

The Local Grantmaking Program’s 2019 Capacity Survey Findings

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.

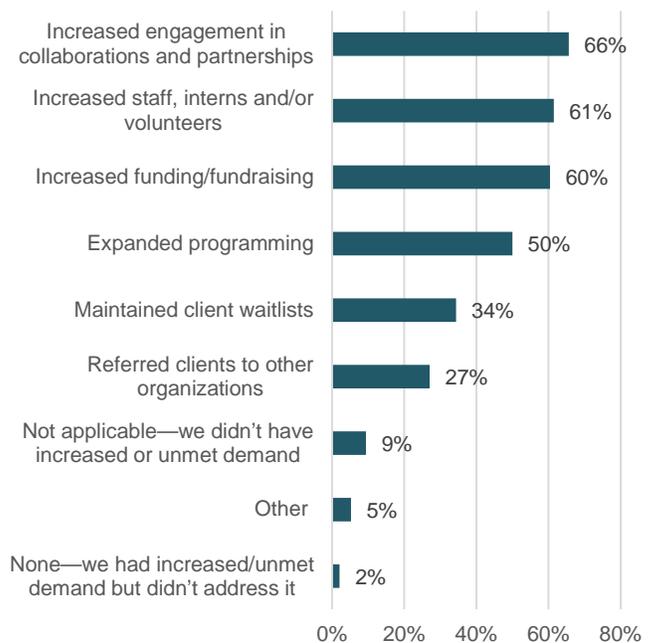
LGP has conducted a survey of grantees since 2009 to better understand organizations’ capacity, needs and the context for their work. For this report, LGP staff engaged an independent evaluator to analyze and report on survey data collected in October-November 2019. **This analysis includes surveys from 96 organizations (73% response rate) in three LGP strategy areas:** Community (includes arts and environmental education organizations, 58% of the survey sample), Family (26%), and Youth (16%). 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 2019.

Three-quarters of organizations (76%) say that demand for their services increased in 2019—and nearly half (42%) of all surveyed organizations were unable to meet demand during the year. Organizations have attempted to address increased and/or unmet demand in a variety of ways, most commonly collaborating with others (66%), increasing staffing (61%) and seeking more funds (60%).

How Organizations Tried to Address Increased/Unmet Demand in 2019 (n=96)



Figures exceed 100% due to the option of marking multiple responses.

“Demand for domestic violence services, behavioral health and primary healthcare services has increased. We are hiring more providers, and applying for more government and foundation grant funding. It’s challenging to address increased demand due to difficulty retaining staff in this fiercely competitive market.”

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 majority of organizations (72%) project further increases in demand in 2020.**

On average across the portfolio, most organizations' funding was maintained at similar or slightly increased levels in 2019.

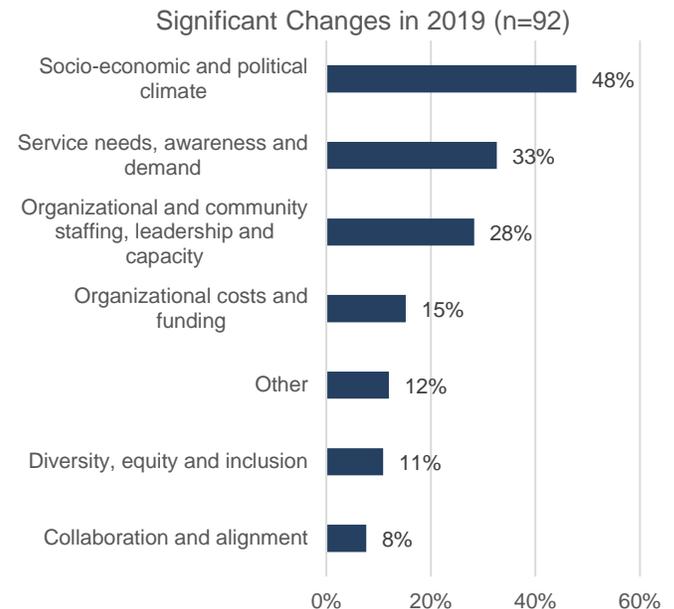
Private funding increased for two-thirds of the organizations (64%), and government funding increased for nearly half (48%). Funding from the [new generation of individual philanthropists in Silicon Valley](#) (e.g., millennials, newly wealthy people including those from high tech) increased for one-third of organizations (36%), often accompanying organizations' greater focus on engaging these donors. Despite some increases in funding, several organizations express that it is still not enough to meet the demand and complexities they face. Most are actively trying to sustain/increase funding, using an array of methods such as diversifying their income sources, increasing fundraising staff capacity and enhancing donor relationships.

"We made significant inroads into corporate tech funding in 2019 to support late night [museum] hours and education initiatives. These investments have provided significant new program support, but make the need for general operating support to increase institutional capacity, particularly for staffing, all the more necessary."

More than one-third (38%) of organizations experienced a senior leadership transition (e.g., CEO, COO, Director) in 2019. 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.

Respondents point to a variety of significant changes in their communities, populations and

organizations in 2019. While organizations frame the majority of these changes as challenges, there are some reasons to celebrate, such as greater interest in services/offerings, opportunities for partnership, and an increased focus on diversity, equity and inclusion.



Responses were coded into themes by the analyst; there is some mix of positive or negative changes reported. Figures exceed 100% due to the option of marking multiple codes per response.

The region's overall context—including the housing and homelessness crisis, exorbitant cost of living, and immigration policies and concerns—affects needs, stability and sustainability among organizations, staff and communities. Changes/challenges related to the socio-economic and political climate are directly mentioned by half (48%) of the organizations, though likely experienced by all to some degree.

"Increasing housing costs have put extreme pressure on household budgets, forcing new types of families needing healthy nutritious food from food bank agencies and programs. It has also made it hard to attract and maintain talent.... On the other hand, we see much greater interest in developing deeper authentic community engagement with our various service partners as a key strategy to building thriving and equitable community."

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 staffing 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** (other than financial capacity). Organizations most commonly report lower capacity ratings in areas beyond their day-to-day work, including: succession planning, measurement of impact and broader community trends, external communications, and longer-term financial and strategy planning.

1. **Financial Management (mean 4.45):** Nearly all organizations report medium/high or high financial capacity across multiple areas, demonstrating competence and confidence related to financial data, processes and roles. Slightly lower average ratings are provided for long-term financial planning, financial capacities across staff members, and communicating financials to stakeholders.

2. **Adaptability and Strategic Development (mean 4.01):** Many organizations are successfully reflecting on and implementing their strategy, mission and vision. Yet, some organizations need further development in communicating their mission and progress, as well as anticipating and responding to challenges.

“We need to be better at communicating our mission/vision and the effectiveness of our work externally. Many know we deliver services, but there are far too many people who do not know that organizationally, we're working diligently to move the needle for systems change.”

3. **Community Responsiveness (mean 3.93):** Most organizations are well aligned with

community needs and have the connections and practices in place to adapt and respond to these needs. However, several organizations note lower capacity for regularly collecting and analyzing information about the broader socio-economic and political trends affecting their target populations.

4. **Governance (mean 3.80):** There is more variability in governance ratings than in other capacity areas. Most boards actively engage in meetings, executive director evaluations and key decisions. However, many organizations lack board-approved succession plans for senior staff.

“Our board is engaged and committed; they have donated substantially and worked on many significant projects. With that said... we need to increase diversity and reflect our community served, this includes age diversity, gender diversity, we have no LGBTQ representation, and no people of color. We need to introduce the idea of term limits.”

5. **Monitoring and Evaluation (mean 3.79):** Many organizations have robust evaluation and learning capacities in place, such as tracking and using outputs and outcomes 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.

“We have done a good job of tracking certain outcomes that are easier to measure (number of people engaged, plants planted, etc.), but we have struggled to figure out how to evaluate our longer-term impact for things such as biodiversity and environmental awareness.”

6. **Staffing (mean 3.78):** Many organizations are retaining key positions, employing staff who reflect their constituencies and supporting staff development. Almost half of organizations acknowledge a need for

stronger leadership to prepare for/manage executive transitions. **Furthermore, challenges with staffing capacity were surfaced frequently and prominently in the qualitative portions of the survey.** It is increasingly untenable for nonprofit staff to afford the cost of living in the area, and local nonprofits find it more and more difficult to attract, develop and keep qualified staff. Organizations and their staff are stretched thin, facing more, and more complex needs/demand without commensurate resources.

Organizations most commonly report staffing (42%) and monitoring and evaluation (40%) as their greatest capacity needs. For the most part, capacity needs are reflective of organizations’ overall capacity ratings—that is, lower capacity is associated with greater need.



Figures exceed 100% due to the option of marking up to two responses per organization.

Ideas for Further LGP Support

Organizations are very grateful for LGP’s “vital” and “flexible” financial support, as well as the Foundation’s partnership and supportiveness. To help meet growing demand, fulfill their mission and address considerable challenges, **organizations’ wish-list for further support includes the following.**

1. **Multi-year, unrestricted general operating funds, for:** staff recruitment, retention and development; fundraising, marketing and communications staff/capacity; evaluation and outcomes measurement; and, other opportunities to increase organizational effectiveness.

“A constant chime, operating support—all organizations are in need.”

2. **Collaboration and learning, including:** dialogue and partnership between LGP and organizations; convenings or connections with other nonprofits; capacity building to engage effectively in collaborations; and, trainings, webinars and knowledge sharing.

“Partnership and collaborations are essential and require new staff skills and ways of work. Support for collaborations – including capacity building for such collaborations – would build capacity and increase impact in ways that are challenging for nonprofits to accomplish on their own.”

3. **The Foundation’s leadership and donor engagement, such as:** helping organizations identify and meet donors; building capacity to engage the new generation of individual philanthropists (e.g., innovation grants, staffing or consulting support); championing organizations’ work; and, communicating about nonprofit needs and philanthropy’s role in addressing needs.

“The loyal support of the Foundation, dating back to the founding of our organization, has been critical both financially and strategically. The two-year grants are the cornerstone of our annual budgets, and the endorsement is vital to our outreach to other foundations.”



Prepared by Kris Helé, evaluator
February 2020