Introduction

The David & Lucile Packard Foundation’s Local Grantmaking Program (LGP) is dedicated to achieving deep and meaningful impact through its support of local organizations in the California counties of San Mateo, Santa Clara, Santa Cruz, San Benito and Monterey. The program aims to ensure that residents have access to the resources and services they need for their well-being, as well as opportunities that enable them to explore, grow and meet their full potential.

Since 2017, as part of its grant reporting requirements, LGP has conducted a survey of grantees to better understand organizations’ capacity, needs and the context for their work. LGP staff engaged an independent evaluator to analyze and report on survey data collected between November 2017 and November 2018. This analysis includes surveys from 98 organizations in four LGP issue/strategy areas: Youth (47% of survey sample), Arts (21%), Community Initiatives (17%) and Food and Shelter (14%). Responding organizations represent various grant sizes and durations, organizational budget sizes and locations.

State of the Sector

In this section, we highlight findings about organizations’ recent and projected service demand, as well as their experience with funding levels, senior leadership transitions and other significant changes in the last 12 months.

Most organizations (85%) say that demand for their services increased during the last 12 months. Among the organizations (n=35) who commented on recent demand, more than one-third (37%) mention increased demand for specific services, including: mental health services, quality summer and out-of-school programming, hotline calls, housing assistance and immigration assistance. Some (20%) note new/expanded populations or locations (e.g., adolescents, juvenile detention facilities, outpatient program).

“Reduction in our funding from other sources, increased cost of living and concerns around immigration enforcement all increased demand for the programs we support.”

Half of the organizations (51%) say they were unable to meet service demand over the last 12 months. When asked how unmet demand is met, many respondents (n=61) say that demand is not met (30%).

Responses were coded into themes by the analyst. Figures exceed 100% due to the option of marking multiple codes per response.
Despite organizations’ efforts, many clients are not able to access high-quality, appropriate and timely services when they need them. These challenges are expected to continue as the vast majority of organizations (87%) project further increases in demand in the next 12 months.

On average across the portfolio, organizations’ funding has been maintained at similar levels in the last 12 months. However, this average disguises the fluctuations experienced by many organizations. Private funding has increased for close to half (45%) of the organizations, and government funding has increased for nearly one-third (30%). While a smaller contingent of organizations has seen funding decline, this can be a significant struggle, particularly in the face of increasing service demand.

About one-third (32%) of organizations have experienced a senior leadership transition (e.g., CEO, COO, Director) within the last 12 months. Although respondents were not asked to comment on these changes, we know that leadership transitions can disrupt organizational capacity, institutional knowledge, staff morale and overall stability.

“We are seeing a significant change in the amount of collaboration among mental health providers, professionals, schools, foundations and teens in our community… People are coming together on a regular basis for a common purpose—sharing information and ideas to support children and teens.”

Respondents point to a variety of significant changes in their communities, populations and organizations over the last 12 months. While organizations frame the majority of these changes as challenges, there are also bright spots to celebrate, such as greater awareness and demand for particular service offerings, and collaboration and commitment among leaders.

<table>
<thead>
<tr>
<th>Significant Changes in the Last 12 Months (n=91)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socio-economic and political climate</td>
</tr>
<tr>
<td>Service needs, awareness and demand</td>
</tr>
<tr>
<td>Organizational and community staffing, leadership and capacity</td>
</tr>
<tr>
<td>Organizational costs and funding</td>
</tr>
<tr>
<td>Collaboration and alignment</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

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“The cost of living continues to drive low- to medium-income families out of the region as well being a crushing weight for the families that decide to stay. The community continues to feel uncertain about the future including their economic stability, immigration status, and the future of their children.”

There is simply no way to overstate the impact of the region’s overall context—the housing and rental crisis, escalating cost of living, immigration policies and concerns, tight job market and wage inflation, among others. These factors are directly mentioned by the majority (57%) of organizations, though likely experienced by all in some fashion.
Capacity Ratings & Needs

When asked about six distinct areas of capacity (with five-to-seven questions per area), organizations rate their overall financial management capacity highest, and their monitoring and evaluation capacity lowest, on a 5-point scale. While the majority report adequate capacity in each category, about one-quarter to one-third of organizations need improvement in each capacity area. Long-term organizational planning, preparation and measurement tend to be the most difficult, and where organizations need the most capacity assistance—including leadership succession plans, financial stability, staff bench strength and evaluation of impacts.

1. **Financial Management (mean 4.3):** The majority of organizations report medium/high to high financial capacity across multiple areas, demonstrating competence and confidence in their collection and use of financial data. Slightly lower ratings are provided for financial management capacities across staff members and planning for long-term financial health.

2. **Community Responsiveness (mean 4.0):** Most organizations are well aligned with community needs and have the connections and practices in place to collect information, adapt and respond to these needs. However, several organizations lack regularly-collected information about broader trends within their communities and target populations.

3. **Adaptability and Strategic Development (mean 3.9):** Many organizations are successfully reflecting on and implementing their strategy, mission and vision. Yet, some organizations need further development in communicating their work, anticipating/responding to challenges and having a clear strategic plan to inform their everyday work.

4. **Staffing (mean 3.9):** Most organizations are supporting staff development, retaining key positions and linking staff goals/performance to overall strategy. About one-third of organizations acknowledge a need for staff who better reflect their diverse constituencies, and a need for stronger leadership to prepare for/manage executive transitions.

5. **Governance (mean 3.9):** There is more variability in governance ratings than in other capacity areas. Most boards actively engage in meetings, key decisions and executive director evaluations. However, many boards do not adequately represent organizations’ constituencies, and the majority of organizations do not have board-approved succession plans for senior staff.

6. **Monitoring and Evaluation (mean 3.8):** Many organizations have robust evaluation and learning capacities in place, such as seeking feedback from clients, tracking and using data, and maintaining a learning-focused culture. But several organizations, like many in the social sector, lack data to demonstrate impact and do not have dedicated, data-focused staff.

Organizations’ greatest self-reported capacity need is monitoring and evaluation. For the most part, capacity needs are reflective of organizations’ overall capacity ratings—that is, lower capacity is associated with greater need.
Ideas for Further LGP Support

Organizations are very grateful for LGP’s existing support—particularly multi-year, unrestricted operational funding, which can be hard to come by among other funding sources. **Topping organizations’ wish-list for further support is connections to, and collaboration with, other nonprofits and funders (26%).** Whether through Foundation convenings or other facilitated connections, organizations are eager to learn from kindred organizations, leverage resources and respond more effectively to community needs.

Several organizations request LGP’s support to align with their most pressing capacity needs (see page 3), including evaluation and measurement, staffing and strategy planning. For example, they want:

1. More impact data, effective data systems and practices, and qualified measurement staff.
2. To recruit, develop and retain talented staff, ensure greater staff diversity, and better manage transitions/successions.
3. Robust, intentional and visionary strategies to guide their own organization as well as engagement in collaborative efforts.

Organizations seek financial support (e.g., funding for new hires or program evaluations), expertise and technical assistance (from LGP, consultants, peers), and/or tools (e.g., strategic plan templates, evaluation protocols) to help them meet growing demand, fulfill their mission and address considerable challenges.

“Consider convening learning/sharing sessions/workshops where a number of grantees share their lessons learned, successes and stories around your focus areas. Consider creative partnership projects involving low-income communities [...and local nonprofits]. Connect us to foundation partners who might help us scale our work.”

Prepared by Kris Helé, evaluator
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