

## **New Report on Silicon Valley Nonprofits** *Big Growth. Big Changes. Big Challenges.*

(San Francisco, Feb. 13, 2006)—A new report released today shows that the nonprofit sector in California’s Silicon Valley grew significantly between 1994 and 2003, and maintained steady services despite a roller-coaster economy and much-reduced funding. The study warns of significant challenges, however, including decreased government funding and shrinking operating margins, and it suggests that some high-need communities in Silicon Valley are underserved.

The study, *Silicon Valley’s Changing Nonprofit Sector*, presents a detailed picture of the Valley’s nonprofit sector and analysis of its development between 1994 and 2003. It was conducted by the University of San Francisco’s Institute for Nonprofit Organization Management (INOM) to help civic, nonprofit and philanthropic leaders better target their efforts to the diverse demands of the Silicon Valley community.

The study shows strong growth in the Silicon Valley nonprofit sector: the number of nonprofits grew 30 percent, and the number of foundations surged a remarkable 207 percent. The number of nonprofit employees also increased, even as the overall number of jobs in the private sector decreased.

“This is powerfully good news for a region that is experiencing significant demographic changes and rapid population growth, with attendant needs in human service needs,” says Barbara Kibbe, former Vice President at the Skoll Foundation, which sponsored the report. “But there are limits to what even the most resourceful nonprofits can accomplish with diminishing resources. When will they be stretched too thin? How can government philanthropy and private citizens work together to ensure that this robust community of nonprofit organizations can rise to the challenges ahead?”

Although there is great wealth in the Valley, there is also great need. One quarter of the population earns more than \$100,000 per year (helping support nonprofits in education, research and cultural organizations), but another quarter of the population earns less than \$45,000 per year, creating a strong need for nonprofits in social services, health care and counseling.

The report shows that services for the poor are not always provided in the areas where they are needed. The southern part of Santa Clara County, especially Gilroy, for example, appears to be underserved based on need.

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The report itself is getting high praise. “Report authors Carol Silverman and Kevin Rafter have produced a document that should be replicated in many other communities around the state and country,” says Janice Gow Pettey, author of *Cultivating Diversity in Fundraising*. “Grantmakers will find *Silicon Valley's Changing Nonprofit Sector* to be a relevant, readable, and necessary assessment of the nonprofit sector's impact on quality of life in Silicon Valley.”

Jeanne Bell, Chief Operating Officer at CompassPoint Nonprofit Services, agrees. “Having current economic and demographic data about the region’s nonprofit sector in one document makes this essential reading for funders, researchers, executives and board members in Silicon Valley.”

## **Major Findings:**

### **Remarkable Growth of Foundations:**

- The number of foundations in Silicon Valley increased 207.5 percent between 1995 and 2003.
- Silicon Valley foundations hold \$18 billion in assets, 25 percent of California’s total foundation assets.

### **Significant Workforce:**

- Silicon Valley nonprofits employed 66,567 people in 2004, which is 6.2 percent of the region’s total employment.
- Nonprofit employment increased between 1998 and 2004, *despite* a downturn in the number of private sector jobs.

### **By The Numbers:**

- In 2003, there were 8,558 nonprofits in Silicon Valley. These organizations earned \$8.1 billion in 2003, and spent \$7.7 billion providing services and amenities.
- The number of nonprofit organizations in Silicon Valley increased 30 percent between 1994-2003, exceeding the rate of population growth.
- Silicon Valley has 4.08 nonprofits per 1000 people, which is slightly more than the state as a whole but less than the Bay Area.
- The majority of the Valley's nonprofits are small, only 8 percent report more than \$1 million in expenditures. Revenues for the typical Silicon Valley nonprofit were \$138,160, slightly higher than the state average and appreciably below those of the Bay Area.

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### **Challenges Facing Nonprofits:**

- Operating margins are shrinking.
- More nonprofits are operating with a deficit. The number operating with a deficit increased to 43.6 percent from 38.1 percent between 1994 and 2003. This is a slightly higher percentage than the state as a whole.
- Funding from the government and foundations is decreasing, forcing nonprofits to increase their emphasis on funding from individual donors and investments.
- The need for social service nonprofits is growing due to the recent influx of immigrants (200,000 according to the 2000 census, primarily of Latino and Asian descent).

The report was written by Carol Silverman and Kevin Rafter of the University of San Francisco's Institute for Nonprofit Organization Management. The report used data from the Internal Revenue Service, the National Center for Charitable Statistics, the U.S. Census, the California Employment Development Department, and the governments of both San Mateo County and Santa Clara County.

USF's Institute for Nonprofit Organization Management was founded in 1983, making it one of the first centers of its kind to provide comprehensive analysis of the health and capacity of the nonprofit sector.

For more information on this study, for a copy or to arrange an interview, please call Carol Silverman at the USF Institute for Nonprofit Organization Management at (415) 422-2164, or call Gary McDonald, USF director of media relations, at (415) 422-2699.

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**A complete copy of this report is available at**

**[www.usfca.edu/inom](http://www.usfca.edu/inom)**