Giving and Receiving: Foundations and Voluntary Organizations in Los Angeles

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The restructuring of urban America, arising from both private market forces and government policies, is a topic of ongoing debate and inquiry among researchers and policymakers. This paper highlights one aspect of the restructuring process: the shift of collective service provision responsibilities to the voluntary sector. The analysis examines the historical evolution, contemporary structure, and spatial dynamics of philanthropic foundations, a major source of voluntary resources. The study raises questions concerning the interregional flow of donative capital and the desirability of public guidelines for the geographical allocation of foundation funds.

The terms urban restructuring and regional restructuring have become common parlance in American geography, planning, and related disciplines (Soja et al, 1983; Fainstein and Fainstein, 1982). As it is typically understood, the restructuring of U.S. cities and regions has two basic dimensions, both of which have spatial implications. First and historically earlier is deindustrialization and the shift of economic activity toward the service sector and high-technology industries (Bluestone and Harrison, 1981). Accompanying spatial changes include interregional redistribution of factors of production (i.e., capital and labor) and intrametropolitan changes in the geography of production, urban labor markets, and residential location patterns (Noyelle, 1983; Castells, 1984; Nelson, 1985).

The second dimension of restructuring is marked by the devolution of responsibility for collective service provision from the public sector to the private market and voluntary sectors of the economy. This restructuring is used by the state as a means of dismantling the post-1945 welfare state, redirecting public funds toward defense, and providing incentives for in-

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vestors and business firms. In the U.S., this dynamic is epitomized by "new federalism" initiatives of the federal government as well as programs for privatization carried out by federal, state, and local authorities in the wake of recession and fiscal retrenchment (Palmer and Sawhill, 1983). Although the spatial implications are less obvious in this case, they are likely to include a geographic redistribution of service quantity, quality, and availability between states and regions, and within metropolitan areas.

Despite familiarity with these intraurban and interregional dynamics, and the recognition of their importance to understanding conditions in contemporary U.S. cities, geographers are not all well-acquainted with various aspects of the restructuring process. For example, the shift of population and economic activity from the frostbelt to sunbelt is standard fare in the urban-regional geography and planning literature (Sternlieb and Hughes, 1977). Other dimensions have been less often discussed or analyzed. In particular, the relationship between urban restructuring and voluntarism, and the implications of the privatization of public services to voluntary organizations have received relatively little attention, despite a growing recognition of the role of the voluntary sector in contemporary social organization (Wolch, 1983; Reiner and Wolpert, 1985). Neglect of the voluntary sector is primarily due to a lack of data and analysis by scholars of voluntarism, and an overall lack of familiarity with the history, institutional framework, and social context of the voluntary sector on the part of social scientists (geographers included).

These issues, however, are becoming increasingly difficult to ignore. A significant transfer of service responsibility to the voluntary sector has occurred via contractual arrangements between public bodies and voluntary groups; such transfers are often encouraged by devolution of authority to lower-tier governmental bodies that are less able to provide services inhouse. Reductions in public spending, which have effected de facto shifts in service responsibility by expanding social service burdens to such voluntary groups as foundations, corporations, nonprofit service-providing agencies, and individual donors. By the mid-1980s, voluntary human service organizations were delivering about half of all government-funded services, and were independently providing a major share of the total available services (Salamon, Musselwhite, and de Vita, 1986). And, through expenditures on labor and other inputs to the service production process, and the multiplier effects of such inputs, the expanding voluntary sector has also become an important provider of jobs in urban economies, further reinforcing the shift toward service employment (Wolch and Geiger, 1986).

One of the fundamental unknowns in this area is the spatial distribution of voluntary sector resources, i.e. foundation funds, corporate grants, and individual gifts. Another issue to be explored is the ways in which these "donative" funds flow between regions of the country. For example, is most giving targeted to local or nonlocal service-providing agencies? Do some metropolitan areas get more than they give—are they, in effect, parasites? And do newer areas of rapid capital accumulation also receive more donative income than other areas, regardless of their observed level of social need?

Since the activities and fund distribution patterns of voluntary groups are in most instances unregulated and hence undocumented, most of these questions are currently beyond our grasp. North American policy analysts and decision makers have thus been unable to assess the ways in which restructuring has altered the provision of collective goods and services, and changed the levels of population welfare—in short, to evaluate the human consequences of the restructuring process. Such evaluation is surely vital, because not only is the voluntary sector subsidized by public expenditure, but it is increasingly responsible for meeting service requirements as public social spending is curtailed (Salamon and Abramson, 1982).

The present analysis seeks to at least partially remedy this situation by sketching the anatomy of one source of voluntary resources in the U.S.—the foundation sector—and by assessing the spatial and functional patterns of foundation giving into and out of one major metropolitan area—Los Angeles, California. Foundation giving represents only a small portion of total private giving (5.3% in 1983) and an even smaller portion of public spending in philanthropy-related categories. But when individual giving (most of which is directed at religious causes) is subtracted from private sector giving, foundation largesse takes on a more substantial role, constituting about 10% of giving. For certain sectors of giving, where levels of individual giving are relatively low, such as public welfare, foundation giving is of major significance.

The choice of Los Angeles as a case study is both a pragmatic and strategic one. The ongoing research on voluntarism conducted in that city permits greater familiarity and insight into this region. But quite separately and more fundamentally, Los Angeles is especially appropriate as a case study region because fiscal retrenchment and privatization of public services, particularly in certain service categories, have preceded these activities in other parts of the nation. Also, the L.A. region, with its economic dynamism and industrial heterogeneity, is arguably at the forefront of restructuring in the private sector economy (Wolch and Gabriel, 1985; Soja et al, 1983).

Because many geographers are not acquainted with the U.S. foundation sector, this article presents background information on the legal context of foundation activity; historical relationships of the sector to government; and national foundation resource patterns (in sections 2, 3, and 4 respectively). Drawing on Foundation Center data, section 5 focuses on foundation giving to voluntary (service-providing) organizations in Los Angeles, both by L.A.-based foundations and nonlocal foundations. The pattern of grants by Los Angeles foundations to nonlocal service agencies is also delineated and compared to local disbursements. Within this geographic framework, the functional allocation of foundation funds to purpose categories (e.g., health education and humanities), and within purpose categories (to capital or operating expenses) is considered: these allocations are included to help determine the emphasis of private philanthropic activity. Policy implications of the research are discussed in the concluding section, along with ideas for further investigation.

The Legal Context of the Foundation Sector in America

Foundations, like most legal entities, are created under state law as trusts or as not-for-profit corporations, and enjoy an exemption from various state taxes. In turn, foundations are subject to state regulation of their activities. However, federal law has been much more important than state law in the development of foundations. Under the federal tax code, an organization operated exclusively for charitable purposes qualifies for exemption from income taxation, thus providing a shelter for large accumulations of capital.

Congress defines a private foundation as a charitable organization receiving its contributions from relatively few sources and spending its funds through grants or operating programs. Basically, there are two characteristics that distinguish foundations from other charitable organizations. First, foundations receive contributions from a single person or a relatively small group, and second, their major function is giving (grant-making) rather than providing services. Generally, the function of a private foundation is to maintain or assist social, educational, religious, or other activities deemed to serve the "public good."

Foundations are legally differentiated as "operating" or "nonoperating," depending on their sources of income and particular patterns of charitable distribution. Nonoperating foundations, which comprise approximately 96% of all foundations, are organizations that carry out charitable or other philanthropic activities indirectly by making grants to other organizations or persons that carry out these activities. Operating foundations, on the other hand, engage directly in charitable and other philanthropic activities.

The field is also frequently divided into six main classes of foundation types, although such classification is not always clear:

- General Research Foundations

- Special Purpose Foundations
- Family or Personal Foundations
- Corporation Foundations
- Community Foundations
- Governmental Foundations

A foundation may be independent of an individual donor, completely controlled by him or her, or in some intermediate state of dependence. A foundation may have a specialized charitable purpose or may make grants for many different types of charitable causes.

The U.S. Tax Reform Act of 1969

Prior to the Tax Reform Act of 1969, foundations were subject to the same basic limitations on their activities as were applied to other charitable organizations. Under the 1969 Act, not only were foundations separated from other charitable organizations, but they were made subject to a very comprehensive set of legal restrictions. The 1969 Act represented the most extensive regulations placed on foundations since their inception.

A number of constraints were placed on program activities and financial and investment decisions. More stringent disclosure requirements were imposed, and foundations were placed at a comparative disadvantage in relation to other charities. In particular, foundations were required to distribute a minimum of 6% of investment assets, and to pay an excise tax on net investment income (see Appendix 1). Monetary sanctions for violations of these restrictions were imposed on the foundation, on foundation officials, and on individuals involved in prohibited transactions.

Some observers saw the act as the death knell for foundations (Worthy, 1975). Others argued that a reduction in contributions to private foundations would lead to a gradual decline in the diversity of the foundation field and a relative or absolute diminution of flexible charitable assets available to meet social needs (Labovitz, 1973). However, most critics looked at the adaptations foundations might make in conforming to the new provisions. One such anticipated result was a decrease in the number of grants made by foundations along with an increase in the size of each grant. Because each grant was now under closer scrutiny, requiring increased paperwork and processing time, a logical means of cutting costs would be to limit the number of grants, and simply give larger amounts to "safe" grantee organizations. Thus, foundations would tend to avoid new or untried endeavors and discourage grants to minority-run agencies or controversial organizations.

In general, the new law most severely affected foundations with smaller staffs and those located in smaller communities. For foundations with substantial staff resources, the new law proved little more than a nuisance.

Later Acts

Three subsequent acts of Congress further modified the legal framework of foundations. First, the Tax Reform Act of 1976 set the much-criticized minimum distribution requirement at a mandatory 5% payout rate. Previous to the act, most studies had indicated that non-operating foundations were having great difficulty meeting this requirement. Foundation portfolios traditionally had had a far lower investment yield than 6% (Worthy, 1975; Labovitz, 1973). Some also feared that the minimum distribution requirement would erode a foundation's size and leave it defenseless against inflation. In general, this requirement affected the larger foundations more than the smaller ones, because smaller foundations tend to distribute more of their income and therefore do not build up a large asset base.

Second, the 1978 Revenue Act contained a provision reducing the excise tax on net investment income to 2%. Although this change was partly justified as a means of financing greater IRS supervision of foundation activities, the tax was heavily criticized for being excessive. Excise tax money, it was argued, was denied not to the foundations, but to the charitable recipients of foundation money (Worthy, 1975; Wadsworth, 1975; Labovitz, 1973). The net result of such action was to make foundations "second class" charitable organizations (CFPP, 1970).

Most recently, the Economic Recovery Act of 1981, part of the Reagan administration's "new federalism" program, affected foundations in several ways. Beginning in 1982, the computation of a private foundation's required minimum distribution no longer included adjusted net income: only an amount equal to the minimum investment return must be distributed to grantees. This change lowers the required minimum distribution for those foundations whose adjusted net income exceeds their minimum investment return. In an attempt to increase corporate giving, the exemption for philanthropic donations was doubled from 5% to 10% of pretax earnings. At the same time, however, the maximum tax rate on unearned personal income was reduced from 70% to 50%, thereby reducing the incentive for wealthy individuals to maintain their level of philanthropy. Finally, the act made it possible for individuals who do not itemize deductions on their federal tax return to deduct charitable contributions from income taxes, reducing the net cost of such contributions for this group.*

*This article was written before the Tax Reform Act of 1986 was passed.

Foundations and the State: A History of Contradiction and Conflict

Like other charitable institutions, foundations have historically had an ambiguous relationship with the U.S. government. Although ostensibly dedicated to protection and enhancement of public welfare (like the state), foundations are not directly accountable for their activities to any public institution or constituency. The foundation sector thus plays the role of a "shadow state" with few popular controls on its actions.

This latitude, codified by law, has allowed foundations to commit funds over prolonged periods, accumulate significant amounts of wealth, and thereby markedly affect the activities of grant recipients and public opinion; respond to new issues with speed and flexibility through deployment of uncommitted funds; and ignore the impact of funding on recipients. Foundations have therefore been seen as one of the few institutions in society capable of taking a long-range view and adopting a vanguard role; for the same reasons, they have often come under attack as regressive institutions designed to protect power and privilege; as subversive or reactionary entities; and as unworthy, unaccountable recipients of public subsidy.

These changes have fueled numerous disputes between the state and the foundation sector over the past century. The first sustained attack on foundations occurred in 1910-1912, following a decade of muckraking, trust-busting, and public distrust of big business. The Rockefeller Foundation sought a federal charter to administer its initial gift of $50 million in Standard Oil of New Jersey stock, raising cries of "tainted money" in Congress. In 1912, the Walsh Commission, a Presidential Commission on Industrial Relations, was appointed to investigate such actions, concluding that foundation funds were heavily invested in the shares of corporations, and therefore the policies of the latter were inevitably tailored to conform to the wishes of the foundations. Congress, however, gave little attention to the Walsh report.

During the 1930s, foundations continued to be under attack by the media. Philanthropy in general was viewed primarily as a device whereby capitalism eased dangerous social pressures or pacified the masses to prevent unrest and possible social upheaval. Because foundations depended on an inequitable distribution of resources between rich and poor, their trustees had to support business interest. Because of this connection, foundations became instruments and elements of the American power elite.

By the 1950s the arguments had come full circle. In keeping with the prevalent views of the McCarthy era, foundations were no longer feared as agents of "creeping capitalism" but instead were seen as promoters of left-wing political causes, supposedly financing communist and socialist organizations. This concern was strong enough in 1952 and 1954 to make Congress authorize the Cox and Reece Commissions of investigation. The Cox report was quite favorable to foundations, concluding that these institutions did not undermine the capitalist system or harbor communists. The Reece Commission findings were not as favorable, accusing foundations of conducting research in the social sciences "in the interest of the political left." One of the commission's major conclusions was that foundations exercise power far out of proportion to their respective funds, and that this power was greatly magnified by an interlock, or concert of action, of which foundations might be unaware (CFPP, 1970).

In the 1960s, more attacks were leveled against foundations, which had experienced rapid growth in the wake of the boom economy. Yet another Congressional investigation (1961) concluded that "foundations have become a force in our society second only to that of Government itself" and that the public lacked any effective control of them. In response, the Treasury Department issued a report that revealed abuses in the use of foundations. Regulatory recommendations in this report formed the basis of the Tax Reform Act of 1969.

Today, foundations are again under pressure from the state, albeit pressure of a very different nature. The 1969 and subsequent acts greatly increased the regulations imposed on and weakened the financial position of foundations; at the same time, however, government spending on social services drastically declined. The current political philosophy of Reaganomics and "new federalism" gives the private sector (corporations, foundations, and individuals) responsibility for voluntarily discharging the social functions once carried out by public authorities. This shift is part of the wider process of restructuring of U.S. welfare state (Gilbert, 1983). Within this new ideological context, foundations are seen as superior to government, despite all historical controversies.

National Patterns of the Foundation Sector

In 1983, there were 21,967 active grantmaking foundations in the nation (AAFRC, 1983). However, only 67 of these foundations had assets of $100 million or more, accounting for about one third of the grant dollars awarded (AAFRC, 1983). Foundation funding patterns are, therefore, dominated by a relatively few large foundations. Moreover, while foundations are found in every state of the Union, a disproportionate number are located in New York; such geographic concentration is greatly magnified if asset values are used as a standard of comparison. The uneven geographical distribution may reflect the time lag between the creation of large fortunes by New York companies during the early industrial period and the transfer of accumulated funds to foundations located elsewhere. It is likely that some dispersion of foundation resources will occur as new centers of wealth arises in different areas of the country.

Income, Assets, and Grants

During 1983, a new record of foundation giving was established—$3.46 billion (AAFRC, 1983). As a portion of total philanthropy, this foundation giving represented 5.3% in 1983, an increase from 5.2% in 1982 (AAFRC, 1983). This in turn implies a 9.5% increase in foundation grants between 1982 and 1983—a major expansion in comparison to the 2.9% increase registered between 1981 and 1982, particularly since 62% of the foundations reported that they had not experienced any noteworthy increase in requests for funding during 1983. The large 1982-83 growth thus appears to represent a lag between increased demand for donative funds and the foundation sector's ability to respond to changing needs.

Foundation assets also increased sharply in 1983, compared to 1982 levels, for combined total assets of $48 billion. However, when factored for inflation, real assets only grew from 1965-1972, dropping to $16.5 billion (in 1965 constant dollars) in 1975 and remaining relatively stable in value since then (Foundation News, 1981). Therefore, although assets have nearly doubled in current dollars over the past twenty years, their value in terms of constant dollars has declined by over 15%.

With respect to variation among types of foundation, data on 4,063 foundations analyzed by the Foundation Center indicates that individual foundations are the most numerous and powerful type of foundation (Foundation Center, 1983). As shown in Table 1, individual foundations

Table 1.
Resource Distribution by Foundation Type, 1983

Foundation Types	% Assets	% Gifts	% Giving
Community	4%	10%	5%
Company	5%	27%	19%
Operating	3%	2%	1%
Independent	87%	61%	74%

Source: The Foundation Center, 1983.

Table 2.
Growth Rates of Independent, Community, and Corporate Foundations, 1975-1979

	1975-1977	1977-1979
Assets		
Independent	13%	32%
Community	13%	19%
Company	34%	66%
Gifts Received		
Independent	20%	30%
Community	8%	5%
Corporate	144%	192%
Grants		
Independent	11%	30%
Community	29%	48%
Corporate	30%	80%

Source: The Foundation News, 1981.

controlled the vast majority of assets ($41.4 billion out of the $48 billion total), gave the greatest number of grants, and received the majority of donative funds. Community foundations have had difficulty attracting new money (see Table 2). Corporate foundations, on the other hand, have a record of remarkable growth compared with that of independent and community foundations (Foundation Center, 1981).

Independent foundations have large asset bases compared with corporate foundations, allowing the independent institutions to give more generously than their immediate gifts would indicate. Corporate foundations are more dependent on gifts from corporate sponsors—and thus the immediate economy—in determining their level of giving. Whereas in 1981 corporate foundations received 27% of all gift dollars, they accounted for only 19% of all grant dollars. Independent foundations, however, received 61% of gift dollars, but accounted for 74% of all grant dollars.

Table 3.
Foundation Grants by Sector of Giving

Percentage Targeted in:

Grant Category	1977	1978	1979	1980	1981	1982	1983
Education	26%	28%	29%	22%	21%	24%	16%
Health	22%	20%	20%	25%	23%	21%	22%
Science	17%	17%	19%	6%	7%	7%	9%
Welfare	13%	16%	13%	25%	26%	26%	28%
Humanities	9%	11%	11%	14%	15%	14%	15%
Religion	2%	2%	2%	2%	2%	2%	2%
Other	11%	6%	6%	6%	6%	7%	7%
TOTAL	100%	100%	100%	100%	100%	100%	100%
TOTAL GIVING* (in millions)	$770	$822	$1,089	$1,191	$1,257	$1,490	$1,793

Source: AAFRC, *Giving U.S.A.*, 1979, 1983.
*Percentage may not add to 100% because of rounding.

Giving Patterns by Sector

The Foundation Center first began to record and categorize foundation grants in 1961. Until recently, the distribution of grant dollars by subject area remained relatively stable, generally varying by only a few percentage points (see Table 3). Education has historically captured the majority of foundation dollars, with health second. Social welfare agencies have attracted the second highest number of grants awarded (Kurzig, 1980).

Despite modest increases in 1982, giving from foundations to education has been dropping as a portion of total giving since 1979. Between 1982 and 1983, for example, grants to educational institutions fell from 42.5% to 33.9% of the total. Until the 1980s, grants to general welfare programs had also been dopping. However, beginning in 1980, foundations began placing increased emphasis on welfare activities: this category accounted for 28.4% of the total grant dollars reported in 1983, an increase over 1980 and 1982, when welfare accounted for only 25.9% of total dollars. The number of grants made for welfare in 1983, however, increased only slightly, from 33.2% in 1982 to 34.1%, perhaps indicating the award of larger-size grants to a few select general welfare organizations.

There was a significant increase in the portion of dollars allocated for other emerging service types. For example, giving to environmental programs and conservation organizations rose to $91.7 million in 1983, up from $49.1 million in 1982, and grants to cultural activities increased to $277.3 million, a 32.9% increase from its 1982 level. Direct giving to human service agencies has been rising steadily over the past three years, from 9.9% of foundation dollars in 1980 to 22.5% in 1983. This growth may be related to the reduction in federal funds, which has had a significant impact on social service organizations (Salamon and Abramson, 1982). For example, foundations with increased requests specified that the increase came from social service organizations. Performing arts organizations, also seriously affected by federal cuts, likewise received an increased proportion of foundation dollars, 4.6% compared with 3.4% in 1980.

These recent changes in giving suggest an attempt on behalf of foundations to address needs arising from economic recession and federal budget reductions. And because the amount of foundation funding is not nearly enough to cover funding shortfalls experienced by recipient organizations in the wake of budget reductions, it seems likely that foundations are becoming much more selective in awarding grants. Established recipients will not be favored over less established and/or innovative organizations.

Spatial Giving Patterns

There is very limited information on the spatial allocation of foundation grants at the national level. Most foundations, whether large or small, do not maintain records of grants made according to geographic location. Moreover, many make awards to umbrella organizations that in turn distribute monies to spatially-dispersed affiliates. A majority of foundations have no specific spatial allocation policy; the exceptions are certain corporate foundations that target grants to headquarters locations (regardless of where employees are concentrated), or to communities in which workers reside.

The Foundation Center requests qualitative information on spatial targeting of grants in their 1983 survey. In response, foundation officers indicated a bias toward provision of grants to local recipient organizations (see Table 4). Two-thirds of these foundations regarded their orientation as local. This situation implies that metropolitan areas lacking foundation

Table 4.
Spatial Giving Patterns in the Foundation Sector, 1983

Geographic Targeting of Gifts	Number of Foundations	Percent
Local	2,621	65%
National/ Regional	1,442	35%
Total	4,063	

Source: The Foundation Center, *The Foundation Directory*, 1983.

resources must fight an existing prejudice in favor of local voluntary groups to attract funds from foundations located in other parts of the nation. This problem could become more significant as corporate foundations, dependent on immediate and often local economic conditions, gain prominence as a source of donative funds.

This situation presents some troubling geographic questions. For example, does the interregional flow of non-locally dedicated foundation funds offset disparities in initial foundation endowments? Or do nonlocal funding patterns exacerbate interregional welfare differentials? To explore these issues, one metropolitan region, Los Angeles, is analyzed in more detail.

Foundation Activity in the Los Angeles Region

In 1982, California had a total of 4,654 foundations, or 7.5% of U.S. foundations. The combined assets of these foundations totaled $4.3 billion, and total grants were over $365 million (AAFRC, 1983). This amount placed California directly behind New York, which had 19% of all foundations, 3 times the assets, and 3 times the grant dollars of the California sector. However, both states received similar amounts of gifts to foundations (about $500 million each), indicating that grants to California foundations were larger and that funds were accumulating proportionately faster in that state.

Many of California's largest foundations are located in the Los Angeles metropolitan area, which includes Los Angeles and Orange counties. Four of the seven California foundations (Atlantic Richfield, Keck, Weihgart, and Abramson), giving in excess of $10 million annually as of 1983, were located in Los Angeles: together, these foundations accounted for over $76 million or 59% of the total gifts given by these seven major foundations. Considering only foundations with assets of $500,000 or more or annual grants exceeding $25,000, the Los Angeles sector in 1982 totalled 311 foundations, controlling $1.84 billion in assets and giving $194 million in grant aid. The few largest foundations command the majority of assets; foundations with assets of $5 million or above accounted for only 16% of all foundations, but held 85% of all assets. Grants were less concentrated; for example, Los Angeles county foundations with assets of $50 million and above accounted for 46% of assets but gave away only 20% of all grant dollars.

Spatial Flow of Foundation Resources

Data was tabulated by the Foundation Center to detail the spatial allocation and functional targeting patterns of giving for a sample of major foundations between 1976 and 1980. This sample constitutes a distinct subset of all foundations and overrepresents large institutions. Moreover, since data from a four-year period is pooled in the tabulation, inflation is accounted for. Nonetheless, the Foundation Center records remain the sole geographic information on the flow of foundation funds, and despite their shortcomings, they are a useful tool in making comparisons.

Giving by Los Angeles Area Foundations. During the period under study, Los Angeles area foundations in the sample awarded over $80 million to voluntary recipient organizations. The largest number of grants (484 grants or 26% of all grants awarded) and 43% of all grant dollars, were targeted to education. Science ranked second with 18% of all grant dollars, humanities followed at 12%, and welfare ranked fourth with only 10% of such dollars. However, in terms of the number of grants, welfare ranked second, thereby suggesting the award of large numbers of small grants in this category. The average size of welfare grants was $20,792, the lowest of all categories. Education organizations on the other hand, received an average grant of $71,785 (see Table 5).

Not all grants made by Los Angeles-area foundations were awarded to local recipients. In fact, over 50% went to nonlocal groups, compared to the U.S. average of only 35% (see Table 6). Across sectors, the percentage of local vs. nonlocal giving varied widely, however, ranging from 88% local (religion) to 25-26% local (international; science). Only 60% of humanities and welfare funds were targeted to local organizations. The percent of welfare awards is somewhat surprising due to the historically local support base of welfare agencies.

The average size of grants awarded by Los Angeles area foundations also varied according to whether the grant was intended for a local or nonlocal recipient organization, with local groups typically receiving larger grants. Average grant size varied most dramatically for humanities groups and

Table 5.
Grants from L.A. Area Foundations to Voluntary Organizations

Grant Category	Grant Amount	Number Made	Average Size	% of Total
Education	34,744,004	484	71,785	43
Health	6,813,165	221	30,829	8
Humanities	9,959,792	280	35,571	12
International	2,120,550	68	31,185	3
Religious	4,904,218	80	61,303	6
Science	14,487,111	347	41,750	18
Welfare	7,401,812	356	20,792	10
TOTALS	80,430,652	1,836	48,166	100

Source: The Foundation Center.

Table 6.
Grant Targeting of L.A. Area Foundations

Grant Category	Grant Amount	% Local	% Nonlocal	Average Grant Size Local	Nonlocal
Education	$34,744,004	41	59	$71,377	$72,070
Health	6,813,165	71	29	32,864	26,703
Humanities	9,959,792	60	40	63,186	21,390
International	2,120,550	25	75	35,367	30,039
Religious	4,904,218	88	12	97,914	16,556
Science	14,487,111	26	74	47,664	40,006
Welfare	7,401,812	59	41	21,904	19,366
Totals	80,430,652	47	53	48,788	49,130

Source: The Foundation Center.

religious agencies, with nonlocal recipients awarded grants 66% and 83% smaller than local groups respectively.

As previously noted, most Los Angeles foundation largesse is directed toward education, followed by science, humanities and welfare. This targeting pattern is quite different from the national norm. For the U.S. foundation sector as a whole, education remains ranked first, but with a lower share (29%), while giving to health agencies is much more significant (20%). Welfare organizations also receive a somewhat greater share of total grant dollars (13%). When Los Angeles area grants are disaggregated by local vs. nonlocal destination, distinct targeting patterns emerge (see Table 7). Less local resources are directed toward education and science, with more giving for health, humanities, religion, and welfare. In contrast, almost half of resources to nonlocal recipients go to educational organizations, and a quarter of total funds awarded to nonlocal groups are given to science agencies.

Los Angeles foundations exhibit a pattern of giving for projects that carry high visibility effects (see Table 8). Within the education sector, 39% of all grants were awarded for building and equipment. Within the health sector, 55% of all grants awarded went for hospitals and within the humanities, 44% of the grants went to museums, presumably to finance capital projects and acquisitions. This breakdown suggests a trend toward giving to tangible, visible ends, vs. less tangible giving aimed at scholarships, performing arts, public health, or personnel development. The emphasis on high-visibility giving is even stronger for locally-targeted funds, with 41% of grants for education going to building and equipment, 57% of health grants going to hospitals, and 62% of humanities grants going to museums.

Receiving by Los Angeles Area Voluntary Organizations. Just as not all Los Angeles foundation grants are channeled to local groups, local voluntary organizations receive funds from both local and nonlocal foundations as well (see Table 9). Overall, voluntary organizations in Los Angeles received almost $124 million foundation dollars, more than two-thirds of which came from outside the region. Such resources are concentrated primarily in the education, health, and welfare sectors. These sectors also benefit most from nonlocal giving: $32 million dollars for education came from nonlocal sources, along with $19 million for health, and $13 million for welfare (69%, 80%, and 75% of total receipts, respectively). Interestingly, nonlocal foundation grants tend to be larger than grants made by Los Angeles foundations to local voluntary organizations, particularly in the three dominant sectors; for all categories, nonlocal grants are on average 48% larger than those awarded by local foundations. Los Angeles foundation grants to nonlocal voluntary groups do not fit this pattern,

Table 7.
Targeting Patterns of L.A. Area Foundations

	Total		To Local Voluntary Orgs.		To Nonlocal Voluntary Orgs.		National Average*
Grant Category	Grant Amount	% of Total	Grant Amount	% of Total	Grant Amount	% of Total	% of Total
Education	$34,744,004	43	$14,203,978	37	$20,540,026	48	29
Health	6,813,165	8	4,863,825	13	1,949,340	5	20
Humanities	9,959,792	12	6,002,632	16	3,957,160	9	11
International	2,120,550	3	530,500	1	1,590,050	4	6
Religious	4,904,218	6	4,308,218	11	596,000	1	2
Science	14,487,111	18	3,765,424	10	10,721,687	25	19
Welfare	7,401,812	10	4,380,712	12	3,021,100	8	13
TOTALS	80,430,652	100	38,055,289	100	42,377,363	100	100

Source: The Foundation Center.
*These figures are for fiscal year 1979.

Table 8.
Detailed Grant Targeting of L.A. Area Foundations (Selected Purpose Groups)

Grant Category	Los Angeles Foundations % of Total	Los Angeles Foundations To Local Recipients % of Total	Los Angeles Foundations To Nonlocal Recipients % of Total
% of Total			
Education			
Adult Education	0.1	0.4	---
Building & Equip.	39	44	37
Communications	1	3	1
Educ. Associations	5	5	5
Educ. Research	0.9	---	0.2
Elementary/Secondary	7	9	6
Endowment	2	---	3
Fellowships	---	---	---
Higher Ed. (General)	23	17	27
Higher Ed. (Spec.Proj.)	13	11	13
Libraries	3	9	4
Personnel Development	0.3	---	0.1
Scholarships & Loans	4	4	4
Vocational Education	0.7	0.2	---

however—these grants are smaller than the grants coming into Los Angeles from outside the region.

Most foundation funds, whether local or nonlocal, are directed toward education (see Table 10). But the priorities of nonlocal and local foundations differ with respect to other purpose categories. Voluntary organizations in Los Angeles dedicated to humanities and religion receive a high share of locally-originating foundation monies than they get from nonlocal sources (16% vs. 4% for humanities; 11% vs. 3% for religion). Health, welfare, and science are more attractive to nonlocal foundations.

The trend toward funding of the high-visibility, capital projects that appear to be favored by Los Angeles-based foundations is somewhat lessened when all grants are considered in total. Nonlocal giving to Los Angeles area recipients does not seem to be as strongly focused toward such endeavors as

Table 8 Cont.

Health			
Dentistry	0.3	0.3	0.3
Health Agencies	4	2	8
Hospitals	55	57	52
Med. Care/Rehab.	8	9	7
Medical Education	15	9	29
Mental Health	17	22	4
Nursing	0.4	0.6	---
Public Health	0.3	0.4	---
Humanities			
Art & Architecture	11	13	7
General	9	2	21
History	2	0.2	6
Language/Literature	0.3	0.3	0.3
Museums	44	62	16
Music	9	4	17
Other Performing Arts	24	18	32
Philosophy	---	---	---

Source: The Foundation Center.

is local giving. Such foundation giving targeted only 25% of the education grants made toward building and equipment use. The majority of health grants (38%) went toward education, while the majority of humanities grants went toward the performing arts. Taking local and nonlocal foundation grants together, 30% of education grant dollars are devoted to building and equipment in Los Angeles. The majority of health dollars (32%) go towards education, while a large majority of humanities grants (45%) continue to be directed to museums.

Los Angeles: Parasite or Host? Voluntary organizations in Los Angeles clearly receive both local and nonlocal foundation grants, and the Los Angeles foundation sector targets a significant portion of their grant allocations to nonlocal recipient agencies and institutions. Does Los Angeles gain in this interchange of donative resources? Is the city a "parasite re-

Table 9.
Local/Nonlocal Foundation Grants to L.A. Area Voluntary Organizations

Grant Category	Grant Amount	Average Grant Size	% of Total	Percent from Nonlocal Foundations	Average Grant Size From Local Foundations	Average Grant Size From Nonlocal Foundations
Education	$ 45,986,300	$85,795	37	69	$71,377	$ 94,310
Health	24,243,715	71,515	20	80	32,864	101,465
Humanities	9,853,088	46,042	8	39	63,186	32,356
International	2,974,139	64,655	2	82	35,367	78,827
Religious	7,282,967	89,913	6	41	97,914	80,399
Science	16,168,966	43,233	13	77	47,664	42,046
Welfare	17,415,469	45,590	14	75	21,904	71,620
TOTALS	123,924,644	62,842	100	69	48,788	72,038

Source: The Foundation Center.

Table 10.
Foundation Targeting Patterns To L.A. Voluntary Organizations

Grant Category	From All Foundations % of Total	From Local Foundations % of Total	From Nonlocal Foundations % of Total
Education	37	37	37
Health	20	13	23
Humanities	8	16	4
International	2	1	3
Religious	6	11	3
Science	13	10	14
Welfare	14	12	16
Totals	100	100	100

Source: The Foundation Center.

gion," gaining more funds than it disburses outside the area, or is Los Angeles a "host," disbursing more than it takes in from nonlocal donor foundations?

Table 11 details the inflow and outflow of foundation resources to the Los Angeles region by purpose category. Quite strikingly, Los Angeles is a "parasite" city: voluntary organizations in Los Angeles received $124 million in foundation grants, of which $85.9 million or 69.3% were from nonlocal foundations, while Los Angeles-based foundations only allocated $42.4 million to nonlocal groups. Thus, the region enjoyed a gain of $43.5 million or 35.1% of its total foundation sector resource pool, from the excess of regional inflow vs. outflow of foundation dollars. In some functional areas, the difference between inflow and outflow is even more striking: health and welfare gained the majority of their foundation resource bases as the result of a large influx of foundation dollars to the region, with minimal loss of resources from the region.

Conclusion

The restructuring of urban America has brought about changes in the traditional division of responsibility for collective welfare among the pub-

Table 11.
Flow of Foundation Funds For L.A.

	Fund Inflow	**Fund Outflow**	**Fund Balance**
	Grants From Nonlocal Foundations To L.A. Area Voluntary Organizations Amount (in millions of dollars)	**Grants From Los Angeles Area Foundations to Nonlocal Voluntary Organizations Amount (in millions of dollars)**	**Gain or Loss To L.A. Donation Resource Base (in percent)**
Grant Category			
Education	32.8	20.5	24.6
Health	19.4	1.9	72.3
Welfare	13.0	3.0	57.5
Science	12.4	10.7	10.5
Humanities	3.9	4.0	(1.0)
TOTALS	85.9	42.4	35.1

lic, market, and voluntary sectors of the economy. In particular, both the devolution of social service responsibilities to lower tiers of government, and the reductions in levels of public domestic spending that have occurred since the mid-1970s have resulted in a large and more crucial role for philanthropic organizations and voluntary service-providing agencies in such realms of service supply as health, welfare, the arts, and education.

A key source of support for voluntary endeavors, foundations, has been discussed here. Since their inception in the U.S., foundations have been controversial organizations and have frequently come under scrutiny due to their ambiguous relationship to the state and to the public. The spatial analaysis of foundation giving and voluntary organization receipts in Los Angeles presented here, however, raise new issues by suggesting that foundation funds are interregionally mobile, and that nonlocal competition for foundation resources may lessen foundation awareness of and commitment to local problems and opportunities for their solution.

Thus, interregional flows of foundation funds may not respond to the interregional distribution of social needs. Instead, flows may parallel capital and labor flow patterns, compounding the detrimental effects of the restructuring process by exacerbating existing disparities in resource availability and population well-being between regions. Some regions may suffer the multiple dilemmas of deindustrialization, unemployment, and declining tax bases, as well as diminished private philanthropic resources needed for human services.

These findings call into question the efficiency of increased reliance on voluntarism to meet social objectives, and highlight the problems of social justice involved in restructuring the welfare state via public subsidy of voluntary institutions. Foundations and other voluntary organizations may not only be incapable of filling service gaps created by retrenchment, but their discretion in the utilization of the available resources may lead to service patterns that serve those who give or those who can pay for services. Local autonomy thus allows service provision patterns and the mixtures of service types and capital and operating expenditures to deviate from that articulated by either local or nonlocal political processes or determined by a social needs assessment.

Moreover, reliance on the voluntary sector severely restricts the ability of government to direct patterns of income redistribution, to redress interpersonal and interregional disparities, or to put a countercyclical policy into effect. Thus, restructuring the welfare state via voluntarism may mean a reversion to the regressive social policies of the past century, when, in the absence of uniform national entitlements, welfare supports varied widely across the country, due to divergent local practices and highly uneven claims made on private philanthropers.

Decision makers may therefore wish to intervene in the spatial allocation of foundation grants. Such intervention could take a number of forms, ranging from the using of spatially disaggregate social needs analyses as guides for foundation giving to statutory guidelines and administrative controls on the geographic destination of foundation funds.

Appendix 1
Restrictions on Foundation Activity and Impacts of the U.S. 1969 Tax Reform Act

I. Restrictions On Program Activities

- Foundations are prohibited from making any expenditure to attempt to influence legislation, either by attempting to affect public opinion or by contacting government officials involved in the legislative process. Two exceptions to these prohibitions involve making available the results of "non-partisan" analysis, study, or research, or rendering technical assistance to a governmental body at its request.
- Foundations are prohibited from spending funds to attempt to influence the outcome of a specific election. Voter education and voter registration activities are permitted only under very limited conditions.

- The awarding of foundation grants to individuals must be made on an objective and nondiscriminatory basis, for specified purposes, under procedures approved by the Internal Revenue Service.
- Foundation payments to government officials are prohibited (with minor exceptions, such as providing reimbursement for expenses incurred in charitable work).
- Foundations are required to monitor the activities of grantee organizations that are public charities to ensure that funds are spent for permissible purposes.

II. Restrictions on Finance and Investment

- Foundations must distribute for charitable purposes an amount equal to the greater of adjusted net income for the year or a specified percentage (initially set at 6%) minimum return on investment assets, as determined by the Department of the Treasury.
- Foundations are prohibited from engaging in direct or indirect financial transactions (self-dealing) with donors or other related parties, whether or not such transactions benefit the foundation. (This provision did away with the previous "arm's length" standard.)
- Foundation speculation and other questionable investment activities are prohibited. Foundation assets may not be invested in risky ventures that jeopardize charitable purposes.
- Foundation ownership of a controlling interest in a business comes under substantial new restrictions, preventing a foundation (alone or in concert with its donor) from holding more than 20% of the voting control of any business.

III. Disclosure

- Foundations are required to file a much-expanded version of the traditional form 990-PF, which must be available for public inspection. In addition, foundations must file annual reports containing additional information and to have these reports at their offices for public inspection.

IV. Foundations Viz-A-Viz Other Charities

- Donors to foundations can deduct only 50% of the appreciation in value of stock and certain other property that has been contributed and is not distributed within a year. If the same property is given to a "broadly supported" or operating chairty, the full amount of the appreciation is deductible.

- The ceiling on deductions for foundation endowments remains at 20% of the individual's annual income: for other charitable contributions, this ceiling has generally been raised to 50% of income, with a right to carry over excess contributions.
- Unlike other charitable organizations, foundations are required to pay a special federal "excise tax" at an annual rate of 4% of their net investment income.

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