

Does Central Texas Have Too Many Nonprofits?

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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 MSA (Houston, Dallas, Ft. Worth, San Antonio, El Paso)
 - Any other major MSA in the southwestern U.S. (although we are exactly tied with Oklahoma City)
- 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

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

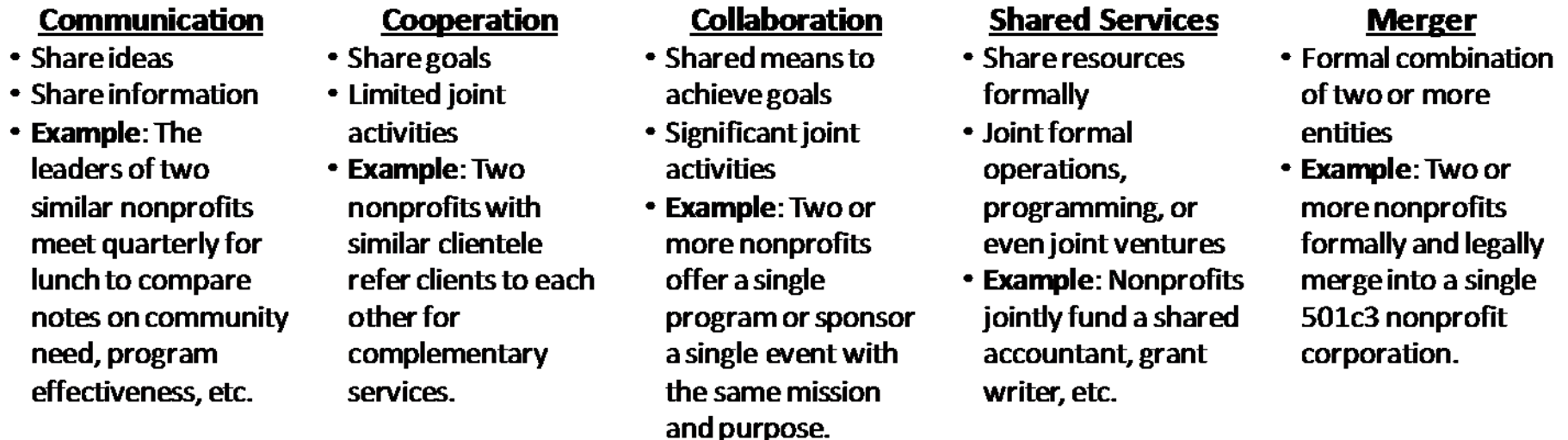
Problem or Opportunity?

- 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

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

Greenlights Strategic Alignment Continuum



Greenlights' Response

- Organize **awareness-raising** and community dialogue
 - Community presentations and dialogues
 - Articles in local media
 - Workshops to help nonprofits evaluate their situations and opportunities
 - Further thought leadership on this topic
- Provide **new services/resources**
 - Strategic Collaboration assessment tool and training curriculum
 - Consulting facilitation 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 Supports Strategic Alliances?

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

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)

For More Information

- Visit Greenlights' Website: www.greenlights.org
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