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Giving Trends: What Do They Mean?

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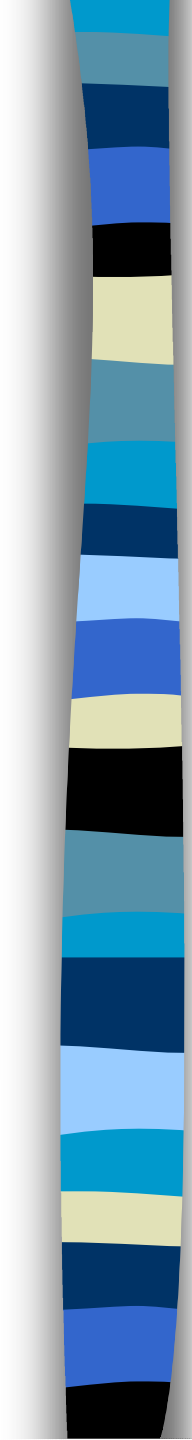
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AFP's Greater Cleveland Chapter and the Northern Ohio Planned Giving Council Joint programming

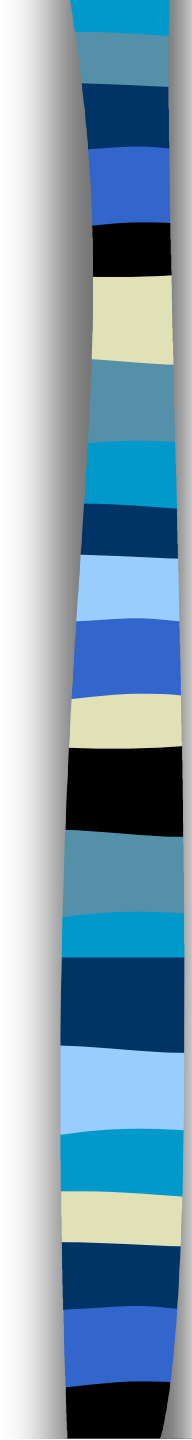
"Giving Trends: What Do They Mean?"

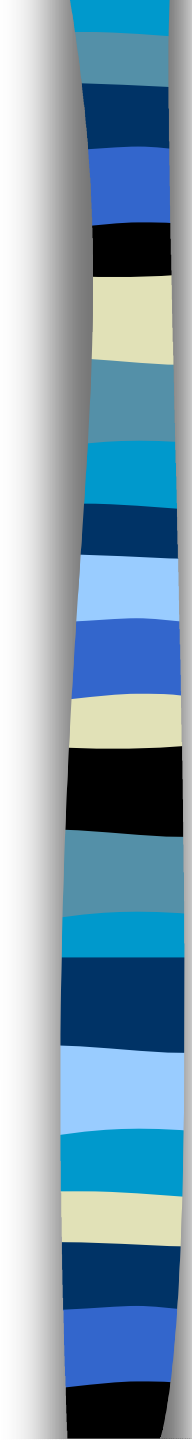
Presented by Stuart C. Mendel, Ph.D.,
Assistant Dean and Co Director

Center for Nonprofit Policy & Practice

Maxine Goodman, Levin College of Urban
Affairs, Cleveland State University

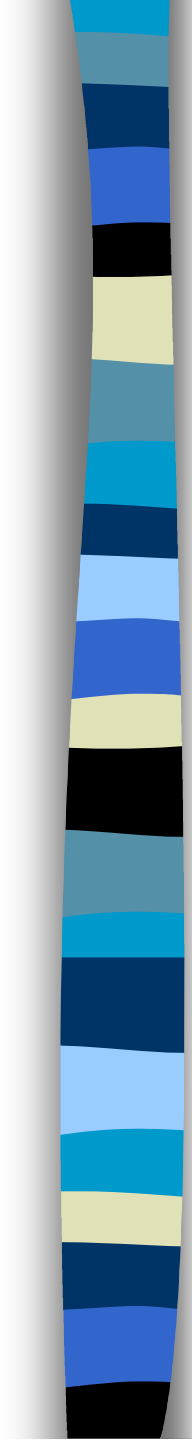
January 13, 2006

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- This presentation can be found and downloaded at the following address:
  - <http://urban.csuohio.edu/nonprofit/>



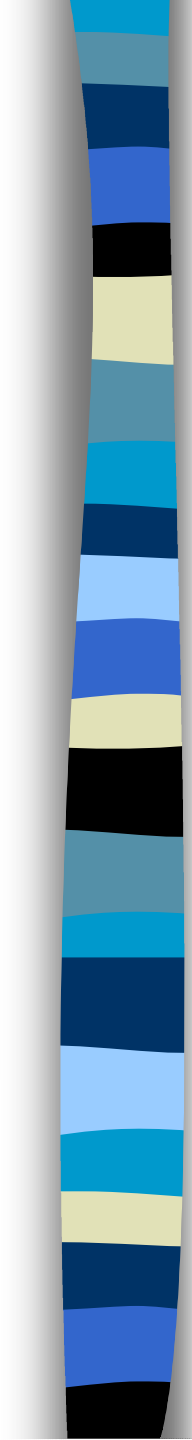
Recall what nonprofits are supposed to do (the role) as a rationale for a case statement

- Not profits serve not only their mission but the larger society community
- They have a role as institutions and their constituencies may stretch beyond those directly interested in their organization
- They have an obligation to communicate and feed information to decision-makers and throughout their networks



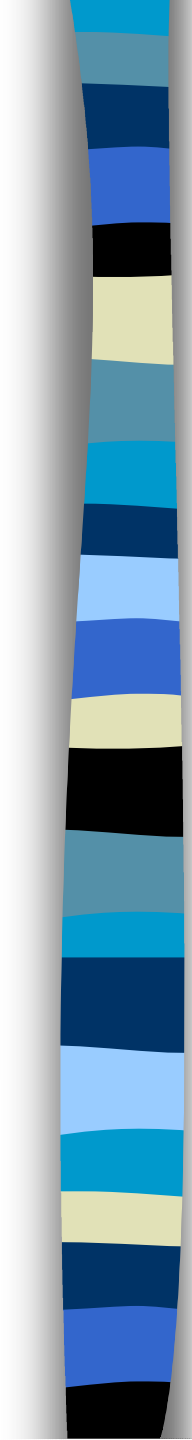
This is important to fundraising because

- It requires the outward projection of the organization which connects to community goals and development
- It requires a broader and strategic approach to planning for fund development and institutional advancement in all its methods
- It adds depth of meaning to case statements and promotes an image of an organization that is not pursuing its mission in isolation or as if it were island isolated from the rest of society.



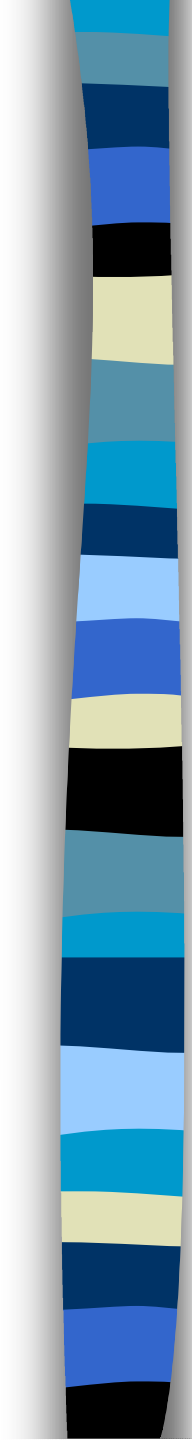
In other words, understanding the role of your organization as a prelude to fund development is important to framing and strategy, which

- Helps convey the message of your organization.
- Helps organize your efforts
- Enforces discipline and consistency in delivering a message
- Encourages development professionals to consider the issues of fundraising as a management problem requiring resolution



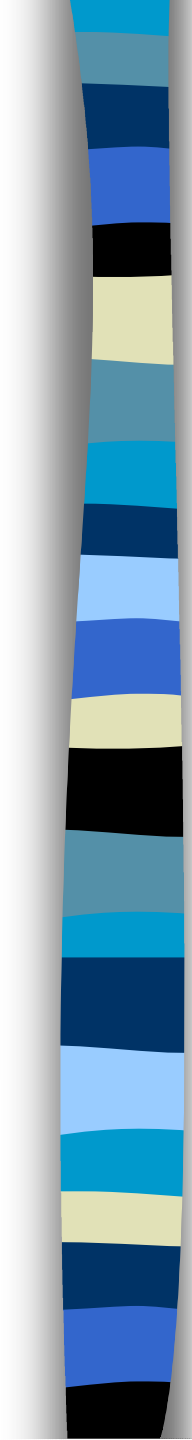
Tools for Framing and Strategic Thinking (a template of pragmatic tools for picking apart an issue requiring resolution).

- What are the facts?
- What are the constraints?
- What is at stake?
- What is the true challenge, task or problem?
- What will it take to get organized?
- Who should be involved in planning?
Implementing? Assessing?
- Let's practice, using a case study....



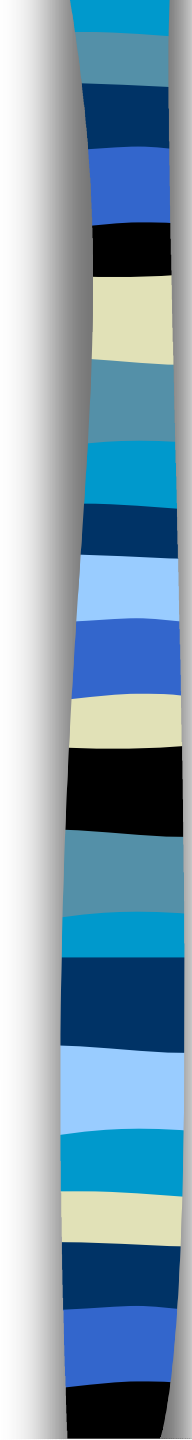
First some news...

- The most recent edition of the Nonprofit Times offered the following story
- ...a study of federal funding paints a bleak picture for nonprofits in the near future. Two items of interest to nonprofits -- a tax deduction for non-itemizers and IRA Charitable Rollover provision -- were not part of a tax reconciliation bill approved by the House of Representatives on Dec. 8 by a 234-197 vote. The Senate version of the bill,



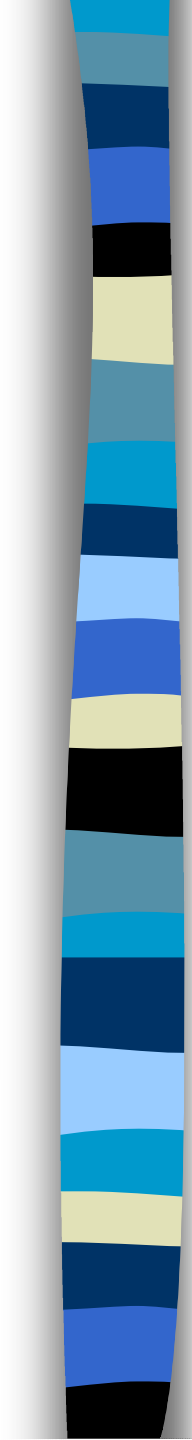
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- (The Tax Relief Act of 2005, S. 2020) approved 64-33 on Nov. 18, included language for both items. The measure would allow a charitable deduction for both itemizers and non-itemizers for contributions more than \$210 for individuals and \$420 for couples, for two years, until Dec. 31, 2007. Approximately 86 million Americans, about two-thirds, file standard, non-itemized tax returns. The IRA Rollover allows tax-free distributions from IRAs for charitable purposes. Leaders from both houses will have to try to negotiate a compromise bill in conference.



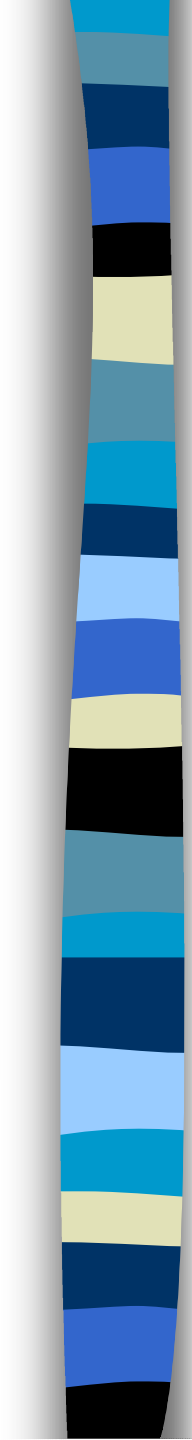
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- The Senate version also includes provisions for extending the alternative minimum tax (AMT) exemption while the House version keeps President Bush's extension of tax cuts on investment income.



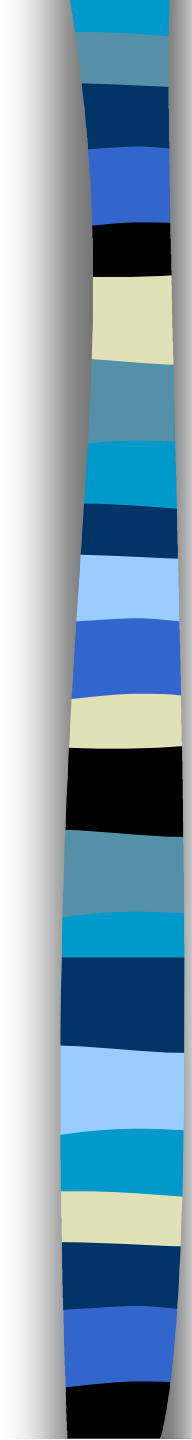
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- Under the House version (H.R. 4241), passed by a 217-215 margin, \$50 billion in cuts were approved, including \$11 billion to Medicaid, but none to Medicare, and about \$800 million in food stamp programs. The Senate meanwhile adopted a spending bill (S. 1932) by a 52-47 vote that called for \$35 billion in cuts, including \$4.3 billion to Medicaid and \$5 billion to Medicare.



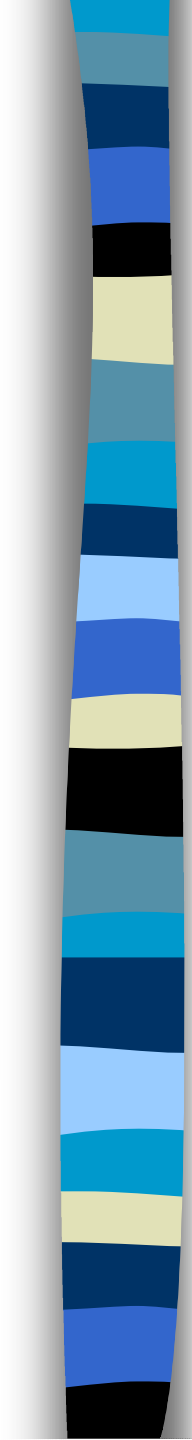
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- Senate bill provides help for elderly, children and families in need,” said Lisa Carr, director of public policy for Lutheran Services in America (LSA). However, the House bill is more detrimental to people in need. She said the \$11 billion in House cuts to Medicaid would hurt beneficiaries by requiring cost sharing and premium increases, and the Congressional Budget Office has estimated that 100,000 people would lose Medicaid coverage altogether due to an inability to pay for the services.
- LSA provides services to many sectors in the U.S.,



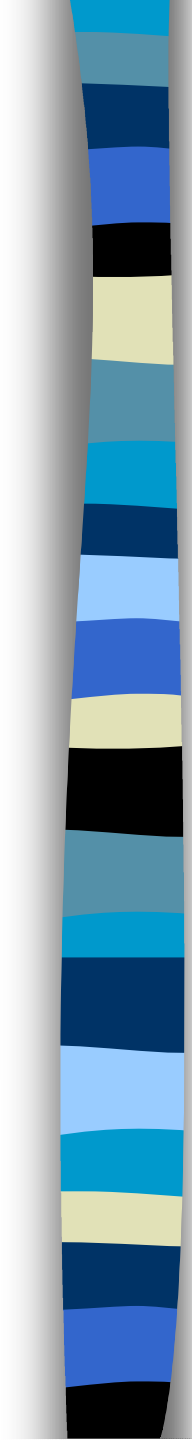
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- Carr said, including elderly who rely on Medicaid, children in foster care and institutional care and people with disabilities.
- If a recent study of nonprofit funding is any indication, Fiscal Year 2006 will be just the start of a tough stretch for the sector. The future looks bleak, according to the report, *The Nonprofit Sector and the Federal Budget: Fiscal Year 2006 and Beyond*. And, future federal budgets threaten “turning back the clock” from the nonprofit-supportive policies of recent years to the “fiscal stringency” of the 1980s and 1990s, according to the report.



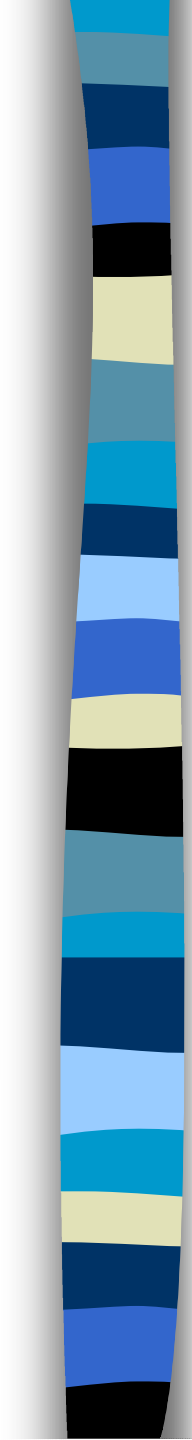
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- “Federal programs of interest to nonprofit organizations -- groups that often serve as the backbone of communities in times of crisis -- will be cut between \$40 billion and \$71.5 billion over the next years,” according to The Aspen Institute.
- Projected budget cuts in “programs of interest to nonprofits,” excluding health and income assistance programs, are expected to be slashed by \$3.2 billion in the Fiscal Year 2006 budget, followed by \$11 billion in 2007, \$15.4 billion in 2008, \$20.4 billion in 2009, and \$21.5 billion in 2010, totaling \$71.5 billion over the five years.



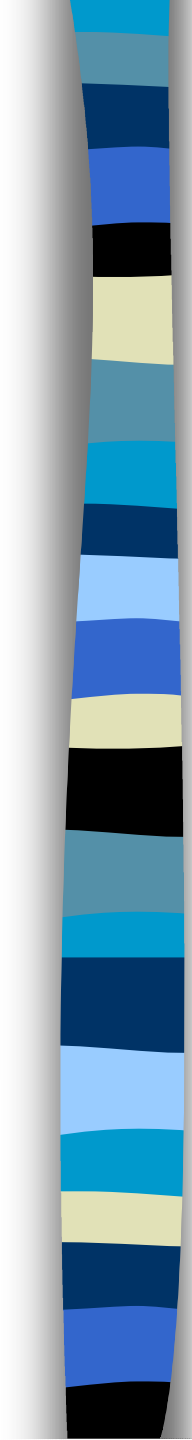
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- The experts believe private contributions would have double or triple what is expected in the coming years if the private sector was to make up the cuts. They project a growth of about \$26.4 billion in private giving, approximately \$45 billion short of the \$71 billion cuts.
- “While the proposed reductions would almost certainly increase demand for nonprofit services, they would simultaneously reduce the funding many nonprofits have available to meet even previous demands,” according to the report. “These shortfalls will leave many community groups scrambling to serve those in greatest need, particularly in times of crisis.”



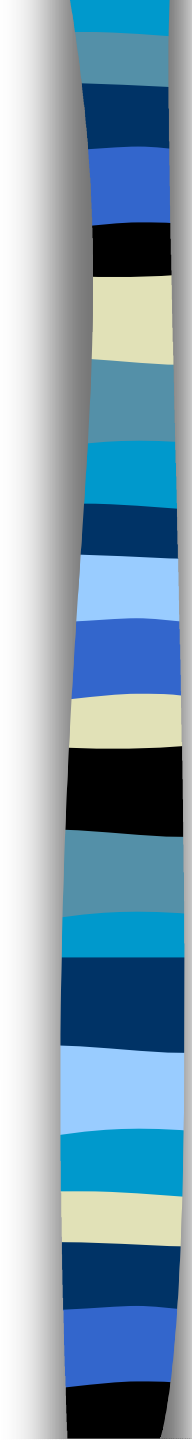
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- According to the report, federal support for nonprofit organizations has grown 135 percent during the last quarter-century, from \$122.6 billion in FY 1980 to \$288.8 billion in FY 2005; an average increase of about 5.4 percent per year. But most of that growth was “concentrated and accrued to health care providers, especially hospitals,” and outside of that field, federal support dropped from \$23.5 billion to \$17 billion between 1980 and 1988; a decline of an average of 3.5 percent per year.



Continued 9

- What increases there were to non-health-related nonprofits during the 1990s was due largely to changes in Medicaid and welfare assistance programs, the report stated, funneling support to nonprofit social service providers. NPT



Conclusions from the news

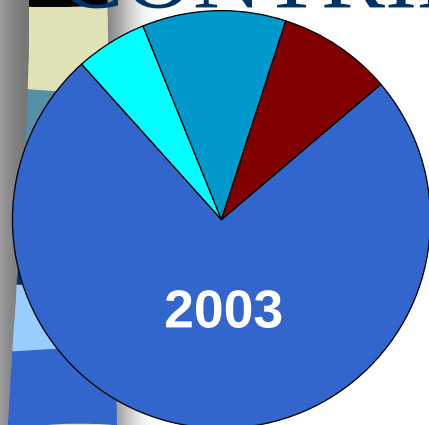
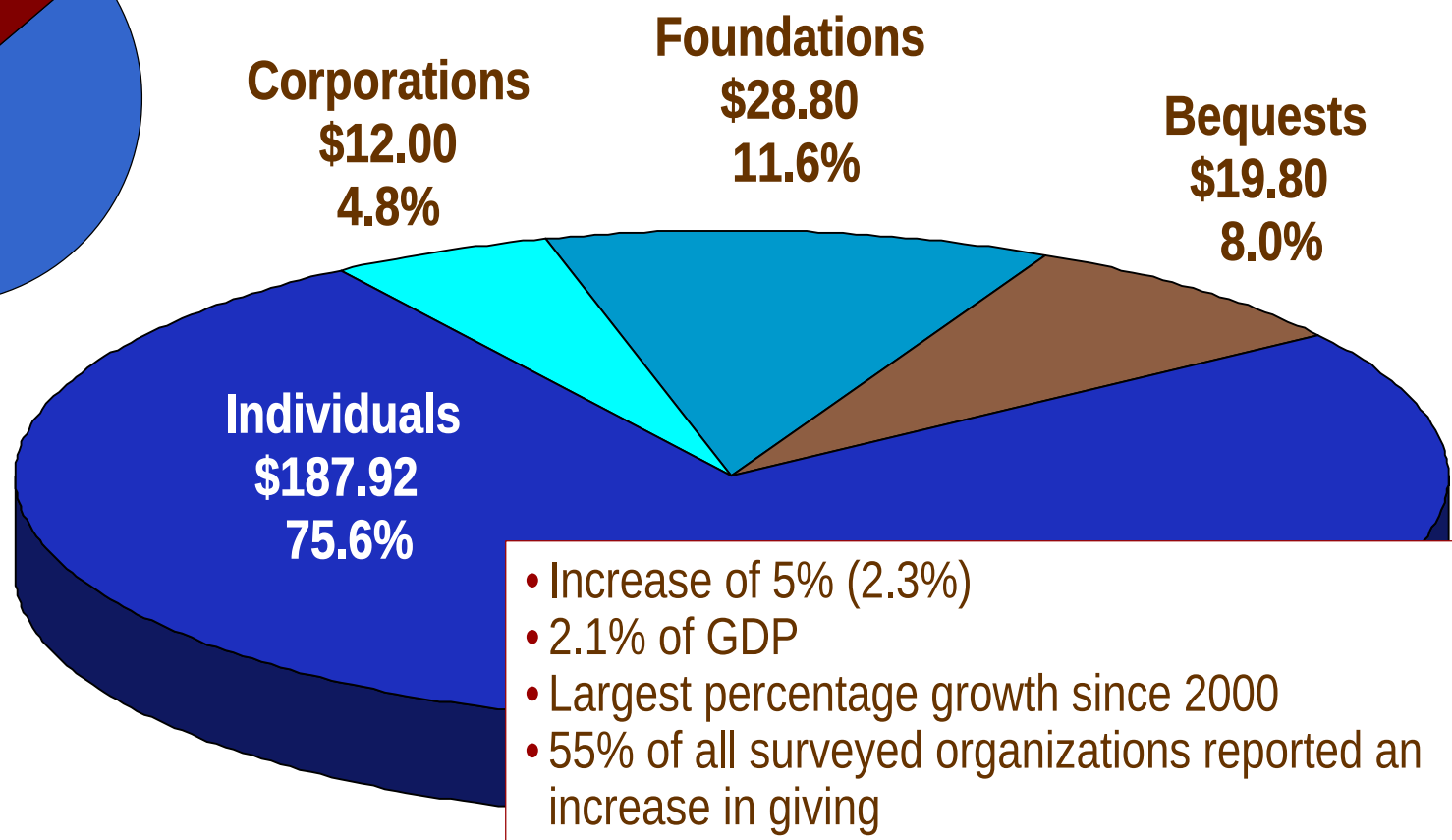
- Philosophical
- Practical

Second, some data and conclusions

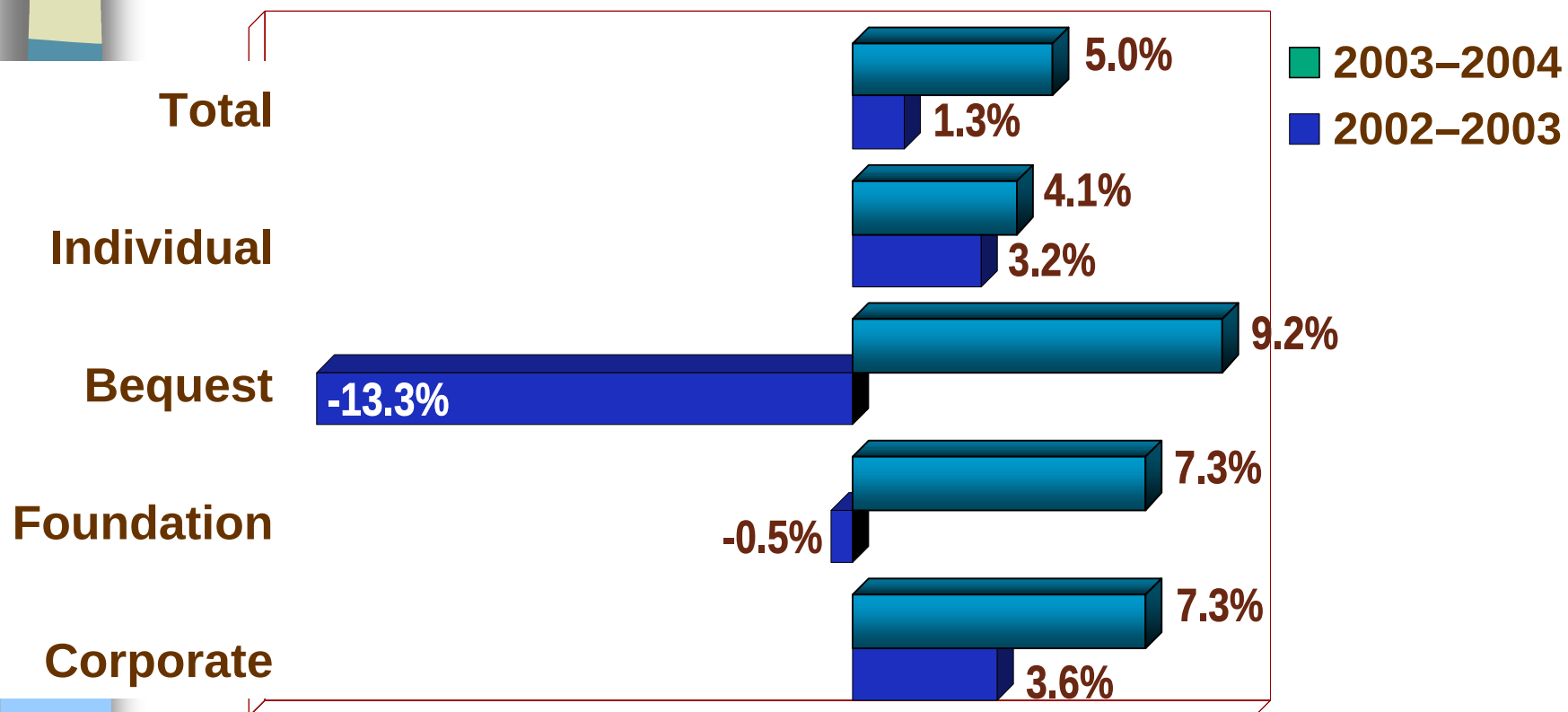
- Source of data: Giving USA Foundation™ – AAFRC Trust for Philanthropy/*Giving USA 2005*.
- *This material was presented last at the Levin College by*
- Edith H. Falk, CFRE - President,
- Campbell & Company



2004 CONTRIBUTIONS: \$248.52 BILLION BY SOURCE OF CONTRIBUTIONS

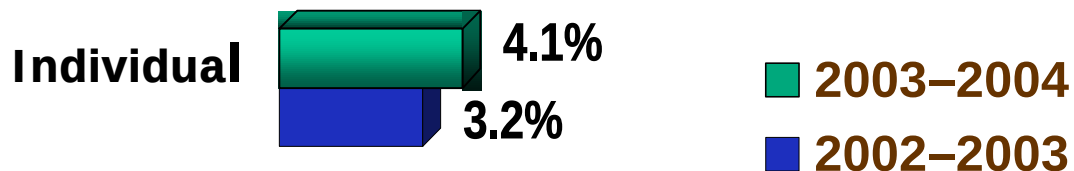


CHANGES IN GIVING BY SOURCE 2003–2004 AND 2002–2003



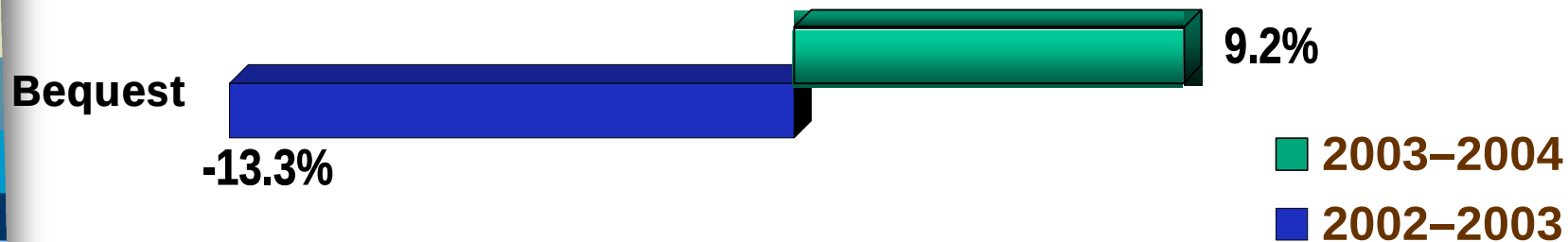
Percentage change from previous year

CHANGES IN GIVING BY SOURCE 2003–2004 AND 2002–2003



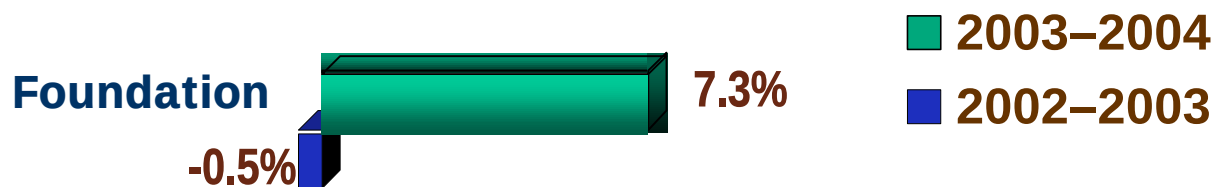
- ▶ \$187.92 billion (75.6% of total)
- ▶ Increase of 4.1% (1.4%)
- ▶ Economy has benefited top income brackets more than middle income brackets (holding growth back?)
- ▶ Approximately 66% of all households give

CHANGES IN GIVING BY SOURCE 2003–2004 AND 2002–2003



- ▶ \$19.8 billion (8% of total)
- ▶ 9.2% increase (6.4%)
- ▶ Value of large estates mostly driven by stock portfolios
- ▶ Total bequest giving dramatically impacted by estates of more than \$20 million (40% of total, but just 15% of returns)
- ▶ No data suggest “rollback” of estate tax has reduced generosity

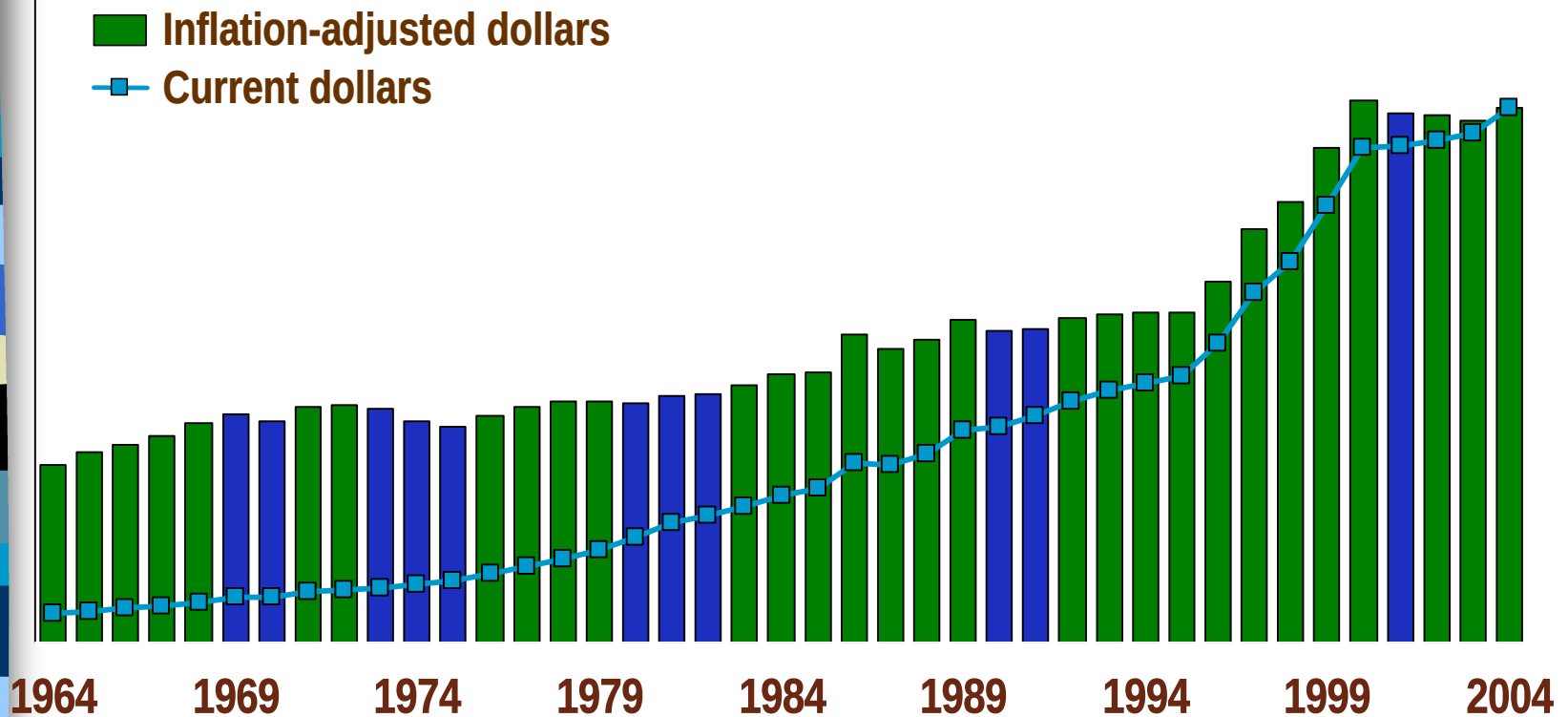
CHANGES IN GIVING BY SOURCE 2003–2004 AND 2002–2003



- ▶ \$28.8 billion (11.6% of total)
- ▶ Increase of 7.3% (4.5%)
- ▶ Foundation Center estimates total asset growth of \$40.5 billion in 2003 (9.6%)
- ▶ New gifts of \$21.6 billion in 2003
- ▶ 2,268 new grant making foundations in 2003

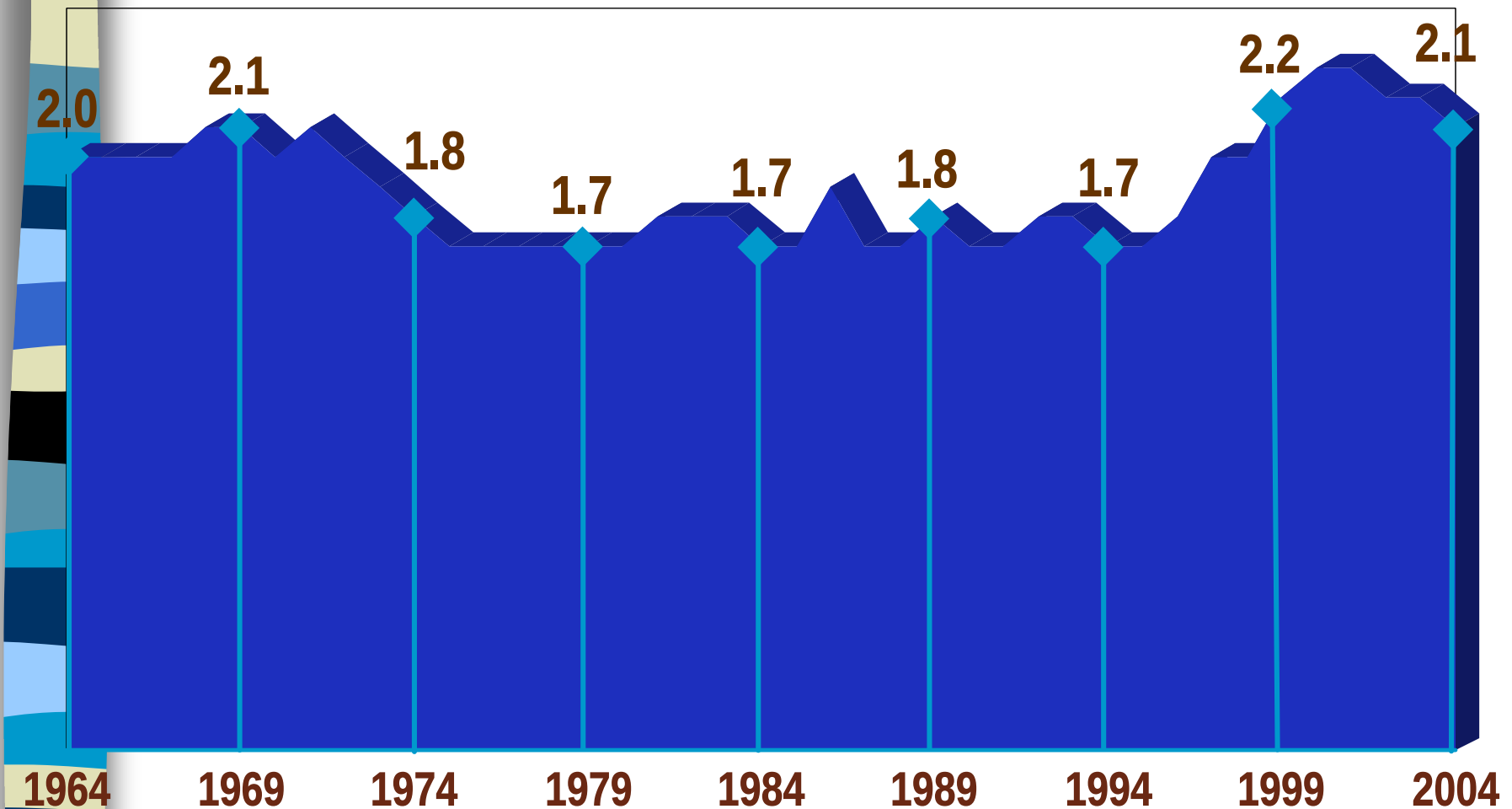
TOTAL GIVING, 1964–2004

(\$ in billions)



Recessions in blue: 1969–70; 1973–75; 1980; 1981–82; 1990–91; 2001

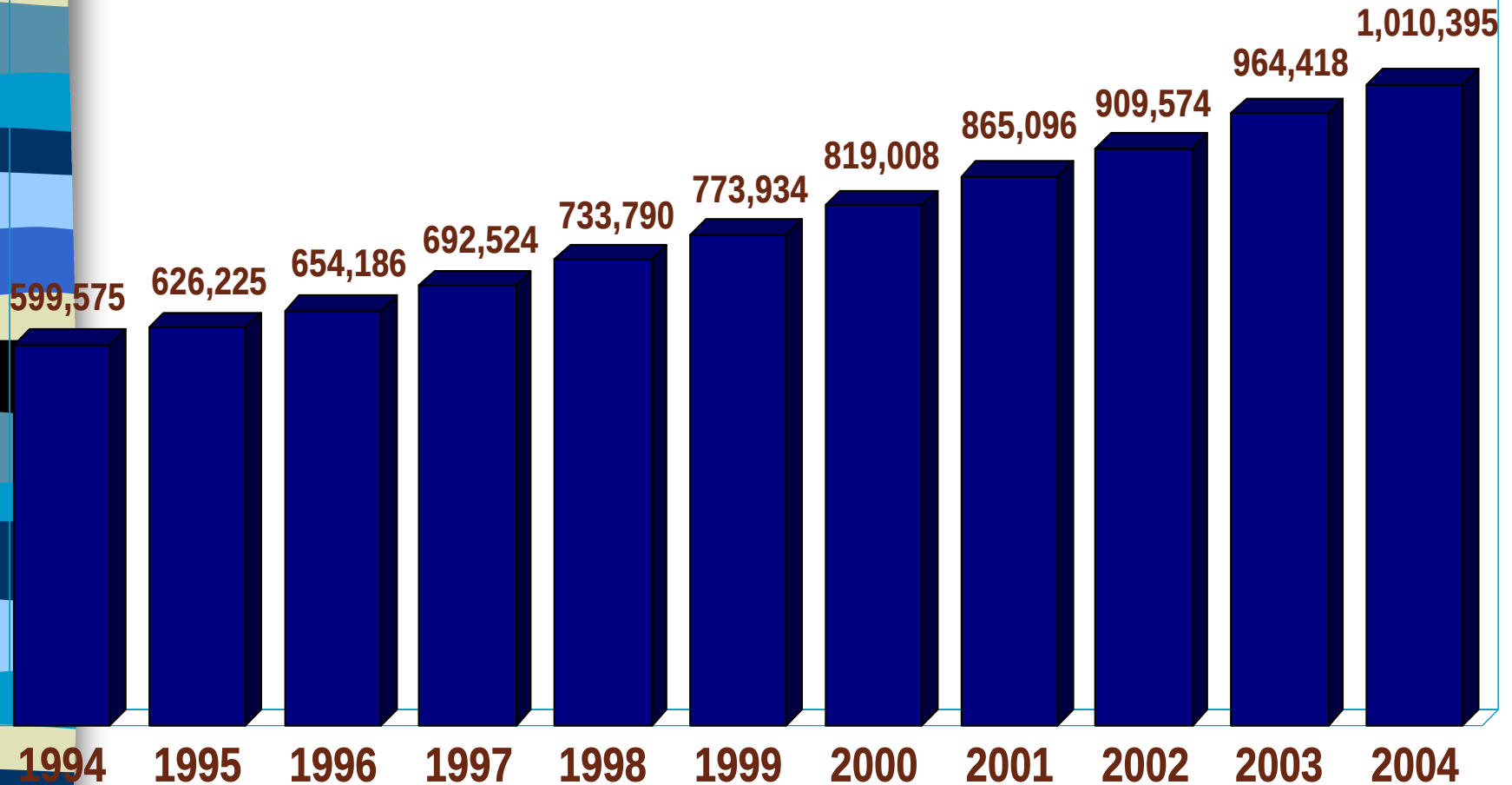
TOTAL GIVING AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT, 1964–2004



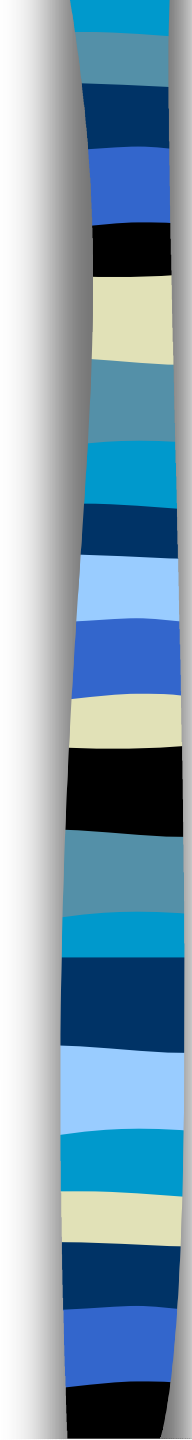
Data are rounded.

Source: Giving USA Foundation™ – AAFRC Trust for Philanthropy/*Giving USA 2005*

THE NUMBER OF 501(c)(3) ORGANIZATIONS 1994–2004



Source: Giving USA Foundation™ – AAFRC Trust for Philanthropy/*Giving USA 2005*



Changing Data Into Action

1. Focus on mission; make sure your case is clear and compelling
2. Pay more attention to your mid- and upper-level donors
3. Re-evaluate your annual giving strategy vis a vis “best practices”
4. Analyze the cost effectiveness of the components of your overall development effort
5. Examine how you recruit, use and retain your professional development staff

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