

KEY ISSUES FACING

HIGHER EDUCATION

PHILANTHROPY



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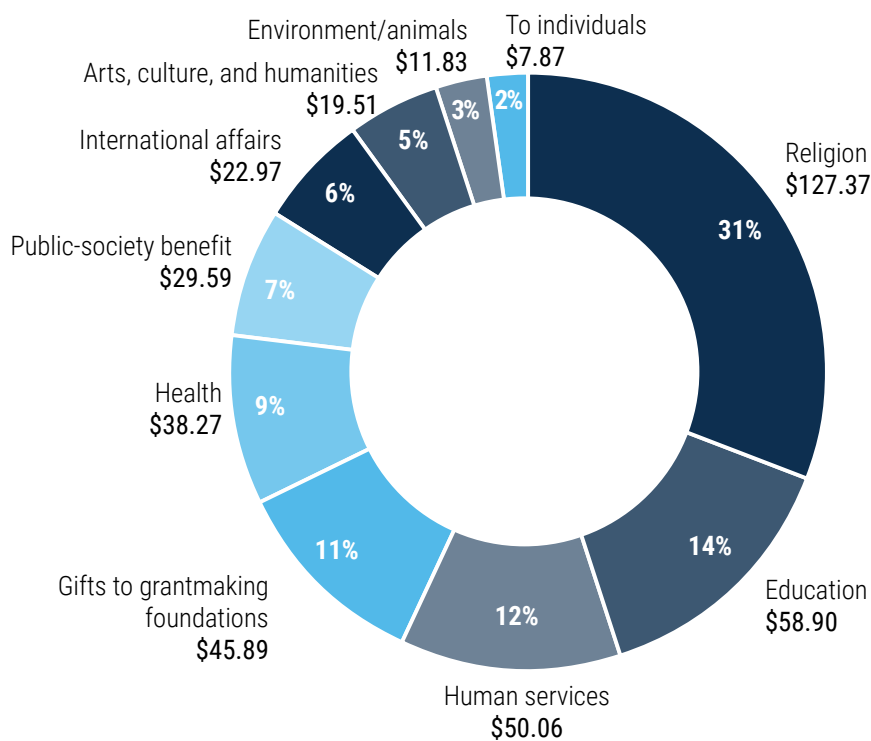
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INTRODUCTION

In 2017, total giving by Americans surpassed the \$410 billion mark for the first time (Giving USA 2018b). Figure 1 shows that education received the second largest share of these charitable dollars, after religion (Giving USA 2018b). Nearly half of all donations from the largest 50 donors in the United States went to colleges and universities.

The sheer magnitude, scope, and complexity of American giving provides a renewed opportunity to examine the intricate interrelationships between U.S. philanthropy and America's colleges and universities and how they are changing.

FIGURE 1: Total giving by Americans in 2017 (billions)

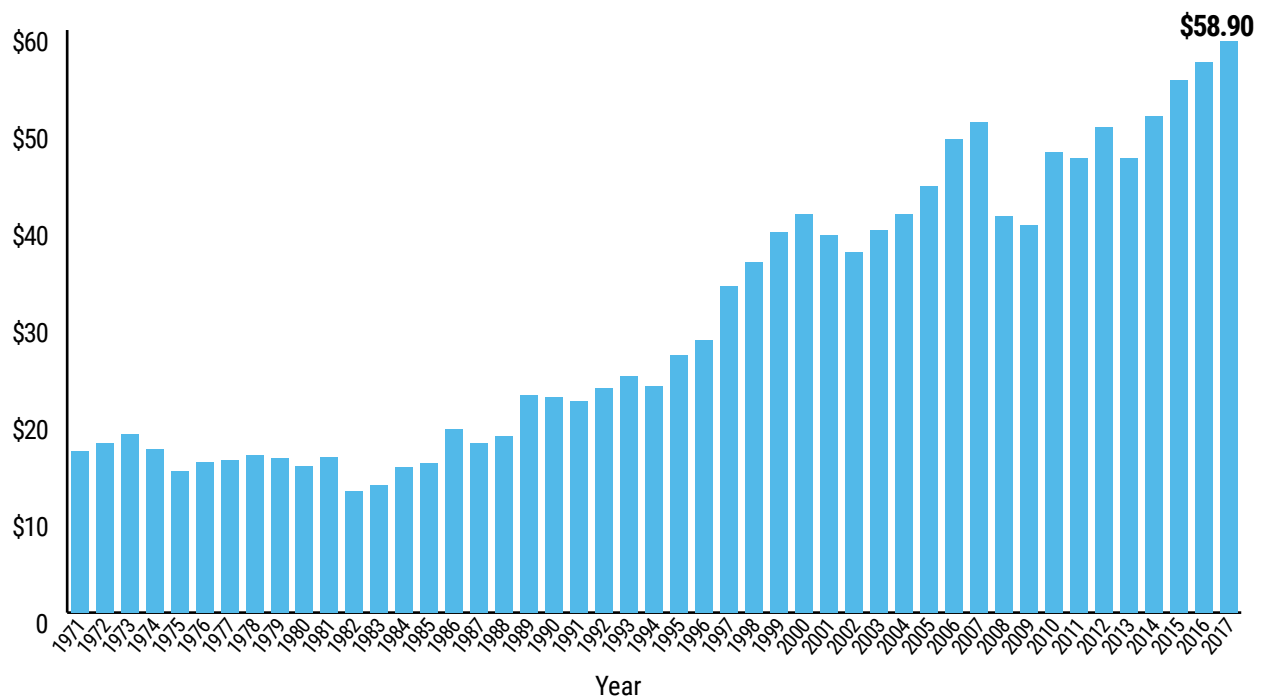


Total giving by Americans in 2017 was \$412.26 billion. Education received the second largest share of these philanthropic contributions.

Source: Giving USA 2018: The Annual Report on Philanthropy for the Year 2017

According to Peter Dobkin Hall (1992), “No single force is more responsible for the emergence of the modern university in America than giving by individuals and foundations” (409). Philanthropy has influenced intellectual pursuits, provided material support, and fueled innovation. Figure 2 shows that the growth of the American education landscape from gifts large and small reached a new record of \$58.9 billion in 2017. About 70 percent (\$48.23 billion) of that total went to higher education institutions.

FIGURE 2: Overall growth in giving to education (billions)



Source: *Giving USA 2018: The Annual Report on Philanthropy for the Year 2017*

In an era of declining public funding, private philanthropy has played an increasingly visible and vital role for both public and private institutions. Approximately one-third of the research budgets of America's leading universities comes from philanthropic gifts (Murray 2013). In addition to supporting the expansion of facilities and supplying risk capital for research and curriculum development, philanthropy contributes to financial aid for low-income students and others who face barriers to accessing and completing college. Thus, giving to higher education provides improved economic opportunity and strengthens America's civic and economic fabric (Thelin and Trollinger 2014).

The goal of this report is to illuminate important shifts in American philanthropy and their implications for U.S. colleges and universities. The report examines three major forces—economic change, demographic shifts, and technological innovation—and explores key trends in philanthropy to higher education. It focuses on the factors that influence large gifts of a million dollars or more, analyzes giving by American households over time, and strategically examines areas for expanding an aging donor base. As colleges and universities continue to attract students of diverse backgrounds, it follows that new strategies to engage communities of color and women are vital given their increasing visibility in philanthropy.

Another key aspect of giving to education that deserves close attention is how younger and diverse Americans, specifically millennials (born between 1980 and 2000), are reshaping philanthropy. The paper culminates with discussion of implications for the future.

KEY QUESTIONS

Understanding changes in how Americans are giving to higher education can provide useful insights for effectively influencing higher education donors, leaders, and policymakers. This paper addresses the following questions:

- How are the patterns of philanthropy to higher education changing?
- How do economic and socio-demographic factors explain the changes in giving to higher education over time?
- What fraction of Americans are giving, how much are they giving, and how will these factors impact higher education giving?

CURRENT FORCES SHAPING HIGHER EDUCATION PHILANTHROPY

Economic Factors

Research has long established that charitable giving is linked with national and regional economic trends (List and Peysakhovich 2011; Osili, Ackerman, and Li 2018). During the Great Recession, Americans gave less, both in absolute and relative terms. In 2008, Giving USA noted a double-digit percentage decrease in inflation-adjusted giving by individuals (-11.7 percent), from 275.5 billion in 2007 to 243.4 billion in 2008 (Giving USA 2018b). Although the economic shocks associated with the Great Recession greatly influenced U.S. philanthropy, its effects were not felt uniformly by all donors, across all charitable subsectors, or geographic regions.

Giving to education also declined by double digits during the Great Recession. Additionally, giving as a percentage of disposable personal income fell from 2.2 percent in 2007 to 1.9 percent during the Great Recession (Giving USA 2018b). Individual giving as a share of disposable income has now recovered, and has remained stable at 2.1 percent of disposable personal income since 2014 (Giving USA 2018b).

Socio-demographic Forces

Today, a complex set of socioeconomic and demographic factors shape both the likelihood of giving to education among American families and the levels of charitable giving to education and other causes. While several factors influence the choice to donate, some key indicators such as household income, gender, wealth, educational attainment, marriage, and religious affiliation and attendance are generally positively associated with an increased likelihood of donating to charity and the amounts donated.

Technological Innovation

Evidence suggests disruptive, technology-enabled forces are emerging within higher education philanthropy. Mobile platforms, peer-to-peer fundraising, crowdfunding, text-to-give campaigns, and social media have reduced barriers to giving and have the potential to make philanthropy to America's colleges and universities more democratic and inclusive. The online fundraising platform GiveCampus has garnered some interest and has shown growth over time for higher education institutions who seek to expand small and midsize donations.

Online giving now makes up 8 percent of total donations and is growing faster than total giving. From 2016 to 2017, total online giving increased by 12 percent (Blackbaud 2018b). Blackbaud estimates that 14 percent of those online donations were made using a mobile device. Early indicators suggest that the most recent #GivingTuesday (in November 2018) achieved new records for average gift size and number of organizations receiving donations. Compared with total online giving, even higher shares of #GivingTuesday donations were made via mobile devices, at 29 percent (Blackbaud 2018a). Crowdfunding campaigns are also increasingly popular.

A NOTE ON DATA SOURCES

To further examine the roles of economic and demographic forces in the changing landscape of higher education philanthropy, this study draws from several data sources, including the Million Dollar List, a study housed at the Indiana University Lilly Family School of Philanthropy, and the ongoing Philanthropy Panel Study (PPS), a module within the University of Michigan's Panel Study of Income Dynamics (PSID). More information about the Million Dollar List and PPS can be found in the Data Appendix.

MAIN FINDINGS

Who Gives to Higher Education?

Foundations and individual giving by alumni and non-alumni to higher education make up the most significant component of higher education philanthropy. In 2017, giving by foundations (including family foundations) to higher education reached \$13.13 billion, and alumni giving amounted to an estimated \$11.4 billion, comprising 30 and 26 percent, respectively, of all higher education giving (Council for Aid to Education 2018).

However, philanthropy from individuals and foundations provide far more than one-time donations, gifts, and grants to institutions. Donors are increasingly committed to advocacy, policymaking, and systemic reform efforts (Reckhow and Snyder 2014; Tompkins-Strange 2016), although critics point out that this emphasis has magnified their influence and reinforced inequality (Reich 2018).

Trends in Large Gifts

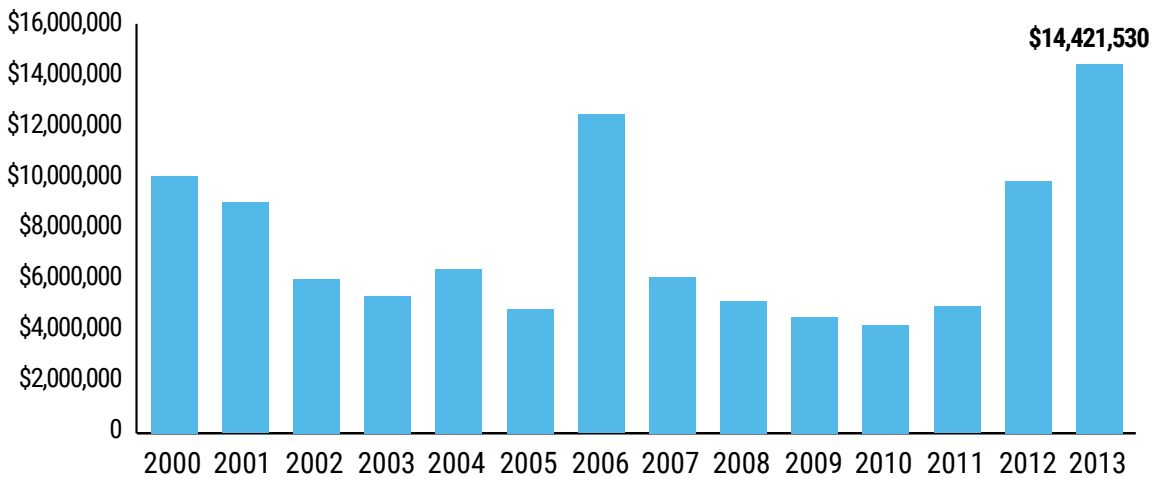
In 2017, nearly half of all donations from the 50 top donors in the United States went to colleges and universities. Large gifts to higher education from high net worth and ultra-high net worth donors have received attention because of their sheer magnitude and their impact on the capacity of institutions to deliver on their missions.

Based on a decade of information on high-dollar philanthropy drawn from the U.S. Trust Study of High Net Worth Philanthropy, high net worth households were more likely to donate to education than to any other cause. After contributions to giving vehicles such as donor-advised funds (28 percent), high net worth donors gave the second largest share of their dollars (27 percent) to education (Center on Philanthropy at Indiana University 2011). Additional research from a 2018 Giving USA special report shows that DAF account holders gave their largest share of their grants to the education subsector (28 percent of average yearly contribution).

An examination of donations of a million dollars or more collected through the Million Dollar List study (Osili et al. 2017) found that higher education institutions and foundations received the largest share of such contributions. While million-dollar-plus gifts to institutions of higher education make up more than one-third of the total giving, the remaining two-thirds of million-dollar donations are directed at a wide range of other causes such as the arts, health care, and the environment.

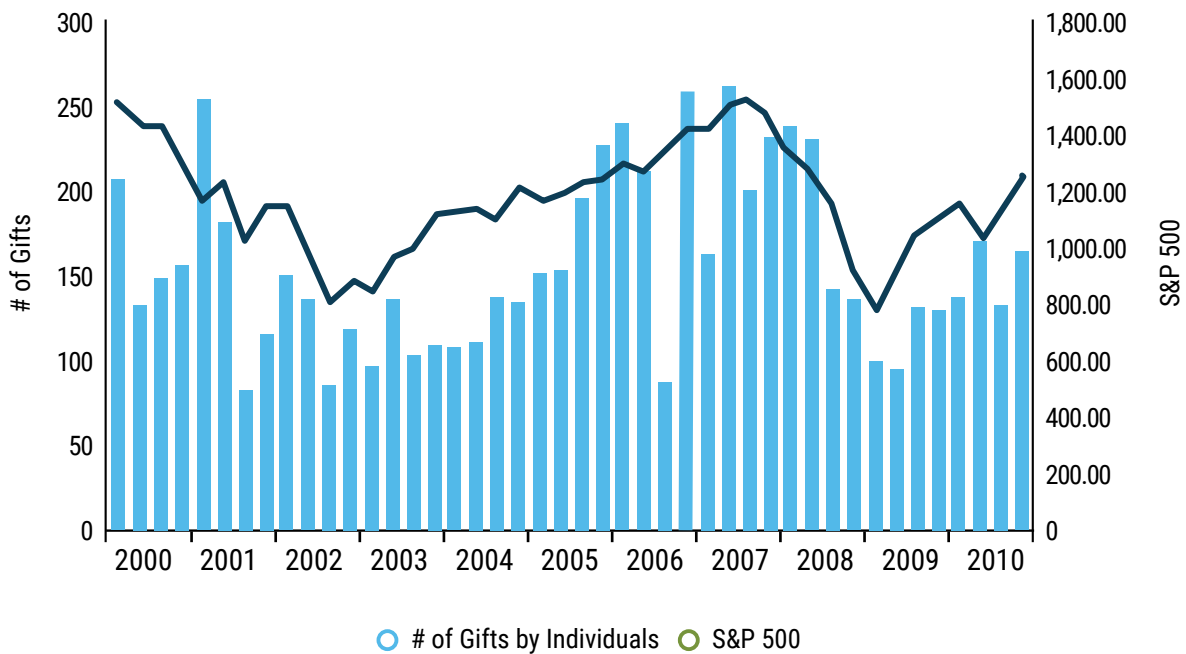
Figure 3 shows that the average value of million-dollar-plus gifts to higher education has grown since 2010 (although the number of such gifts has tended to vary over the past decade). Of the factors that explain this fluctuating pattern, the economy stands out: Figure 4 shows that the number of million dollar-plus gifts closely tracks the S&P 500.

FIGURE 3: Million dollar gifts: average gift size, 2000–2013



Source: Indiana University Lilly Family School of Philanthropy, *Million Dollar List: Scaling Philanthropy: Methodology and Summary Statistics*

FIGURE 4: Quarterly individual million dollar-plus gifts vs. S&P 500



Sources: S&P 500: <http://finance.yahoo.com>; Osili, U., et al. (2011). *Million Dollar List: Scaling Philanthropy: Methodology and Summary Statistics*. Indiana University Lilly Family School of Philanthropy.

Previous research on million dollar-plus giving has focused on donors and the factors that led them to give. Strickland (2007) explored the motivations of donors to higher education and found that contemporary large donors are interested in cultivating change and hope to have a transformative impact on the institutions to which they donate. Today’s donors value effectiveness, trust, and accountability in the institutions that receive their support.

A recent study conducted by the Lilly Family School of Philanthropy at Indiana University titled Million Dollar Ready took a unique approach by considering what characteristics of higher education organizations consistently attract million dollar-plus gifts. In other words, what makes them “million dollar ready”? The study explores two dependent variables: the number of million dollar-plus gifts received by an institution from 2000 to 2012 and the total value of those gifts. The following independent variables were also analyzed by age, location, liberal arts institution, doctoral or Research University, Carnegie Classification, institutional rank, size, location, presidential tenure, board giving, and endowment level, among others.

To determine which institutional factors are linked with changes in million dollar-plus giving, the study examined how each key independent variable in 2000 or 2001 (e.g., ranking, endowment value, etc.) affected the total number and total value of million-dollar-plus gifts over the entire period 2000 to 2012.

Study results indicate that location, presidential tenure, board giving, rankings, and investments in faculty and staff are closely linked with success in attracting transformational gifts. Based on the qualitative interviews conducted with higher education institutions, the study also revealed that higher education institutions that invest in staff and nurture and sustain long-term relationships with donors are more likely to receive million dollar-plus gifts. In addition, the study emphasized the following key findings for higher education leaders:

- Develop a strategic vision for the university and ensure that the vision is shared by institutional staff, faculty, and communities.
- Engage alumni and community leaders to build and sustain deep relationships with key alumni and non-alumni donors that share common values.
- Build a transformative case for philanthropic support that can inspire donors, staff, faculty, and community.

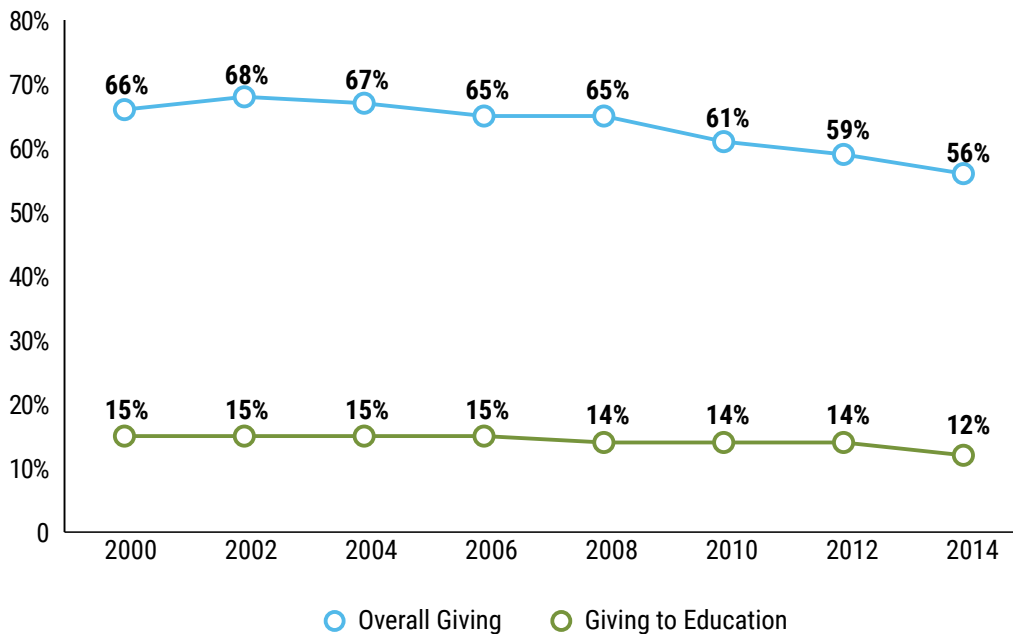
Giving Across Income Levels

Beyond large gifts, philanthropy to higher education has benefited from gifts of all sizes and from donors of all income levels. The generally accepted narrative of U.S. philanthropy states that about two-thirds of adults give. However, beginning around the time of the Great Recession, participation rates have declined considerably in recent years.

In the past, U.S. colleges and universities have drawn on wide-ranging sources of support. The earliest fundraising programs in U.S. higher education were annual giving programs focused on alumni donations. Known as “living endowments,” contributions from the first formal alumni associations in the United States were founded throughout the country in the early 1800s.

New research allows a close examination of the recent changes in giving among American households. Figure 5 shows that the percentage of American households that donate at least \$25 in a year (known as the participation rate in giving) has dropped markedly over time. While more than two-thirds of Americans donated to charity in 2000, only 55.5 percent gave in 2014, according to the Philanthropy Panel Study (PPS) (Osili et al. 2017). At the same time, households that have continued to donate are giving more. In 2014, American families who donated gave a total of \$2,514 on average, up from \$2,039 in 2000. This explains an overall growth in giving at least for now.

FIGURE 5: U.S. households giving rates, 2000–2014



Source: Osili, Una, Mark Ottoni-Wilhelm, and Xiao Han. 2015. *Philanthropy Panel Study, 2015*. Ann Arbor, MI: Inter-university Consortium for Political and Social Research [distributor]. <https://doi.org/10.3886/E101264V1>.

Recent studies from the Lilly Family School of Philanthropy offer empirical evidence to suggest that higher education can adapt approaches today to ensure a pipeline of donors for tomorrow. The research dispels myths about who gives and why. We found that when we account for variables that affect giving, such as education, income, and wealth, the incidence of giving or total amount given by households with an African American and/or Hispanic head of household is not significantly different from other ethnic and racial groups. We have found consistently that women are more likely to give and give more compared with their male counterparts, holding other variables constant (Osili and King 2016)

Giving to Educational Causes

An in-depth look at the data suggests some challenges ahead for higher education philanthropy. The ranks of Americans who do not contribute to educational causes have grown over time. While older households (over age 60) have played an outsized role by increasing their giving rates and amounts donated to educational purposes, younger households' giving rates to education have grown more slowly during the past decade.

To explain these shifts, several scholars have emphasized both the lasting impact of the Great Recession as well as each generation's unique experiences and resulting values and beliefs that shape distinct philanthropic identities (Rooney et al., 2018). Younger Americans have come of age in the age of social media and technology, greater global connectivity, and declining levels of trust in institutions. These factors shape their giving to higher education and must be closely followed. As Millennials gain economic and financial stability, the question is whether their giving rates and amounts donated to educational causes (and to overall charitable giving) will accelerate as their income levels and wealth rise.

The shifting policy landscape also has the potential to influence higher education giving. One likely consequence of the passage of the Tax Reform and Jobs Act in 2017 is that changes in the long-standing incentives for charitable giving may reduce the share of middle-income Americans who benefit from the charitable deduction. It may be too early to determine the specific impact of tax reforms on giving to higher education, although existing research suggests that changes in tax incentives may influence giving levels by everyday American households going forward.

THE FUTURE

While philanthropy is playing a more visible role in America, it is also transforming in response to economic volatility, demographic shifts, and technological innovation. Similarly, higher education must confront changing times and address societal problems such as rising income inequality and declining rates of social mobility. These forces call for new approaches to meet complex challenges.

Looking ahead, philanthropy has a pivotal role to play in ensuring that U.S. colleges and universities can innovate and accelerate their contributions to social, technological, and economic growth. Importantly, tomorrow's higher education philanthropy also has a unique opportunity to enrich its fundraising approaches with new talent and leadership and to employ strategies that engage diverse donors.

With demographic shifts becoming more pronounced, higher education institutions can experiment with new models of engagement that reflect the motivations and interests of donors. Given women's rising power and influence in philanthropy, recognizing and enlisting the active participation of female donors is vital. Expanding the roles of women in campaign leadership and developing initiatives that cultivate female board members from a range of backgrounds will reflect a commitment to inclusion and improve outcomes. Embracing diversity and inclusion in order to reflect the values of a pluralistic society is critical to the success of twenty-first-century higher education philanthropy.

Higher education institutions would also benefit from taking greater advantage of expanded fundraising tools such as impact investing, online campaigns, and cause marketing. New vehicles and platforms are attracting more interest in philanthropy because of their potential to achieve scale and reach younger and previously untapped audiences. Donor advised funds have also grown over time, although recent policy debates have raised questions about payout rates and their implications for the philanthropic sector.

The Great Recession exposed the philanthropic sector's vulnerability to economic shocks. Taken together, large-scale demographic shifts, economic and fiscal uncertainty, external societal forces, and the growing role of technology promise to shape future giving to higher education. Understanding how to adapt to an ever-changing environment will mean developing new models of relationship-building that inspire, deepen, and sustain interest in higher education philanthropy over time.

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DATA APPENDIX

The Million Dollar list includes publicly announced charitable gifts of \$1 million or more given by U.S. residents, corporations, private foundations, and other grant-making nonprofits to domestic or international entities. Updated on an annual basis since 2000, this searchable online database contains information on donor characteristics, amounts given, donor and recipient locations, specific subsectors to which gifts were given, and additional descriptive information, where possible. Interactive charts and maps present graphic representations of key aspects of the data.

This report also draws on the ongoing Philanthropy Panel Study (PPS), a module within the University of Michigan's Panel Study of Income Dynamics (PSID).

The PPS is the only existing longitudinal dataset on philanthropy based on a nationally representative sample of U.S. households. To date, it is the only resource that can illuminate how demographic shifts will influence generosity across generations now and in the future. More information about the PPS can be found on the Lilly Family School of Philanthropy at Indiana University's website at <https://philanthropy.iupui.edu/research/current-research/philanthropy-panel-study.html>.

