

How Generous Are Americans?

Americans are a generous people. Giving USA 2008, a publication of the Giving USA Foundation/Center on Philanthropy, covers estimated giving in 2007, which reached \$306.39 billion, setting a new record. Giving is 2.2 percent of gross domestic product.

Individuals accounted for 74.8 percent of all giving in 2007. That came to just over \$229 billion, a 0.1 percent drop from 2006, after inflation. Just over half of donations from individuals last year were directed to religious organizations, which received a total of \$102.32 billion.

Foundations provided 12.6 percent of all giving in the US [see “Louisiana Foundations” below for list of the top 50 Louisiana Foundations].

Many factors influence giving. According to a 2007 Bank of America study, in the general US population, educational attainment is correlated with charitable giving levels. The more education a person receives, the more they give to charity even when controlling for differences in income and wealth.

The effect of wealth on giving is sometimes positive, sometimes negative. As household income rises, so does the likelihood that that household will give. A study by the Center on Philanthropy at Indiana University [2004 data] indicated that 93% of higher income households reported donations of \$25 or more to charity, compared to 56% of lower income households.

But the lower-income earners that *do* give tend to be more altruistic than their wealthier neighbors. Those with incomes under \$50,000 give 4.2 percent of their income -- a much greater *share* of their earnings than higher income donor households. Those with incomes of \$100,000 or more give away 2.2 percent of their income, on average.

Households with incomes of more than \$200,000 or assets in excess of \$1,000,000 represent 3.1% of the total households in the US, but they are responsible for approximately two-thirds of all household charity in this country [2006 Bank of America Study of High Net-Worth Philanthropy]. It should be noted that patterns of giving differ with incomes. More than a third of gifts in the “\$1 million plus” category, known as megagifts, go to higher education [see “Where Does the Money Go?” below]. [Click here to download the report](#)

What is a charity?

Formal organizations in the US are usually either “for-profit” or “nonprofit”. The latter qualify for tax-exempt status under the Internal Revenue Code. About half of nonprofits - called charitable organizations - are exempt under Section 501(c)(3). This status permits donations to charities to be tax-deductible to the donor.

Public charities represent a substantial portion of the nonprofit sector, but **not all nonprofit organizations are public charities**. The IRS defines these organizations as “charitable” because they serve broad public purposes, including educational, religious, scientific, and the literary activities, among others, as well as the relief of poverty and other public benefit actions.

Private foundations are also charitable organizations exempt under Section 501(c)(3), but are not public charities. Most private foundations are created to distribute money to public charities or individuals. They must meet strict guidelines requiring distribution of a proportion of their assets each year.

Other types of tax-exempt organizations include social welfare organizations (501(c)(4)), labor and agricultural associations (501(c)(5)), business leagues (501(c)(6)), and fraternal beneficiary societies (501(c)(8)).

How Generous Are Louisianans?

There are also regional differences in the way people give.

New Englanders, seeming to live up to their reputation of being tight-fisted with money, give an average of only 1.3% of their annual pretax income to charity. But almost 82% of New England households give to charities. That's well above the national average. By contrast, only 65% of the residents of the Southeast and Gulf Coast states give each year. But when they do, it's an average of 2.2% of their income. [Giving USA 2008].

The "Generosity Index" was created by the Catalogue for Philanthropy. It ranks a state's generosity by attempting to compare the capacity of state residents to give against their actual pattern of giving. Louisiana has fared well in this index – always landing in the top ten.

Generosity Index [most recent year: 2004]

LOUISIANA	2004
AVG Adjusted Gross Income	\$39,129
Income Rank	46
Giving Rank	15
Rank Relations	31
Generosity Index RANK	7

SOURCE: Catalogue for Philanthropy

Measuring 'generosity' turns out to be very tricky business. High personal income states and those with a high cost-of-living tend to do poorly in the Generosity Index rankings. A newer index, created by Center on Wealth and Philanthropy (CWP) at Boston College claims no intrinsic bias against high- or low-income states. Using 2005 data, the CWP study places Louisiana at 21 from the top [tied with Rhode Island].

Highlighting the problem of measuring generosity is the fact that these studies tend to rely on IRS tax return data. Nationally, about 70 percent of households do not itemize deductions on federal tax returns. In the 2006 tax year, only 19.4 percent of Louisiana filers itemized charitable contributions.

According to the National Center for Charitable Statistics at The Urban Institute, there are 19,453 organizations in Louisiana registered with the IRS as "nonprofit". Of these, 11,802 were "public charities". Less than half were required to provide revenue data, but those that did reported income of nearly \$10.9 billion and assets of more than \$39.9 billion.

Where Does the Money Go?

Here's the breakdown of recipient organizations for 2007:

Giving by Subcategories of Public Charities [2007]

Subcategory	Amount Received [billions]	Rank [\$ Received]
Religion	\$102.32	1
Education	\$43.32	2
Human services	\$29.64	3
Health	\$23.15	4
Public society benefit	\$22.65	5
Arts, culture and humanities	\$13.67	6
International affairs	\$13.22	7
Environment and animals	\$6.96	8

SOURCE: Giving USA 2008 Report

Where the money goes often depends on the wealth of the giver. A recent study by the Institute for Jewish & Community Research, a San Francisco think tank, found that the largest share of **mega gifts**, 44 percent, went to colleges and universities. Only 5 percent of these donors' dollars went to social service groups.

Some observers worry about a growing fund-raising divide between wealthy organizations and other charities. While some US cultural organizations and universities are reporting record increases in gifts, other charities, especially those that provide direct services to the poor, are seeing rising demand and more difficulty in securing donations. Although small charities are well-positioned to respond to community needs, they typically don't have large fundraising operations or the name recognition of larger charities.

Households with **moderate incomes** -- below \$100,000 -- gave nearly half of all contributions to organizations that provide food, shelter, and other basic necessities to needy people, according to research by Indiana University's Center on Philanthropy.

A report from The Center on Philanthropy at Indiana University indicates that 46.1% of American households contributed to at least one religious organization in 2004; 61.6% of households contributed to at least one secular cause.

A 2005 report by Giving USA [using 2002 and 2003 data] found that residents from Oklahoma, Texas, Arkansas and Louisiana tended to give more to religion and much less to secular causes.

Data from 2001 support this finding for Louisiana residents. In that year, they gave 69% of their total cash contributions to religion -- more than twice what they gave to secular causes.

Cash Contributions to Religious and Secular Causes in Louisiana [2001]

Number of Consumer Units (Thousands)	Avg. Total Cash Contributions	Avg. Contributions to Religion	Avg. Contributions to Secular Causes
1,790	\$563	\$389	\$174

SOURCE: Calculated at the Center on Wealth and Philanthropy based on the 2001 Consumer Expenditure Survey conducted by the Bureau of Labor Statistics

Charitable giving covers a lot of territory. The arts, museums, churches and institutions of higher learning are among the recipients of charity donations. These can be worthy causes. They add to the quality of life in society and provide many educational and spiritual benefits. But how much giving goes to those who are economically disadvantaged – the people that come to mind when the word “needy” is used?

A 2007 study done by The Center on Philanthropy at Indiana University for Google found that less than one-third of the money individuals gave to nonprofits in 2005 was focused on the needs of the poor. Of \$250 billion in donations in 2005, less than \$78 billion explicitly targeted those in need.

Only about 8 percent of households' donated dollars were reported as contributions to help meet basic needs--providing food, shelter or other necessities. An additional estimated 23 percent of total giving from all sources went to programs specifically intended to help people of low income--either providing other direct benefits (such as medical treatment and scholarships) or through initiatives creating opportunity and empowerment (such as literacy and job training programs).

Figure 3 shows the estimates as portions of total estimated giving of \$252.55 billion for 2005, based on the type of recipient organization as estimated in this preliminary analysis.

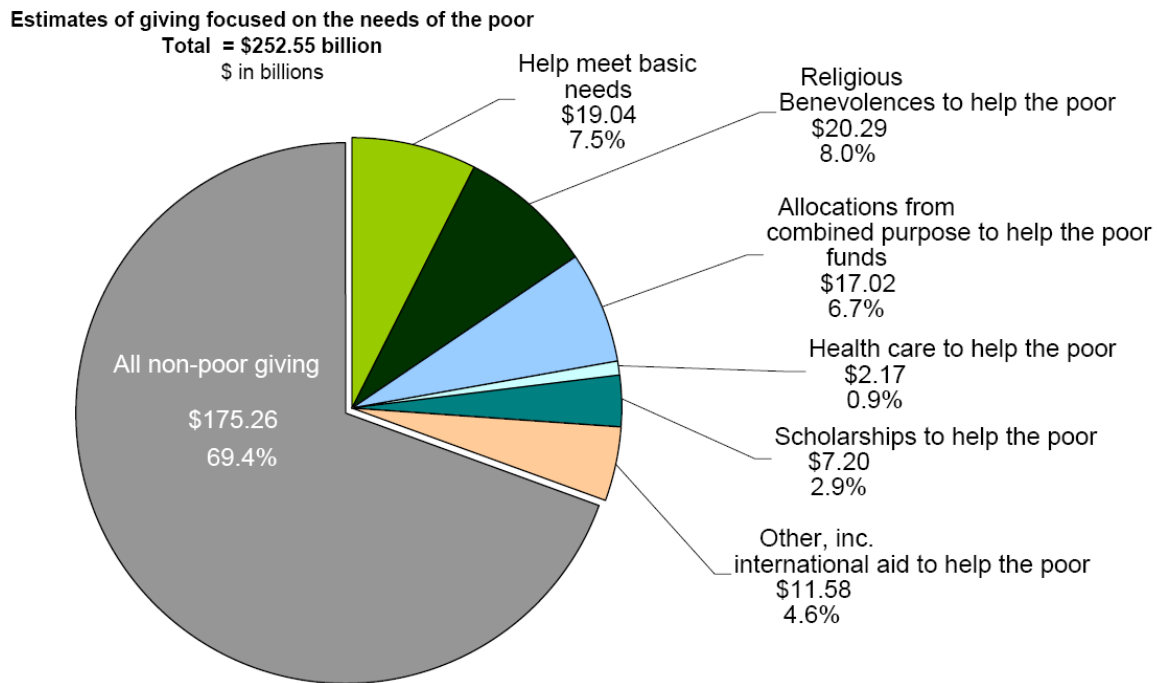


Figure 3
 SOURCE: Patterns of Household Charitable Giving by Income Group, 2005 Report prepared for Google by The Center on Philanthropy at Indiana University

The study estimated that giving focused on the needs of the poor is nearly a-third of total giving.

- 7.5% of total giving went to help people meet basic needs. This figure is based on surveys of households at all income levels.
- 8.0% of total giving went to religious organizations designated as benevolences. This estimate includes preliminary amounts for the allocation of benevolences that focus on helping the needy.
- 6.7% of total giving went to allocations from United Way, Jewish federations, donor-advised funds and other combined purpose funds.

[Click here to download the working paper.](#)

Is It Only About the Money?

Giving to charitable causes often does not mean just writing a check. On average, Louisiana's 686,000 volunteers dedicated 74.6 million hours of service per year (between 2005 and 2007). The estimated economic contribution of the volunteer hours served is \$1.5 billion annually.

While volunteer rates in most states stayed the same or dipped slightly from 2006 to 2007, volunteering grew in Louisiana. That's good, because it turns out the state is in great need of a growth spurt.

Louisiana's Volunteer Rate [20.9%] is one of the poorest in the nation. -- 48th. The state's Average Volunteer Hours *per capita* [22.8 hours] was so low, it put us dead last behind all 50 states and the District of Columbia.

[<http://www.volunteeringinamerica.gov/state.cfm?state=LA>]

At least one-fifth of Louisiana's volunteers last year were out-of-state residents.

According to the Louisiana Department of Culture, Recreation and Tourism, Louisianans who volunteered in 2007 served an average of 30.3 hours, versus 14.1 hours in 2006. That's more than a 100% increase.

A new report by the federal government says that charities nationwide need to do a better job keeping their volunteers engaged and loyal. The report, from the Corporation for National and Community Service, says that more than one in three people who had volunteered in 2006 had not done so again in 2007.

The Corporation for National and Community Service is introducing an **interactive Web site** with access to all of its volunteering data and links to tools and training opportunities to help cities and charities and others who manage volunteers strengthen their recruitment and retention strategies. The site also includes a feature where **people can plug in their charitable interests and their zip code to find volunteering opportunities in their area.**

Volunteer experts say more needs to be done learn why some folks have lower or higher retention and then spread best practices, like better demonstrating to volunteers the impact of their service. (To learn more about steps charities can take to keep their volunteers loyal, see [Taking the Long View](#), an article from *The Chronicle of Philanthropy* archive.)

The Government's Role

Government support for charities is difficult to measure because it comes in different forms and is reported on the IRS Form 990 in several places.

Nationally, in 2004, government grants only made up about 9 percent of revenue for all reporting charities (about \$100 billion), but represented a higher proportion for human service, international, and public benefit organizations. This amount does not include government funding from Medicare and Medicaid, and the revenue from contracts for providing services directly to the government, all of which are reported under program service revenues on the Form 990.

President George Bush created the White House Office of Faith-Based & Community Initiatives by Executive Order in 2001. In 2006, he created a new Center for Faith-Based & Community Initiatives (CFBCI) within the Department of Homeland Security. According to the Center's website, it "empowers faith-based and community organizations to compete more effectively for Federal funds so that they may provide better human services to more people."

Louisiana has been the beneficiary of millions of dollars in federal funding from CFBCI.

2006 Federal Funding to Louisiana for Faith-Based and Secular Nonprofits*

Faith-Based Nonprofits (FBOs)	Secular Nonprofits (CBOs)	TOTAL
\$28,275,411	\$170,392,366	\$198,667,777

SOURCE: The President's Faith-Based and Community Initiative: A Seven-Year Progress Report [2008]

Thirty-five states have offices or liaisons dealing with faith-based groups. Louisiana has a number of governmental offices devoted to working with nonprofits, secular and religious, including:

Governor's Office of Faith-Based & Community Initiatives

Louisiana Serve Commission

Office of Social Entrepreneurship [first in the nation – later emulated by other states]

Other state agencies, such as the Department of Social Services and the Department of Corrections, through the Working Interfaith Network, work closely with nonprofits in the delivery of social services.

Proponents of government agencies partnering with nonprofits say it's a way to make government smaller and stretch taxpayer dollars.

One area of controversy is how government should fund these non-governmental organizations [NGOs]. At the end of the 2008 legislative session, Gov. Jindal vetoed 358 of 370 NGO line items [earmarks] sent to him by legislators. He said he was implementing strict new criteria for this

type of funding. All such budget items had to have regional impact, be presented during the legislative session, conform to state agency priorities and provide proper disclosure online.

Some faith-based groups remain wary of governmental support. They worry about “strings” which could come with funding, and, in some way, interfere with their religious beliefs.

Declines in tax revenue in other states have prompted government officials to cut grants that many social-service groups have relied on to provide services such as reduced-cost child care to working parents at or near the poverty line. Louisiana is bracing for cutbacks in the billion dollar range for the next fiscal year. Some worry that cuts may come sooner, due to steep oil price drops and the national recession.

Coping with Disasters

Hurricanes

As of August 2007, over \$6.5 billion in charitable giving had been made for Katrina causes, according to the Institute for Southern Studies, *Faith in the Gulf Report*, 2008. Three years after Rita and Katrina hit, volunteers continue to donate millions of hours their time. But local charities are still reeling from the effects of the storms. United Way of Greater New Orleans lost 5,000 donors due to Katrina. Catholic Charities, Archdiocese of New Orleans, reports fewer multi-year pledges. Meanwhile, demand for services keeps increasing – and not just in the coastal areas. The Baton Rouge Food Bank says demand for its services jumped following Katrina, and never went back down.

And then came Gustav and Ike. The Louisiana Disaster Recovery Foundation, created just days after Hurricane Katrina in 2005, struggled to meet short-term needs following Gustav. The Salvation Army and Catholic Charities USA reported a worrisome lack of response to their solicitations for relief funds.

Wall Street

Research has found that households are more likely to give and give more when they feel financially secure. But even in bad economic years, as much as half of all charities have seen growth in some types of giving, according to *Giving USA* surveys from 2001 through 2007.

Still, more than one-third of American charities say they have collected fewer dollars so far this year than in 2007, nearly double the share that saw such declines last year, according to [a new survey](#). Charities in the Southeast, which includes Louisiana, were most likely to have seen contributions decline this year.

[GuideStar](#), a Williamsburg, Va., nonprofit organization that makes data about charities available to the public, surveyed more than 2,700 nonprofit groups about their fund raising during the first nine months of 2008.

Disease-related groups, organizations that work in the mental-health field, and religious groups were the most likely to report fund-raising declines — 41 percent each. That’s bad news for Louisiana because of the increased mental health load attributed to the storms of 2005.

Just as giving seems to be declining, housing and shelter nonprofits reported 77% increased demand. Food, agriculture, and nutrition nonprofits reported the same percentage increase. [GuideStar, 2008 survey]

Average rates of change in giving for all years, for years with recession, for year with 8 months or more in recession, and for “slowdown” years

Type of donor	Average, all years [1967–2007]	Average for years of recession since 1967	Average for years with 8 months or more of recession
Total giving, including bequests	2.8	-1.0	-2.7
Individual	2.7	-1.5	-2.4
Foundation	4.3	-1.0	-0.2
Corporation	3.2	-1.8	-1.7

All percentages are adjusted for inflation using the Consumer Price Index where 2007 = 100. Data from *Giving USA 2008* for 1967–2007.

Conclusions

Charitable giving is an important part of American life. Most Americans feel compelled to contribute, for whatever reasons, to causes intended to better their community – and their fellow citizens. By some measures, Louisiana seems to be as generous -- or more generous – than other states. Other measures seem to show a lack of commitment to volunteerism, though this may be due to problems in data collecting caused by Katrina, or other storm-related factors yet to be determined.

One bit of research may throw some light on Louisianans’ charitable behavior. In a 2003 survey by the LSU Office of Policy research, 45% of Louisiana registered voters said they believed nonprofits “made a big difference” in their communities. Less than half the respondents saw nonprofits as having the capacity to change things for the better.

One might hope that no metric can measure our capacity for charity, which, in the face of so much need, should be unbounded and incalculable.