



Does Central Texas Have Too Many Nonprofits?

Community Action Network – Resource Council Presentation

July 10, 2009

Matt Kouri, Greenlights Executive Director



Background

- A recurring theme in conversations
- Many nonprofits Greenlights serves are struggling
- Desire to have fact-based discussions and planning
- Research process:
 - Data from IRS, Guidestar.org, U.S. Census Bureau, etc.
 - Compared Austin MSA to similarly-sized MSAs with similar demographics



Austin MSA Nonprofit Data

- 6309* total 501(c)(3) public charities in the Austin MSA
- 50% fall into the Human Services and Education/Research areas
- 89% have budgets under \$500,000
- 93% have budgets under \$1 million
- Only 101 have budgets more than \$5 million

** This number differs from the 4141 number provided by Guidestar broken down by subsector type for reasons not able to be explained by Guidestar.*

Austin MSA Nonprofit Data, cont.

AUSTIN MSA DATA			USA	BUDGET SIZE						
Subsector	#	%	%	<\$100K	\$100-500K	\$500K-1M	\$1-2.5M	\$2.5-5M	\$5-10M	>\$10M
Arts	473	11%	9%	358	85	12	10	5	2	1
Education and Research	878	21%	17%	620	149	39	26	21	8	15
Environment and Animals	228	6%	4%	180	31	8	6	2	1	0
Health	360	9%	9%	211	64	18	33	10	11	13
Human Services	1199	29%	30%	849	194	51	48	20	21	16
International	82	2%	2%	65	14	2	0	1	0	0
Public Benefit	420	10%	17%	274	83	27	18	6	6	6
Religion	501	12%	12%	461	33	3	3	0	0	1
TOTAL	4141	100%	100%	3018	653	160	144	65	49	52
				73%	16%	4%	3%	2%	1%	1%
			USA	69%	15%	4%	4%	2%	1%	2%

Austin vs. State and National Data

- The Austin MSA has **more nonprofits per capita** than...
 - Any other large Texas city (Houston, Dallas, Ft. Worth, San Antonio, El Paso)
 - Any other major city in the southwestern U.S. (although we are exactly tied with Oklahoma City – go okies!)
- Austin nonprofits are **disproportionally small** compared to U.S. averages
 - 93% of our nonprofits are below \$1m in budget, vs. 89% nationally
- Austin has a **disproportionally high number** of nonprofits focused on:
 - Education (21% here vs. 18% nationally)
 - Environment & Animals (6% here vs. 4% nationally)
 - Arts (11% here vs. 9% nationally)

Austin vs. State and National Data, cont.

MSA	2008 Population	All 501(c)(3) Nonprofits		501(c)(3) Public Charities	
		Total #	Per 1000 people	Total #	Per 1000 people
- Texas -					
Austin	1,652,602	7,002	4.24	6,309	3.82
Dallas	4,226,003	17,188	4.07	14,933	3.53
Fort Worth	2,033,508	7,099	3.49	6,438	3.17
Houston	5,728,143	18,365	3.21	16,016	2.80
San Antonio	2,031,445	5,779	2.84	5,146	2.53
El Paso	742,062	1,622	2.03	1,504	2.03
- Southwestern U.S. (above 1 million population) -					
Oklahoma City	1,206,142	5,125	4.24	4,605	3.82
Denver	2,506,626	10,519	4.20	9,185	3.66
Los Angeles	9,862,049	41,076	4.17	35,428	3.59
San Diego	3,001,072	11,464	3.82	10,128	3.37
Tucson	1,012,018	3,378	3.34	3,014	2.98
Phoenix	4,281,899	11,579	2.70	10,271	2.40
Las Vegas	1,865,746	4,435	2.38	3,871	2.07
- Select Other MSAs Similar in Size/Make-up to Austin -					
San Francisco	1,770,460	12,063	6.81	9,920	5.60
Madison	561,505	3,084	5.49	2,807	5.00
Seattle	2,559,174	13,492	5.27	11,872	4.64
Baltimore	2,667,117	12,436	4.66	10,962	4.11
Portland, OR	2,207,462	9,763	4.42	8,743	3.96
Indianapolis	1,715,459	7,450	4.34	6,748	3.93
Pittsburgh	2,351,192	9,692	4.12	8,237	3.50
- United States -					
United States	304,059,724	1,303,067	4.29	1,157,367	3.81

Interesting Private Foundation Data

MSA	Population	Private Foundations*		Aggregate Asset Sizes						
		Total #	Per 100,000	<100K	100-500K	500K-1m	1m-2.5m	2.5m-5m	5m-10m	10M-up
Austin	1,652,602	600	36.3	348	86	37	50	29	20	30
				58%	14%	6%	8%	5%	3%	5%
Dallas	4,226,003	2061	48.8	1014	320	178	233	120	73	123
				49%	16%	9%	11%	6%	4%	6%
San Antonio	2,031,445	560	27.6	306	70	36	60	31	27	30
				55%	13%	6%	11%	6%	5%	5%
Ft. Worth	2,033,508	587	28.9	366	64	32	45	24	19	37
				62%	11%	5%	8%	4%	3%	6%
Houston	5,728,143	2121	37.0	1288	260	125	164	89	83	112
				61%	12%	6%	8%	4%	4%	5%
Tucson	1,012,018	322	31.8	195	44	22	29	11	12	9
				61%	14%	7%	9%	3%	4%	3%
Indianapolis	1,715,459	668	38.9	377	95	73	57	18	20	28
				56%	14%	11%	9%	3%	3%	4%
Las Vegas	1,865,746	526	28.2	333	73	31	37	20	13	19
				63%	14%	6%	7%	4%	2%	4%
Phoenix	4,281,899	1143	26.7	658	186	76	98	51	35	39
				58%	16%	7%	9%	4%	3%	3%
USA	300,000,000	131,914	44.0	70,970	20972	10383	12298	6399	4581	6311
				54%	16%	8%	9%	5%	3%	5%

Interesting Private Foundation Data

- Generally, MSA's with a **high number of private foundations per capita** also have a relatively high number of nonprofits per capita
- Austin has an average number of **private foundations (non-operating) per capita** compared to our peers, and our foundations appear generally average in terms of **asset size** as well.
- Relative to **national averages**, however, our foundation sector is weighted more heavily to the small (<\$100,000 in assets) foundations.

Problem or Opportunity?

- Positively, more nonprofits can mean...
 - More good work being done in our community
 - More opportunities for volunteerism and community engagement to flourish
 - Lots of innovative problem-solving is at work
- However, more nonprofits can *also* mean...
 - Sector-wide inefficiencies and duplication of effort
 - Funder resources being “wasted” on overhead, duplication, etc.
 - Funders overly-taxed with grant requests
 - Too much time, effort, and money being spent by nonprofits marketing and differentiating themselves to funders

Problem or Opportunity?

- Smaller nonprofits can be...
 - More nimble and flexible
 - Better able to respond quickly to needs
 - More able to customize approaches and programs to their constituents
- But smaller nonprofits are also generally...
 - More at-risk during times of instability
 - Less efficient in their operations
 - Often unable to take advantage of economies of scale
 - Less able to attract large funds from outside the community
 - Working in isolation, which may result in missed opportunities for alignment, strategic action, and coordination

Strategic Alignment

We believe that, at a minimum (and especially during difficult economic times) many nonprofits could benefit by moving further to the right on a strategic consolidation continuum

Greenlights Strategic Consolidation Continuum

Communication

- Share ideas
- Share information
- **Example:** The leaders of two similar nonprofits meet quarterly for lunch to compare notes on community need, program effectiveness, etc.

Cooperation

- Share goals
- Limited joint activities
- **Example:** Two nonprofits with similar clientele refer clients to each other for complementary services.

Collaboration

- Shared means to achieve goals
- Significant joint activities
- **Example:** Two or more nonprofits offer a single program or sponsor a single event with the same mission and purpose.

Shared Services

- Share resources formally
- Joint formal operations, programming, or even joint ventures
- **Example:** Nonprofits jointly fund a shared accountant, grant writer, etc.

Merger

- Formal combination of two or more entities
- **Example:** Two or more nonprofits formally and legally merge into a single 501c3 nonprofit corporation.

* Adapted from Peter Drucker's *Meeting the Collaboration Challenge*.

What Supports Strategic Alliances?

- Trust
- Communication
- Opportunities for structural change (ED departure, financial crisis, audience change, etc.)
- Shared values
- Shared culture
- Shared goals
- Commonalities

Greenlights Response

- Organize **awareness-raising** and community dialogue
 - Community presentations and dialogues like today
 - Articles in local media
 - Workshops to help nonprofits evaluate their situations and opportunities
 - Further thought leadership on this topic
- Provide **new services/resources**
 - Create Strategic Collaboration assessment tool and training curriculum
 - Provide consulting service on due diligence for mergers and other strategic restructuring options
 - Coach EDs and Boards to recognize and evaluate opportunities for synergy
 - Provide training on strategic restructuring models and opportunities

What Donors Can Do

- Connect grantees to others with similar missions
- Convene grantees to establish a climate of trust and coordination
- Facilitate dialogue across grantees and other potential partners
- Conduct cross-site evaluation
- Communicate effective strategic alliances
- Support & encourage with funds and expertise

What Boards Can Do

- Keep the issue on the table / be willing to ask hard questions such as:
 - Are we structured to best achieve our mission?
 - Who are our strongest community partners, and are we best leveraging those relationships?
 - Are we expending too many resources on differentiation rather than collaboration?
- Bring potential partners to the table
- Review partnerships (e.g. ad-hoc board committee on strategic collaboration)

Thoughts and Discussion

- Your takeaways
- Who do we want to be more like (i.e. what cities should we be benchmarking against)?
- What are those in the room already doing in this area?
- Help Greenlights shape our response.... What should we be doing in this area?