, passed easily with 57% of the vote. This Act authorizes the state to sell $2.85 billion in general obligation bonds to fund thirteen new and existing housing and development programs that would benefit low-income people. The bond will provide low-interest loans and grants for: a) development projects, such as parks, water, sewage, transportation, and environmental cleanup, that facilitate "infill" development, support for housing near public transportation, b) housing for low-income renters, homeless youth, and farm workers, c) low-income housing connected to services such as health and mental health care, and d) homeless shelters.

In our focus groups, other changes in state and local policy did prompt positive feedback from participants. According to one executive, there are many new innovative local programs in the area of aging. "For the first time ever, local government has created a line item for aging." Another executive pointed to new resources to fund mental health services (Mental Health Services Act - Prop 93). Other executives are hopeful because of increased attention to homelessness and housing needs in L.A.

The nonprofit sector lost an opportunity, however, with the failure of Proposition 86, which would have imposed a $2.60 per pack excise tax on cigarettes. The initiative, which sought to raise funds to support health services, children's heath coverage, and tobacco-related programs, was narrowly rejected by California voters.

Promising developments at the federal level. At the federal level, the passage of the Pension Protection Act of 2006 provides a potentially substantial windfall for nonprofit organizations by increasing incentives for charitable giving. The act, which was signed into law on August 17, 2006, includes pension reform legislation that permits donors who are 70 ½ and older to make contributions up to $100,000 to public charities from a traditional IRA or Roth IRA without counting the donation as taxable income. As the law took effect immediately but expires on December 31, 2007, nonprofits should act quickly to advise their donors to consult with their own tax or legal professionals to see if their gifts qualify under the provision. If the provision shows promise as an incentive for charitable giving, it could be expanded in the future.

Finally, the national elections in November 2006 saw the ascendancy of Democratic Party, which took control over both houses of Congress. Nonprofits with strong ties to democrats (e.g., Independent Sector and OMB) may gain influence over Congress, while those with ties to Republicans may see their influence wane.

Notes From a Recovering Homeless Czar

by

Torie Osborn

Like the windmill-tilter I am, I agreed to be Mayor Villaraigosa's senior-staff point person on homelessness a few weeks after starting at City Hall in the much safer position of liaison to philanthropy and the nonprofit sector. (That position, by the way, was inspired by this Report's recommendation two years ago, and has been supported by a Durfee Foundation Stanton Fellowship.) My new charge was to spend six months analyzing the full spectrum of politics, policies, and players in the homelessness arena, and come up with a plan for the Mayor. Suddenly I had a vivid and challenging focus to my bridge-building work between the public and independent sectors.

L.A. has been America's homeless capital for over 20 years; the latest count shows L.A. County with 88,000 people living on the streets, in shelters, or in cars on any given day (48,000 in L.A. City), and 240,000 over the course of a year. Shockingly, 40% are women, children or youth; a third are mentally ill and twice that number are addicts. Nearly 20% are veterans; we already see survivors of the first Iraq war on our streets, and service providers are bracing for those who will come soon, traumatized from the current war.

L.A.'s homeless crisis has been created and sustained by its growing poverty crisis – due to the steep decline in good jobs and affordable housing, and the systematic destruction of the public safety net over the past two decades of "starve the government" fiscal policies. All this has been compounded by the unique role Skid Row has played over many decades as the region's "out of sight, out of mind" solution for homelessness: Too many folks coming out of foster care, jails, the ER, or a violent home with nowhere to go end up on "the Row". The concentration of services there lets most of the County's cities and much of L.A. City off the hook.

Truth to tell, my 70-hour-a-week crash course on homelessness revealed just about everything that is wrong with every sector:

- L.A.'s organized business community has no solution except shameful denial or cold-hearted dispersion;
- The deep-seated schism between Los Angeles City and County governments – with their history of enmity and lawsuits – is particularly dysfunctional on this issue when ONLY cooperation works. The City has housing dollars and the County has health and human services dollars, and solving homelessness demands both.
- Even some in the nonprofit community have been part of the problem. Too many years laboring in the shadows on an unpopular issue has inbred infighting and resistance to change, and a reflexive distrust for government that I understand but find less than useful now that there are many allies inside both city and county governments.

Fortunately, I also learned of breathtaking heroism and creativity in the nonprofit sector and fine leadership by philanthropy in innovating and propagating solutions to this problem. For homelessness is NOT intractable. There are solutions that work, some of which were incubated here in L.A., and have become part of a national commonwealth of knowledge being brought into over 220 cities that have adopted "Ten Year Plans to End Homelessness". A strategic shift from enabling homelessness through the traditional shelter and emergency services system to ending homelessness through housing linked with services has been core to this model.

In particular, the state-of-the-art model for helping the chronically homeless – the toughest population, the most alienated, and the most expensive to society – is called 'permanent supportive housing'. This is housing with psychiatric, case management and other services literally built into the building. It has proven to transform lives, and be cost-effective.

L.A.'s nonprofit community has stand-out jewels: Skid Row's LAMP Community is a renowned model recognizing that people need community in their daily lives to thrive, as well as the sense of purpose that paid or volunteer work gives them. Chrysalis emphasizes self-sufficiency through jobs. Homeless Healthcare has built on the work of AIDS activists and brought the incremental 'harm reduction' model of addiction treatment to homeless folks, providing one more pathway to recovery. Hollywood's People Assisting The Homeless (PATH) pioneered a one-stop "mall" concept that groups services together in a user friendly, community-building space. There are others too numerous to name. But until now in L.A., the whole has been less than the sum of the parts – there has been no synergy. L.A. has been woefully behind every other major city, but I think we are on the verge of real change.

In my view, the unsung hero of this huge and hopeful sea-change in the approach to homelessness has been the Los Angeles-based Conrad N. Hilton Foundation. They made the kind of long-term philanthropic commitment of "patient capital" that nonprofits yearn for but rarely see: This Foundation spent 15 years investing in the research and development across the country of "permanent supportive housing", perfecting the model and partnering closely with the Corporation for Supportive Housing (and in D.C. with the National Campaign to End Homelessness). The Hilton Foundation and its partners have transformed the field: changing the discourse to solution-orientation and promoting what works, city by city. The movement they built was so compelling that President Bush's homelessness czar adopted its message and strategy as his own: End homelessness rather than manage it.

Elsewhere, the catalyst to systems-change and turnaround on homelessness has been the business community or government. In L.A., however, the quiet catalyst has really been the foundation sector, teaming up with key nonprofit partners. Recognizing a window of opportunity here with bright media attention on this issue and a new Mayor who has raised expectations for real solutions, the Hilton Foundation came together with the other two major local homelessness funders, Weingart Foundation and The California Endowment. They have taken the unusual step of funding staff to support and encourage regular convenings and communication between L.A. City and L.A. County, as well as regular strategy sessions of key nonprofit, government and foundation leaders. Our shared belief is that what has happened in many other cities across the country (15-50% reduction in homelessness over the past five years) can happen in the homeless capital of America - IF a culture of cross-sector collaboration is achieved.

The CA Endowment's CEO, Dr. Robert Ross, has eloquently spoken about the need to break down the "Berlin Walls" that divide local government from nonprofits, philanthropy from true partnership with nonprofits, and philanthropy from government. (I would add, with his support, the City/County divide.) Those of us rowing in a new direction together know that with the scarcity of public dollars for human needs after 30 years of intentional defunding of government by conservative political forces, the only way to leverage success is a high degree of strategic partnering. That's why you will find me at 6 or 7 a.m. like clockwork every other week meeting with my new friends from the County, breaking down distrust, building, building, building together.

This coming year, after a decade of neglect, the City and County are finally putting real money into the joint powers authority, L.A. Homeless Services Authority (LAHSA), for regional planning and oversight. There will soon be a pipeline of supportive housing projects that the City and County may actually collaborate on together. Best of all, L.A. City, County, and LAHSA recently labored long and hard to jointly create a federal policy agenda, went to Washington and briefed the new Congress together.

Advocates who have seen up close the pain and horror of "L.A.'s own Katrina" for too many years are still frustrated and impatient, but there is change coming. Knowledge of solutions has bred new hope, and new energy. Many synagogues and churches are getting activated, on policy advocacy as well as volunteerism. A coalition of academics from every local university and think tank recently endorsed a call to action. The business sector will get the opportunity finally to step up this November and support the United Way's new "HOMEWALK" walkathon, dedicated to raising public support and dollars for supportive housing and other programs that work.

Now, if business, philanthropy, local government and the nonprofit sector could start convening and figuring out how to capture the state and federal dollars at the levels we need to truly end homelessness, we could really start celebrating. I have been shocked at how starved local government is after 30 years of Proposition 13, combined with the federal cuts over the decades. New York has been able to effect a revolution in ending homelessness because New Yorkers are willing to tax themselves to fight poverty; with higher property and income taxes. I don't know if Californians are ready yet to do what is needed, but I for one will keep tilting at windmills.

Torie Osborn joined the senior staff of Los Angeles Mayor Antonio Villaraigosa as Senior Advisor and liaison to the philanthropy and nonprofit communities. In addition to her work with homelessness in the City, Torie is also involved in the Mayor's work on economic equity, helping develop an opportunity agenda on education, jobs and housing. Prior to her appointment by the Mayor, Torie Osborn was executive director for eight years of Liberty Hill Foundation.

Listing to Leaders: Collaboration and Communication

One of the major findings of this Report is that the LA nonprofit sector has grown more in numbers than in financial capacity. Recognizing that the number of nonprofit and community organizations continues to grow, focus group participants shared mixed feelings about this trend. Whereas most expressed concerns over the growing number of start-ups - primarily due to increased competition for funding and the initially low success rates of new organizations - and suggested that most start-ups should probably be mergers, others consider the growth rate to mean that more people are committed to make positive change. “This is a very positive sign, even if most organizations won’t initially succeed.”

Due to the increased number of organizations and inability of funding to keep pace, many participants discussed the need for nonprofits to form strategic partnerships. Recognizing that funders – both public and private – increasingly require collaborative efforts, participants foresee greater need for nonprofits to learn how to effectively work together; and participants have seen a growth in alliances, mergers, and other forms of restructuring aimed at sharing costs and resources related to overhead and fund development. “A number of us are beginning to rethink how we provide services. We are looking for new strategic partnerships.”

A number of us are beginning to rethink how we provide services. We are looking for new strategic partnerships

At the same time, some participants pointed to a sense of competition among agencies and warned about the dangers of forced collaborations. One executive suggested that the problem with ‘phony alliances’ is that there is no commonality and no preexisting relationships. “It takes a long time to build quality relationships. You can't build effective collaboration in the time it takes to respond to an RFP.”

Nonprofit leaders in our focus groups observed a lack of skill in many agencies when it comes to raising money, and noted that agencies that are creative in their fundraising are succeeding. They saw the need for greater technical assistance in the related areas of management, finance, board recruitment, and fundraising. Citing the need for more creativity and innovation in establishing common interests among groups, one executive emphasized the need for strengthened networks among nonprofits. The same participant went on to state that executive leadership in foundations can play a big role in teaching organizations how to partner and ‘create sustainable, durable relationships.’

Executive leadership in foundations can play a big role in teaching organizations how to partner and 'create sustainable, durable relationships.

Creating Opportunities: The Southern California Nonprofit and Philanthropy Forecast

This year's theme Creating Opportunities signals that the nonprofit sector is at a sort of crossroad: on the one hand, after years of expansion and turbulent fiscal environments, the nonprofit sector seems to be entering a period of uneasy consolidation. Growth rates are down, public funding levels are stagnant in many fields of nonprofit activity, many agencies face sustainability problems, and needs are rising. On the other hand, these challenges also create opportunities for innovative ways of responding, for developing new business models and forging new partnerships, and, above all, for adopting a more forward-looking approach to advocacy for and by nonprofit organizations and foundations.

The theme Creating Opportunities is about anticipating changes, identifying future activities and sources of support, and becoming an informed and knowledgeable advocate for those served by the nonprofit and philanthropic community. The cross-road is about which long-term strategic posture to assume. One is continuing on the current course of experiencing, in more or less passive ways, the effects of government policy, societal shifts, demographic trends, and economic and political changes – changes filtering through complex systems to end at the doorstep of many nonprofits. Indeed, given that governments are doing less, the trend that nonprofits are faced with many social problems and needs, will likely increase.

While the current route has the nonprofit sector at the 'receiving end' of developments, the other, and the one proposed here, casts the sector in a proactive role: a nonprofit sector that anticipates changes in the external environment and the threats and opportunities it offers; a nonprofit and philanthropic sector that sees its future closely intertwined with the ability to advocate for its causes and needs, and to find voice for itself and for those it seeks to serve and represent. Such a proactive rather than reactive policy stance implies first and foremost that the sector needs a better understanding of future developments, and requires a more forward-looking assessment of current issues.

For this purpose, the 2007 Report calls for a Southern California Nonprofit and Philanthropy Forecast to enable the sector to become more proactive. Designed as a collaborative platform among foundations, nonprofit organizations, and grantmaking public charities representing a broad sweep of Southern California's social sector, the Forecast could become a planning tool for nonprofits and foundations alike in their joint goals to develop and influence public policies that impact the sector and to stimulate greater collaboration across sectors to address society's – and the Southern California region's – most pressing issues.

Against the statistical mapping of major contours of the nonprofit sector and philanthropy, the basic purpose of the annual nonprofit and philanthropy forecast is to capture past and current trends; anticipate and explore future changes and emerging issues; make predictions on aspects of nonprofit supply and demand, revenues and expenditures, employment and volunteers; identify enabling and constraining drivers of change; foresee likely scenarios and options; and envision policy developments and the implications they entail.

Such a Forecast would help local nonprofit and philanthropic leaders to think more strategically in planning for the future, and prepare them for unanticipated external events that may impact their field or organization. It would empower them to become proactive in bringing about desired outcomes rather than passively awaiting the impact of events and trends to unfold or being unaware of them in the first place. Often, for participatory approaches in particular, the process of developing a forecast is as valuable as the forecast itself. It gives nonprofit and philanthropic leaders a sense of self-determination, ownership and enhanced stewardship.

In the medium to long term, through its participatory nature, the project would help build strategic alliances and leadership capacity for the local nonprofit and philanthropic communities. The Forecast would be an investment in creating strong personal and institutional networks that connect and represent the interests of the sector more widely, thereby making it more visible and proactive in policy terms.

Specifically, the Southern California Philanthropy and Nonprofit Forecast would:

1. Conduct a full annual assessment of the current and future operating and policy environment of the region's nonprofit sector and philanthropic community;

2. Produce an annual publication (with brief quarterly updates) reporting on this assessment in a user-friendly and informative form;

3. Hold an annual release event addressing the region's nonprofit and philanthropic leadership, and offering seminars and briefings upon request;

4. Support a web-based information exchange network of regional experts for regular information sharing about external and internal trends of relevance to the nonprofit sector and philanthropy; and

5. Host a blog reporting on ongoing developments and events to improve policy understanding among nonprofit and philanthropic leaders and policymakers.

The business sector has long benefited from rigorous forecasting that assist corporate leaders and market analysts in decision-making. Local examples include the UCLA Anderson Forecast (http://www.uclaforecast.com) or the California State Government Technology Investment Forecast (http://www.claremont.org/projects/goldenstate). By contrast, nonprofit leaders have not had access to the same kind of data about the economic fundamentals of the social sector. Being able to take advantage of a deeper understanding of trends and opportunities in the external environment, and having early signals of likely changes, allows not only for more informed and timelier responses, but also gives the nonprofit organization more time to prepare and explore different options on how to act and react. In other words, it creates opportunities.

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Appendix

Sources of Nonprofit, Foundation and Employment Data

1. IRS Business Master Files and Core Files from the National Center for Charitable Statistics

For information on the number of nonprofit organizations and foundations in the region, we used the IRS Business Master Files, available through the Urban Institute's National Center for Charitable Statistics (http://nccsdataweb.urban.org). The Business Master Files are cumulative and contain descriptive information on all active tax-exempt organizations derived for the most part from the IRS Forms 1023 and 1024. We used files for 501(c)(3) organizations (public charities and private foundations) for all figures, unless otherwise indicated. The Core Files, produced annually, combine descriptive information from charities' initial registration with financial variables from the Form 990, 990-EZ, or 990-PF. Only organizations required to file these forms are included in the files. The Core Files used for this report include only 501(c)(3) public charities filing Forms 990 or 990-EZ and reporting gross receipts of at least $25,000. The numbers of religious organizations and foundations in Figure 1 is based on IRS FND-NCD codes (reason for and type of 501(c)(3) exempt status including codes for operating and grant making foundations, and other types of public charities).

2. California Employment Development Department, Labor Market Information Division.

Data on employment and wages were provided by the Labor Market Information Division of the California Employment Development Department (EDD). The figures are for California and Los Angeles County by sector for the 1995-2006 period, and for the second quarter (April-June) of each year. They constitute a "snapshot" of wage and salary employment for the specific quarter presented (for these data the June 12th pay period). The employment data are derived from private and public sector employers covered by California's unemployment insurance (UI) laws. They are a product of a Federal-State cooperative program known as the Quarterly Census of Employment and Wages (or ES-202) program. The ES-202 program accounts for approximately 97 percent of all wage and salary civilian employment (the program does not cover self-employed and family workers). The principal exclusions from ES-202 are railroad workers, employees of religious organizations, and students.

In terms of nonprofit employment, the exclusion of religious organizations is the most significant. In the data in this report, religious organizations were mostly excluded, since most religious organizations do not report to the EDD or the IRS. Only those religious organizations that choose to be UI-covered are included in the data in the report. However, the EDD does estimate religious organization employment as part of their Current Employment Statistics program. The estimated number of employees in religious organizations for 2005 was 94,000.

Employment is the number of filled jobs as reported by the employer and it includes full and part-time workers. If a person holds two jobs, that person would be counted twice in these data. Wages include bonuses, stock options, the cash value of meals and lodging, tips and other gratuities.

To identify nonprofit organizations in EDD's database, we provided the EDD with the IRS Nonprofit Business Master Files from 1995-2005. The Federal Employer Identification Numbers (FEIN) from the BMF Files were then used to "flag" records in the California ES-202 system. Two methods are generally used to "flag" nonprofit organizations: California state employer flag (Category 2) and the national Exempt Organization Master File (EOMF) flag (Category 1). The Category 1 method is based strictly on a match between the IRS files and the ES-202 files, while the Category 2 match is based on an internal match of the ES-202 and another EDD database. This Category 2 match occurs because organizations that are listed as nonprofits by the IRS are not always classified as nonprofits in EDD's databases. Moreover, there are some organizations that EDD classifies as a nonprofit that did not match to the IRS files, probably because of different or missing FEINs. Categories 1 and 2 provide differing sets of employment numbers. Previously, EDD provided two other sets of employment numbers, one based on nonprofit organizations that matched in both Categories 1 and 2, and a second based on nonprofits that matched in either Categories 1 or 2. This last matching method, which can be called Category 4, produces the most comprehensive list of nonprofit organizations; but due to time and resource limitations, the EDD was not able to provide us with a Category 4 match this year. Data on employment and wages for this report was based on the Category 1 method.

Sometimes, employers with multiple locations pose a problem when using EDD data. For this report we were able to break out most multiple sites' employment by their county locations. We would like to thank John Milat from the EDD Labor Market Information Division for his help.

3. The Office of Statewide Health Planning and Development (OSHPD).

The Office of Statewide Health Planning and Development (OSHPD) is part of the California Health and Human Service Agency. Its vision is to promote "Equitable Healthcare Accessibility for California." For more information on OSHPD services and its mission and vision, visit the OSHPD website (www.oshpd.ca.gov/index.htm). In addition, OSHPD provides quarterly and annual data on California's healthcare infrastructure (hospitals, long-term care facilities, primary care and specialty clinics, home health agencies and hospices) by producing reports, pivot profiles, data files, and other electronic media. Data used for this report are pivot profiles for hospital annual financial data for 2003, 2004, and 2005. The requirements for hospital annual financial reporting are, "Within four months of their fiscal (accounting) year end, California licensed hospitals must submit an annual financial report that includes a detailed income statement, balance sheet, statements of revenue and expense, and supporting schedules. These financial reports are based on a uniform accounting and reporting system developed and maintained by the Office and undergo a through desk audit." The pivot profiles can be downloaded at the following Web site (www.oshpd.ca.gov/HQAD/Hospital/financial/hospAF.htm). For a list of Frequently Asked Questions about hospital annual and quarterly financial data, visit: www.oshpd.ca.gov/HID/hospital/finance/faqshospfin.htm.

4. Foundation Center

Information on foundation giving patterns is provided by the Foundation Center, a national clearinghouse of data on institutional giving. The Center's research database includes individual grant records of $10,000 or more awarded by a diverse set of larger independent, corporate, and community foundations. Information for foundations in Los Angeles County are based on the Foundation Center's grants sample database: The 2005 database includes grants of $10,000 or more awarded to organizations by a sample of 1,154 larger foundations (circa 2005), including 128 California-based foundations; the 2003 database includes grants of $10,000 or more awarded to organizations by a sample of 1,010 larger foundations (circa 2003), including 110 California-based foundations; the 2001 database includes grants of $10,000 or more awarded to organizations by a sample of 1,007 larger foundations (circa 2001), including 125 California-based foundations. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.

5. Data for the "Capacity" section is derived from the Community Health Interview Survey, the Weingart Foundation, the Los Angeles Homeless Services Authority, and the National Low Income Housing Coalition.

Data for the uninsured comes from the California Health Interview Survey (CHIS). CHIS is a telephone survey of adults, adolescents, and children from all parts of the state conducted every two years. Specifically, "CHIS is the largest state health survey and one of the largest health surveys in the United States. CHIS gives health planners, policy makers, county governments, advocacy groups, and communities a detailed picture of the health and health care needs facing California's diverse population. The survey provides: (1) Statewide information on the overall population including many racial and ethnic groups. (2) Local-level information on most counties for health planning and important comparison purposes. The CHIS sample represents the geographic diversity of California, and the available multi-language interviews accommodate the state's rich ethnic diversity. The California Health Interview Survey (CHIS) is a collaborative project of the UCLA Center for Health Policy Research, the California Department of Health Services, and the Public Health Institute." For more information on CHIS, visit their website (www.chis.ucla.edu).

Data for the homeless population comes from the Weingart Center's Institute for the Study of Homelessness and Poverty. The Institute is a nonprofit organization located in the Los Angeles "skid row" district. The mission of the Institute is stated as follows, "The Institute delivers reliable analysis, data and solutions to institutions and individuals to spark new collaborations and foster new initiatives, policies and programs to better understand and address homelessness and poverty. For more information on the Institute, visit its website at: www.weingart.org/institute. Data for this report comes from the Institute's Just the Fact publication series which reports on homelessness in Los Angeles. The full series can be downloaded from the Institute's website.

Data for housing comes from the National Low Income Housing Coalition (NLIHC). Established in 1974, NLIHC is a research and advocacy organization dedicated to informing the public and raising awareness of national housing conditions. For more information on NLIHC and its mission visit the NLIHC website (www.nlihc.org). Data for this report was gathered from NLIHC's Out of Reach annual reports for 1998-2005. Specifically, the, "Out of Reach is a side-by-side comparison of wages and rents in every county, Metropolitan Area (MSAs/HMFAs), combined nonmetropolitan area and state in the United States. For each jurisdiction, the report calculates the amount of money a household must earn in order to afford a rental unit at a range of sizes (0, 1, 2, 3, and 4 bedrooms) at the area's Fair Market Rent (FMR), based on the generally accepted affordability standard of paying no more than 30% of income for housing costs. From these calculations the hourly wage a worker must earn to afford the FMR for a two-bedroom home is derived. This figure is the Housing Wage." To access the reports, visit: www.nlihc.org/oor/index.cfm.

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