

Examining Charitable Giving and Trends in the Nonprofit Sector Senate Finance Committee

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My name is Una Osili, and I am the Associate Dean for Research and International Programs at the Indiana University Lilly Family School of Philanthropy and the Efroymson Chair in Philanthropy and Economics. I want to thank the Distinguished Members of the Committee for this opportunity to speak today about how the pandemic has influenced charitable giving, how technology has changed the ways people give, and how policymakers can facilitate cross-border giving.

Philanthropy has long been a cornerstone of our nation. Many early Native American giving traditions were rooted in cultural beliefs of mutual responsibility and reciprocity. The Massachusetts Bay Colony led one of the first successful fundraising drives in 1641.

America's long-standing tradition of generosity has persisted over time. The philanthropic sector is a vital part of the provision of public goods, disaster relief, and risk capital for innovation, as well as a contributor to the health and vitality of civil society.

Giving during the COVID-19 crisis

In the past two years, giving, both informally and formally, has played a visible role in responding to the pandemic in the U.S. and abroad. Furthermore, during the COVID-19 era, philanthropy has been unprecedented in size, scale, and scope. During this crisis, religious congregations, grassroots organizations, community foundations, and nonprofits in areas such as health and food insecurity have demonstrated resilience and creativity in meeting urgent needs.

It is important to emphasize that charitable giving grew during the first year of a global pandemic, with 2020 being the highest year of charitable giving on record at \$471.44 billion [1]. Total philanthropic giving in 2020 rose 5.1 percent over 2019. When we consider inflation, the total amount still increased, with a total increase of 3.8 percent.

Sixty-nine percent of this total – approximately \$324.10 billion – was contributed by living individuals. Foundations, charitable bequests, and corporations account for the remaining 31 percent.

Research has long established that charitable giving is linked with key economic and financial factors.

When we examine the subsectors of charitable giving during the pandemic era, two categories of charitable giving saw significant growth in giving in 2020. Public-society benefit organizations showed the largest increase at 15.7 percent, and these organizations include national donor-advised funds, United Ways, and civil rights organizations, among a wide range of nonprofits. Giving to environmental and animal organizations went up by 11.6 percent.

Giving to education also increased by 9 percent, driven by a robust end-of-year stock market. Human services organizations experienced increases in giving, growing by an estimated 9.7 percent, or 8.4 percent adjusted for inflation.

However, not all subsectors experienced growth. Giving to arts, culture, and humanities declined 7.5 percent, or 8.6 percent, adjusted for inflation.

How are Americans giving, and to whom are they giving?

Initial evidence also suggests that the global COVID-19 pandemic is altering how and why people give [2]. The events of 2020 have accelerated innovation in the ways individuals are participating in philanthropy today and expanded more traditional methods, such as in-kind giving and mutual aid. At the local level, community-based emergency funds have coordinated efforts to avoid duplication and address unprecedented health and economic needs. Informal acts of generosity were also widespread. For example, masks were sewn and gifted to healthcare workers [3], and local restaurants distributed meals.

At the same time, American households have grown in their reliance on technology for connecting with others during the global pandemic; nonprofits have adapted to virtual events, online fundraising, and donor engagement. In 2020, online giving in the U.S. increased by approximately 21 percent compared to 2019 [4]. Online giving continued to grow in 2021, with an increase of 9 percent from 2020 [5].

The use of technology interconnected donors and sectors on common platforms. Technology brought donors and many nonprofits together and often maximized contributions through collective giving and matching gifts. It also increased transparency by allowing donors and nonprofits to understand better how funds were being used and their effectiveness. At the same time, technology also presents new challenges for nonprofits who seek to engage donors and build trust and confidence.

In addition to technology, crowdfunding, giving via cryptocurrency, and impact investing have altered fundraising approaches and enlarged volunteer opportunities and donor engagement. Crowdfunding – raising capital from a large and diverse pool of donors via online platforms – is a noteworthy example of innovation in giving mechanisms. Like other forms of online giving, it has expanded in recent years. During 2020-2021, the COVID-19 pandemic, the racial and social justice movement, and economic uncertainty accelerated the use of crowdfunding by individuals to address health and financial hardships and to raise funds for various racial and social justice causes.

Based on a national survey conducted in 2020, a new study examines closely who crowdfunding donors are, how they are different from more traditional charitable donors, and the activities they support and their motivations [6]. The study found that about one-third of Americans typically donate to crowdfunding projects. Motivations for crowdfunding donors are similar to those factors for traditional charitable donors. However, the study also showed that crowdfunding donors tend to be younger and more diverse than traditional donors.

To assess the impact of individual giving during the pandemic, the Lilly Family School of Philanthropy also conducted and examined two comprehensive national surveys on household giving priorities and motivations. [7].

Survey questions explored how COVID-19–related factors may affect charitable giving. These factors include social distancing and lockdowns, COVID-19 infections amongst friends and family, and financial uncertainties incurred. In addition, the surveys asked about motivational factors for giving to COVID-19–related causes. The surveys revealed that self-reported giving of all types among Americans went up by 4–6 percentage points from May to September 2020 [7]. Informal giving and volunteering also remained strong during this period.

Taken together, the data also suggests that the philanthropic sector is facing a greater demand for services and increased giving from existing and new donors. Nonprofit organizations are adapting new modes of service delivery, staffing shortages, and virtual modes of engagement.

According to additional survey evidence from 2021, the share of households who gave directly to charitable organizations, individuals, or businesses for COVID-19 relief increased by 9.3 percentage points from May 2020 to May 2021[8].

In response to the pandemic, overall charitable giving to organizations focused on basic needs and health saw strong growth from May 2020 to May 2021. While giving to organizations focused on religion and all other purposes also increased during this time, U.S. households are giving less to these organizations than before the pandemic began.

Donations to racial and social justice causes increased in 2020. This increase included donations to Historically Black Colleges and Universities, as well as grassroots organizations, with 15.7 percent of Americans contributing to these causes in 2020 [9].

Cross-border giving

Philanthropy plays a vital and increasingly visible role in the global economy. Charitable contributions can be targeted to meet real-time challenges, provide risk capital for innovation, and support recovery in communities.

The outpouring of cross-border generosity in response to the devastation from the COVID-19 pandemic has been tremendous [10]. Not only have private donors increased their giving, but they used new tools and vehicles for giving, including impact investments, cryptocurrency, collective giving, and pooled funds.

Despite this progress, addressing the urgent humanitarian issues in many regions, including the refugee crisis in Ukraine, requires an acceleration of efforts to harness private sector resources from individual donors, foundations, and corporations.

The most recent *Global Philanthropy Environment Index* (GPEI), released in March 2022, reveals significant obstacles to expanding philanthropic flows [11]. The *Index*, which measures philanthropic environments worldwide using data collected by country-based experts, examines the incentives and barriers that could affect individuals' and organizations' charitable efforts.

Findings from the 2022 *GPEI* suggest that the global philanthropic environment was slightly more favorable in 2018-2020 than in 2014-2017. Three-fifths of the 91 countries and economies studied reported a favorable environment for philanthropy. Yet, among the 79 countries and economies studied in both 2018 and 2022 *GPEI*, this improvement was inconsistent, with about 30 economies reporting a shrinking space for philanthropy due to their political environments. When examining the enabling environment for cross-border philanthropic flows, over 30 percent of the 91 countries and economies studied in the 2022 *GPEI* reported a restrictive space for cross-border philanthropic flows. Among the 79 countries and economies included in both 2018 and 2022 *GPEI*, more than one-third reported a shrinking space for cross-border philanthropy. Some countries have imposed high costs and burdensome administrative requirements on philanthropic inflows and outflows with implications for donors and nonprofits working across borders.

Final observations

The generous response by U.S. donors during the global pandemic, racial and social justice movement, and humanitarian crisis provides essential context for our ongoing understanding of the rapidly changing philanthropic landscape.

While total charitable giving has been increasing during the pandemic, we have to be concerned about post-pandemic giving patterns by Americans of all income backgrounds.

Despite the economic shocks and social upheaval induced by the COVID-19 pandemic, recent data show that *affluent households* remained very generous in their support of charitable organizations, with 88 percent giving to charity in 2020 – consistent with the 90 percent rate we saw in 2017 [12]. And, the average amount given increased substantially, by 48 percent, from just over \$29,000 in 2017 to just over \$43,000 in 2020.

In contrast, however, recent data from the *Philanthropy Panel Study* (PPS) show the fraction of low and middle American households that contribute to charity decreased between 2000 to 2018 [13].

While two-thirds of Americans gave to charitable causes in 2000, only 49.6 percent of Americans gave in 2018, nearly a seventeen-percentage point decline [13].

The Philanthropy Panel Study (PPS) is the largest and most comprehensive study of American philanthropy. It tracks the share of American households who donated to charity for a nationally representative sample in a given year. For middle and low-income Americans, the declines in the overall giving rate occurred among nearly all socio-demographic groups.

Most of the decrease in giving participation occurred during the Great Recession [14]. The Great Recession of 2008 (December 2007 to June 2009) substantially affected whether people donated to charity and how much they contributed, but the trends did not slow or reverse once the economy had recovered from the Great Recession.

In the PPS data, one-third of the decrease in charitable giving participation from 2000-2016 can be directly attributed to shifts in income, wealth, and homeownership [13]. This suggests that

factors such as decreases in interpersonal trust, empathy, among other factors, may also play a role.

As we look ahead, we have an opportunity to address issues of equity and efficiency among donors and nonprofits since giving is becoming increasingly concentrated among high-income households.

A growing body of work has examined the effects of extending the charitable deduction to non-itemizers. Results indicate that a non-itemizer charitable deduction could increase charitable donations and induce an expansion in the number of donor households [15].

There are many issues to consider when examining the impact of tax policies. Nonprofit leaders and advocates, as well as policymakers will need to consider the effect of each policy on charitable giving dollars, the number of households that donate, and Treasury revenue, but they should also consider issues of donor equity and efficiency.

To meet complex challenges triggered by COVID-19, the racial and social justice movement, and a global humanitarian crisis, expanding tax incentives for lower- and middle-income Americans can help bolster the role of the philanthropic sector.

Making timely decisions about policies that support and enhance the long tradition of American generosity can help strengthen the role of the philanthropy now and in the future.

Thank you, again, for the opportunity to testify, and I am happy to answer any questions you may have.

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