WHAT CAN BE GIVEN
Understanding the Potential for Charitable Giving
Pierce County, Washington
1991-1992

Bruce D. Mann
Department of Economics
University of Puget Sound
Tacoma, Washington

Charles Ibsen
Department of Comparative Sociology

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INTRODUCTION

This study is the result of an informal conversation between one of the study authors and Mr. Frank Underwood of Grantmaker Consultants, Inc. A discussion of what was a reasonable expectation for charitable giving in Pierce County raised questions about 1) how much was being given, 2) how much could be given, and 3) how to encourage additional donations. The search for answers led to this study.

While neither of the authors of this study is a professional fund raiser or development officer, both are very interested in the health and condition of the local nonprofit sector. Each brings a particular academic expertise to this effort.

- Professor Ibsen's professional interests are related to social organizations and welfare policy.
- Professor Mann studies the operation of the local economy with particular interest in economic development.
- Both of the authors are concerned about how local nonprofit agencies influence Pierce County.
- Both authors have been involved with nonprofit organizations in Pierce County. Hopefully, these perspectives and areas of expertise provide a "fresh" set of eyes for analyzing the efforts of and challenges facing the nonprofit sector in Pierce County.

We would like to acknowledge the support, encouragement, and help of Ms. Linda BeMiller (Grantmaker Consultants, Inc.), Ms. Liz Crossman (The Weyerhaeuser Company Foundation), Ms. Margy McGroarty (The Greater Tacoma Community Foundation), Mr. Ken Ristine (The Ben B. Cheney Foundation) and Ms. Janet Stanley (Emily Hall Tremaine Foundation). This work would not have been possible without their help and financial support. We would also like to thank Judith Florence and Christy Robinson, both of whom read prior drafts of this report and offered many suggestions. Of course, none of those people are responsible for any errors, inaccuracies, or omissions. The authors take sole responsibility for this report.

The basic conclusions of this study are contained in the Executive Summary. The study itself is divided into three main sections. The first part presents our analysis of Pierce County's charitable giving capacity and effort. In this first section we present our conclusion of what the residents of Pierce County could reasonably contribute to the
nonprofit sector and compare that with what was donated. The difference between the capacity and the effort is identified as the gap.

The second section of the report considers factors which are important for Pierce County nonprofits to consider if they want to eliminate the charitable giving gap. We believe that situational factors, rather than the traditional motivational or economic variables, are the important elements here. The final section of the report provides some suggestions, conclusions, and implications. We hope our recommendations will provide a spring-board for future discussions and will stimulate thinking about charitable giving in Pierce County.

There are many types of nonprofit organizations. The term as used in this study refers only to organizations with a 501(c)(3) Internal Revenue Service designation. This includes almost all of the organizations and activities normally included in the concept of charitable organizations.

For expositional convenience, the terms capacity and potential are used interchangeably to denote "what could be done" in terms of charitable giving. Similarly, the terms business and corporation, when referring to the private, for-profit sector, mean the same.
EXECUTIVE SUMMARY

1. Pierce County residents could increase significantly support to the local nonprofit sector of the economy.

   • The potential amount which could be contributed by Pierce County residents amounted to $242 million in 1991-1992.
   
   • The actual amount contributed by Pierce County residents in 1991-1992 was $94 million, 48% of the potential.
   
   • The gap between what could have been raised (the potential) and what was actually raised (the effort) for Pierce County nonprofits in 1991-1992 was $103 million, or 52% of the potential.
   
   • Of the $242 million potential, $45 million would have gone outside of the Pierce County area.
   
   • Of the $242 million potential, $197 million would have remained in the local area to support nonprofit organizations in the county.

2. The $242 million capacity of Pierce County for 1991-1992 can be raised from:

   • Households and individuals -- $190 million.
   • The business community -- $22 million.
   • Estates -- $16 million.
   • Foundations -- $14 million.

3. If the Pierce County community had given at the capacity level in 1991-1992:

   • Organizations in the religious nonprofit sector would have received $49 million;
   • The nonprofit organizations not affiliated with religious institutions would have received $45 million.

4. Compared to national averages, a larger fraction of the support for nonprofits should come from the business community due to the particular composition of that sector in Pierce County.
5. Consistent with the national pattern most of the potential for giving in Pierce County will come individuals and households (78% of the total). Reaching this segment of the population may become increasingly more difficult over time, as:

- Household composition changes toward more non-traditional styles
- The population ages, since the largest contributors come from households where the head of the household is middle aged
- The percentage of households are renters rather than owners
- Individual discretionary income declines
- Single parent households, especially when headed by a female, with children present increases

6. One of the most important determinants of potential charitable giving is occupational status. The importance of this factor has been under-appreciated as an influence on charitable giving.

7. As the local community becomes more ethnically diverse and segmented, campaigns appealing to "the community" will become less and less successful. Learning to target campaigns to particular communities and interest groups will be more important.

8. Cultural changes and attitudinal shifts will impact campaign successes. Increasingly, donors are interested in the personal benefit, not the community good, of a charitable gift.

9. Governmental activities have changes in ways which can and will impact nonprofits.

- Lotteries compete for discretionary income which might have been allocated to nonprofits
- Reduced support for social welfare programs will increase the pressure on nonprofits providing similar programs
- Privatization will increase competition between nonprofits and the for-profit sector.

10. Understanding the social situations in which charitable giving occurs as normal behavior, and what situational factors influence that behavior, would significantly improve the understanding of "community capacity" and how best to attain that capacity.
Charitable giving in any community is the result of contributions from individuals and households, donations from the corporate community, gifts from estates, and support from foundations. The members in each of those groups are motivated by specific interests and concerns about local needs; each group's charitable behavior responds to a different set of variables. To estimate the philanthropic capacity of Pierce County, we analyzed the potential for each sector.

Pierce County's Community Philanthropic Potential (CPP) is the total amount which would be contributed by the Pierce County population if each group gave at the national average rate, adjusted for local conditions. The CPP measures what the local community could "tax" itself without accepting an "unusually" large burden. Pierce County's CPP is the potential support available to local nonprofit organizations from the private sector. The local CPP does not measure the "most" that could be raised; nor is the CPP a measure of what ought to be given by the local community. Rather, CPP is a measure of what could be reasonably expected of the local community.

Our estimate of the charitable giving capacity is based on results consistent with national research and analyses. Whenever possible, we adjusted our analysis to reflect specific local conditions. Our CPP estimate is based on data available for 1991 and 1992. Thus, our estimated CPP should be interpreted as the estimated potential for Pierce County charitable giving as of 1991 and 1992.

**Giving Potential for Individuals and Households: $190 Million**

Two types of data about individual charitable contributions exist. Survey data detail how households and individuals allocate their incomes. Some surveys specifically explore issues related to charitable giving. Others provide more general data on expenditures of all types. Survey results are available from market research firms, governmental agencies, and local community organizations.

Federal tax records provide the second source for data. Taxpayers report donations to nonprofit organizations when they itemize deductions. This information is recorded and published by the Internal Revenue Service. Researchers, using these data sets, analyze the charitable giving behavior of individuals and households. Our estimate of the Pierce County CPP uses both types of data extensively.
Tax data are subject to a number of problems. Taxpayers, studies indicate, may overestimate the amount itemized for charitable purposes. The donations reported can include both cash contributions and goods or services given to nonprofits. Data for some classes of individuals are not included in tax files, since not all taxpayers itemize their deductions. Finally, information for state and local levels are not reported, only national data for contributions by income class are available. Nonetheless, tax data provide detailed and comprehensive information about individual charitable giving.

To a large extent, these data-related problems have been overcome. The relationship of the total population to itemizers has been estimated for each income class. Survey data provide estimates of charitable giving for non-itemizers. Studies provide data about non-cash contributions. Knowledge of state and local income distributions can be used to convert national data to the local level.

Because tax data provide a rich, comprehensive, and detailed source of information, we used 1991 tax data to estimate individual charitable capacity. We adjusted the national data on charitable contributions to the local distribution of income. We applied the national contribution rate to estimate the amount each income class in Pierce County could donate. We adjusted this estimate to account for donations from the non-itemizing population. Based on this procedure, individuals in Pierce County had a capacity to contribute $210 million dollars in 1991 for charitable purposes.

A second estimate of individual capacity comes from household survey information. Many surveys report household contribution data by household income classification. A standard format divides all households into income quintiles (fifths of the total, from lowest to highest). The average household charitable contribution is reported for each quintile. We applied the income quintile contribution rates to the Pierce County household income distribution. This approach produced an individual charitable capacity estimate of $200 million.

Demographic variables other than income have an effect on individual giving:

- Middle-aged (35 to 55) individuals tend to donate more than those older and younger because they are often at the peak of their earnings, have reduced debt burdens, and have smaller households (since children have grown).

- Urban households tend to give more a greater amount than rural households, perhaps because of closer proximity to those "in need" and more contact with the work of nonprofit organizations.

- Whites tend to make larger cash contributions for charitable purposes than do non-whites.
• Homeowners make larger cash contributions to nonprofits than renters do, perhaps reflecting a stronger attachment to the community and understanding of local needs.

• Households in the Western Region of the country donate more to nonprofits than other region residents.

We examined our estimates of individual capacity in light of these factors and concluded:

• Pierce County's age distribution reduces individual charitable capacity by about $20 million.

• Since the largest fraction of the county is classified as urban, this raises capacity by $5 million.

• The racial and ethnic composition of Pierce County has no net impact on individual capacity.

• The above average non-home ownership rate for the county lowers individual capacity by $10 million.

• The impact of being in the Western Region increases the potential for individual giving by $10 million.

Based solely on income, our estimates for individual charitable capacity average $205 million. To adjust for the specific demographics of Pierce County16, we reduced the base amount by $15 million. Thus, we conclude that the annual charitable capacity of Pierce County residents (in 1991-1992) is $190 million.

**Giving Potential of the Corporate Community: $22 Million**

While much is known about the actual amount corporate charitable giving, very little is known about how individual businesses evaluate and determine their plans. Compared to the research on individual giving, research on corporate giving is extremely limited. Thus, our estimate of Pierce County corporate giving potential must be somewhat speculative. Accordingly, whenever possible, we have been conservative in making assumptions and adjustments.

Research indicates corporate charitable giving is related to only a few variables.15 The most important are:

• **Corporate Size**: The larger the corporation, the higher level of giving. This factor is so important that the donations of the largest corporations dominate total
corporate philanthropic activity. The largest corporations give almost ten times more than the smallest ones do.

- **Industry Type:** For example, producers of non-durable goods and providers of transportation services give twice as much as firms in the financial and service industries. Sole proprietorships and partnerships contribute less than corporations. The stronger the local customer base, the greater the contributions to the community.

- **Profitability:** The more profits, the more giving. But most studies report only a weak link between corporate profits (either before or after taxes) and charitable giving. The reason is that profits vary from year to year but businesses, to avoid adverse public relations problems, do not want their contribution budgets to fluctuate wildly.

Very little is known about corporate philanthropy at the local level. One relationship which has strong research support is: the stronger the tie to a local area, the larger the level of corporate giving to the local area. The community in which the corporate headquarters is located receives disproportionately larger gifts and support than communities with branch plants. The smaller the customer base or the less important the suppliers in a community are to business, the less incentive the business has to make donations to the community.

Estimating corporate philanthropic capacity from national data is confounded by two factors. First, the total donation amount reported is not all cash donated for charitable purposes. Corporations sometimes donate valuable goods and services to the nonprofit sector. These corporate in-kind gifts are reported on a cash-equivalent basis and are included in the donation total. Thus, the total corporate contribution is greater than the actual cash contribution. Second, in any year only a small percentage of firms make charitable contributions. A community will have few firms making gifts each year. Applying national average contribution amounts to local areas requires caution.

Recent data on corporate giving (1989) reports the average gift was just over $2.2 million. Assuming that twenty percent was contributed in-kind, implies the average cash contribution was about $1.8 million. Because of relatively few very large donations, the average does not reflect what most businesses can contribute. Most corporations gave less than the average. Finally, not all of the gift goes to the community in which the corporation is headquartered.

A first estimate of the local corporate charitable potential applied the national average contribution to Pierce County. We adjusted the average to reflect the size composition of firms in the local area. Relative to the nation, a larger fraction of Pierce
County businesses are small (fewer than five employees). Based on this national average approach, we estimate the local corporate potential at $57 million.

The national average estimate will be on the high side. Relative to the nation, the local business community has a large proportion of sole proprietorships and partnerships. Also, Pierce County does not house many large corporate headquarters or home offices. These factors reduce the local business sector's philanthropic potential.

A second estimate is based on a statistical model. This model accounts for both firm size and the way in which firms allocate their charitable gifts between national, regional, and local organizations. Adjusted to reflect local conditions, our second estimate of corporate capacity is $11 million. This estimate is on the low side, since it does not account for large businesses in the corporate sector.

A third estimate of corporate capacity is derived from the relationship between corporate contributions and profits. This method estimates giving only for profitable firms which make contributions. Because smaller firms have less profit, this method adjusts for firm size. Corporate capacity is $15 million when pre-tax profits are used to estimate giving. Using the relationship of giving to after-tax profits, Pierce County corporate capacity is between $5 million and $15 million, with an average of about $10 million.

The tax model estimates are too conservative for the 1991-92 period. The local economy was in a minor economic contraction during 1991-1992. Thus, the profit amounts used in the models were only one-half of normal. Adjusting for this cyclical effect, then, we estimate the local philanthropic capacity of the area's business community at $22 million.

**Giving Potential from Other Sources:** Bequests-$16 million; Foundations-$14 million

Bequests and foundations are important sources of charitable giving in a local area. Some national data and research about these sources exist. Unfortunately, this information provides little understanding about behavior at the local level. What evidence is available suggests a great degree of variability in capacity from community to community, as these forms of giving are subject to non-local influences and to the specific preferences of the donors.

Local charitable giving from bequests depends on two factors.

- The larger the estate, the larger the charitable donation, especially when the number of heirs is small.
The particular interests of the testator are important. The more attached the testator is to the local community, the more that local organizations will share in the bequest. Unfortunately, almost no data at the local level exist for these variables.

We base our estimate of bequest capacity on national trends and relationships. The best data, when the distribution of local income is a proxy for future estate values, indicate that Pierce County is not different from the national average. We assume donors’ interest in local nonprofit activity are not materially different from the national pattern. We estimate the capacity of bequests as $16 million in 1991-1992.

The degree to which foundation support is an important source of giving to a community's potential depends on the number and type of foundations in the area. This, in turn, depends on the wishes of the donors and founders. Local data on these variables, of course, are almost nonexistent.

While much work has been done to explain foundation giving at the national level, very little analysis has been conducted to explain local level foundation contributions. The national data and analyses are dominated by the activities of the very largest foundations, none of which are located in Pierce County. Foundation capacity in the local area is dependent on smaller, possibly more giving-restricted, foundations.

Our capacity estimate for this sector is based on the national average contribution level in the foundation sector. Excluding the behavior of the very largest foundations, research indicates that local foundation support is basically equivalent to the amount contributed by bequests. Assuming this is true for Pierce County, and recognizing the average size of Pierce County foundations is below the national average, we estimate that the foundation capacity is $14 million.
Pierce County Community Philanthropic Potential (1991-92): $242 million

Based on the methods, procedures, and assumptions noted above, we conclude:

The annual giving potential for philanthropic purposes by the Pierce County community is $242 million.

Table 1 presents our estimates by source of giving, and compares it to the distribution of giving at the national level.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Capacity of Pierce County</th>
<th>United States</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Dollars</td>
<td>Percent</td>
</tr>
<tr>
<td>Individual</td>
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</tr>
<tr>
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<td>9.1</td>
</tr>
<tr>
<td>Bequest</td>
<td>16</td>
<td>6.6</td>
</tr>
<tr>
<td>Foundation</td>
<td>14</td>
<td>5.8</td>
</tr>
<tr>
<td>Total</td>
<td>$242</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In large measure, the potential support for Pierce County's nonprofit sector mirrors the national pattern. The Pierce County estimates are for capacity, not actual giving. The United States figures are for actual giving, not capacity. Actual giving and giving capacity are related, but they are not the same. That is, if businesses nationally had given at their capacity level, the percent of total philanthropic effort from the business sector might have been closer to the 9.1% for Pierce County.

Our local capacity estimate indicates the business sector can provide a larger fraction of overall support in Pierce County than the business sector does at the national level. The main reason is that the composition of the business sector in Pierce County is heavily
weighted with business that can provide above-average contributions. The proportion of smaller businesses with strong connections to the local area accounts for most of the difference.
ESTIMATED COMMUNITY PHILANTHROPIC EFFORT

What Was Given

Some public and private sector agencies monitor charitable giving at the national and state levels. No agency monitors total charitable contributions at the local level. To measure local effort -- the total amount given -- in Pierce County, we must estimate the level of actual giving. Our estimates use sources and studies which have analyzed how elements of philanthropic behavior relate to local nonprofit activity. The information and data we use is for the 1991-1992 period (or if from earlier studies, adjusted accordingly). Thus, our estimate of the Pierce County effort can be compared with our local capacity estimate.

Because national studies analyze contributions to religious and non-religious groups separately, we divide Pierce County giving into donations for religious institutions and donations for non-religious agencies. Religious institutions, in general, do not file standard tax returns or report data for solicitation information to state offices. Other nonprofit organizations are required, with certain exceptions, to file information either with the Secretary of State or with the Internal Revenue Service. In addition, national trade and industry studies do not report information for donations to religious organizations. Data for charitable giving to religious organizations come from surveys of individual and household expenditures. Thus, the data sources are different for these two types of organizations, and consequently the estimating procedures must be different.

Giving to Non-Religious Organizations: $45 Million

Data provided by those nonprofits which are required to report at the state level show the average contribution (to Washington State nonprofits) was $325,000, based on the businesses which made donations. According to the Secretary of State’s Office, about 280 nonprofit organizations were located in Pierce County in 1991-92. The state average contribution applied to the number of Pierce County organizations implies a total philanthropic effort of $90.8 million. This is an upper bound estimate of total non-religious contributions.

The state-wide median contribution is a second measure of the typical amount a nonprofit in Pierce County received. The median is the value which divides the group (all contributions) into two equal parts, half above and half below the median. The average contribution will be larger than the median because a few large gifts can
significantly increase the average, but not effect the median. Since Pierce County nonprofits do not receive many large gifts, the average measure will over-estimate total giving for Pierce County.

The median contribution, based on businesses that made contributions, to nonprofits in Washington State was $40,200, only 12% of the average. The state median contribution applied to the number of Pierce County organizations implies a total philanthropic effort of $43.0 million contributed to Pierce County nonprofits.

The National Assembly of Local Arts Agencies, as part of a national study, included a sample (21) of Pierce County arts organizations in a study of arts organizations in local area economies. The study collected data on private sector donations to these organizations. We adjusted the reported contribution amount to represent all art and cultural organizations in Pierce County. Based on studies of how donations to art and cultural institutions are related to total community philanthropic support, we estimate the total contributions in Pierce County at $35.8 million.

Another data set for Pierce County nonprofit organizations came from the Washington State Office of the Secretary of State. This data included financial information for (reporting) nonprofits with an address in Pierce County. Examination of the self-reported data indicated some inconsistencies in interpretation, errors in reporting, and incomplete data. With careful examination and evaluation, we were able to draw some inferences about the total value of contributions to Pierce County nonprofits.

The Secretary of State data set for health care organizations was relatively complete. Contributions to the reporting health care organizations were used to form another estimate of total contributions. The amount received by Pierce County organizations was adjusted to national norms. Based on studies of how donations to health care institutions are related to total community philanthropic support, we estimate the total contributions in Pierce County at $32.5 million.

A second element of the Secretary of State's data set with relatively accurate and complete information was foundation giving. Based on the incomes and allocations to local nonprofits reported by the foundations, we estimated the total foundation support for local nonprofit organizations. National data indicate foundation support ranges between 6% and 8% of the total amount contributed in a community. The range of support provided by foundations reflects the importance and size of local foundations within a community. For historical reasons or possibly due to local donor interests, some communities channel more resources into foundations than others do. Of course, even one large foundation which directs its giving to a particular community can increase the
relative importance of foundations support for that community. This implies a local
effort of between $40.7 million and $81.4 million, with an average around $60 million.

A final estimate of local philanthropic effort used information from a Washington
State Department of Community, Trade, and Economic Development study of the
nonprofits' role in Washington State. This study collected information at the zip code
level. Data from the Departments of License and Industry and Employment Security
were combined with the study data to identify the employment and income impacts of
nonprofits in the state. Some Pierce County level data could be extracted from the study
results.

This state-wide study also provided data about employment, wages, and sector size.
County level data from the study was compared to other research on total charitable
giving in the community. Based on these relationships, the estimated level of charitable
effort in Pierce County ranged from a low of $30.0 million to a high of $68.6 million.
The average measure of effort was $45.3 million.

The various approaches and data sets provide a range of estimates for the non-
religious charitable effort of Pierce County residents.

- average contribution level -- $90.8 million
- state median contribution level -- $43.0 million
- donations to art and culture -- $35.8
- donations to health care -- $32.5 million
- foundation support -- $61.5 million (average)
- measure from employment -- $45.3 million (average)

These estimates cluster around $45 million. The most reliable comprehensive, and error-
free data provide estimates in the $40 million to $50 million range. Thus, we conclude
that a reasonable estimate of the amount contributed by Pierce County residents for non-
religious philanthropic purposes in 1991-1992 is $45 million. The highest estimate which
we believe is consistent with the evidence would be $68 million.

**Giving to Religious Organizations: $49 Million**

The largest share of local charitable contributions goes to religious institutions.
Religious organizations vary from large and sophisticated to small and simple, from
store-front churches to highly organized, multiple purpose groups such as the Lutheran
Brotherhood. Some of these organizations raise funds from the private sector in well-
organized campaigns, while others use very informal approaches which are hard to track.
Most religious organizations are under no obligation to report financial data to any
national, regional, state, or local agency. Data about contributions to religious

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organizations are difficult to find, assess, and analyze. Some organized, reliable data, mostly related to large groups, do exist; but the coverage is incomplete since many religious organizations are small and not included in the organized and reported data. The primary sources of general data for religious philanthropy rely on self-reporting through household surveys.

A recent comprehensive national survey reported there were about 295,000 religious organizations nationally. These organizations received a total of $41.4 billion in donations. Based on the number of adults affiliated with the religious organizations, the average annual donation per adult was about $23.25 and the average adult made two contributions per year. These figures, adjusted to local conditions, imply Pierce County religious organizations raised $31.8 million in 1991-92.

Another study reported that nearly 60% of households participated in religious activities during this period. For participating households, the average annual household contribution to religious organizations was about $800. This information, adjusted to local conditions, implies that Pierce County households gave $48.8 million to religious organizations.

A final estimate of the value of contributions to local religious organizations is based on the relationship between non-religious and religious philanthropy. National and state studies report that between 46% and 58% of the total amount given to charitable organizations in a community goes to religious groups. In other words, between 42% and 54% of total contributions in a local community are raised by non-religious organizations. Assuming, then, that non-religious organizations raised $45 million implies religious organizations raised between $38.6 million and $62.5 million. (If our high estimate of $68.1 million for the non-religious sector is used, then contributions to religious organizations range from $58.0 million to $94.0 million.)

Considering the range of estimates, the demographic composition of the local population, and the nature of the religious organizations in the area, we believe that the best estimate for the total amount contributed by Pierce County residents to religious organizations is $49.0 million. The largest reasonable contribution estimate would be $94.0 million.

**Total Charitable Giving By Pierce County Residents: $94 Million**

Based on our analysis, we conclude that the most reasonable estimate of the annual amount contributed by Pierce County residents to all charitable organizations during 1991-1992 is $94.0 million.
$94.0 million was given in 1991/1992

If our highest estimates for charitable giving were realized, the annual philanthropic giving in Pierce County would be $162.0 million.

Our estimates are consistent with charitable giving data reported by the Gilmore Group in 1987 for Puget Sound households. That study estimated that regional households donated about 1.8% of their incomes to charitable purposes. Our estimates imply between 1.1% and 2.1% of Pierce County household income went to charitable organizations in 1991-1992.
RELATIONSHIP OF LOCAL CAPACITY TO EFFORT

How Much More Could Be Given

Our estimated CPP of $242.0 million does not mean that local nonprofit organizations could receive this amount from the local community. A portion of the CPP would go to out-of-area nonprofit groups -- for example, non-local colleges and universities, medical research institutions (e.g., American Cancer Society or Cerebral Palsy) or to national organizations (e.g., Environmental Defense Fund or United Jewish Appeal).

Very little research exists on how local philanthropy is distributed geographically. Evidence suggests the "leakage" from local communities is largest for education contributions and is smallest for art and cultural gifts. The research suggests that when it comes to education, individuals are more attached to their alma maters than they are to where they live. Individual motivation for giving to educational institutions is more strongly related to the donor's institution than it is to the donor's residential location. On the other hand, for agencies and programs serving the local population (social service agencies and arts/cultural programs) donor location is very important. The fraction of giving to religious institutions which is redirected outside of the local area depends on denominational affiliation, institutional size, and mission.

The research evidence suggests businesses with multiple geographic locations spread their giving over the locations. A business "shares" its donation with many of the communities in which it has operations or commercial interests. But, a disproportionately large fraction will remain in the headquarters area. The larger the business and the more dispersed its operations, the greater the "leakage."

In Pierce County a sizable amount of the business sector contribution comes from large firms. Many of these firms have geographically dispersed operations. Some have corporate headquarters located outside of the county (Boeing, Weyerhaeuser, and Simpson Kraft, for example).

We see no reason to expect a large fraction of either bequest or foundation giving to "leak" from the local area. While local foundations and individuals (through their estates) have philanthropic interests beyond the Pierce County area, we find no evidence to believe these funds would flow out of the local area at above average rates.
For Pierce County, giving to religious institutions accounts for about 45% of the CPP. Religious institutions, on average, redirect about 12% of their contributions to organizations and programs outside of their local areas. This implies about $13.1 million of local capacity would be sent out of the local area through religious organizations.

Educational giving accounts for approximately 10% of total local capacity. The majority of educational philanthropy is directed to the colleges and universities attended by the donors. For Pierce County residents many of these institutions are located outside of the local area. We assume 80% of the total local educational philanthropy is directed to the outside. This implies that $19.4 million leaks out the area.

Of the $108.9 million potential donations for religious institutions, $13.1 million will go out of the area and $108.9 million will remain for local organizations. For educational institutions, of the $19.4 of potential donations, $24.2 million will go out of the area and $4.8 will remain in Pierce County. Donations to these two areas represent the largest leakages from the local CPP.

Most giving to health service organizations either supports the work of national organizations or funds capital efforts of local institutions. Funds raised for capital campaigns remain in the local community. Based on the information obtained from the Secretary of States records, we estimate that about 12% of the local effort would flow to out-of-area, primarily national, organizations.

A portion of the donations to social service agencies goes for national support. Since local social service agencies, compared to local health care institutions, raise less for capital expenditure purposes, we estimate that 10% of charitable effort for social services flows out of the local area.

Most philanthropy for arts and cultural institutions is for the support of local activities and programming. Thus, we assume that only 5% of the effort is directed outside of the area.

Funds given in support of civic and public interest groups (League of Women Voters or City Club) go essentially to support local work. Some contributions will be directed to national organizations such as Public Citizen. We assume that only 2% of the effort will leak from the local area.

Finally, most of the miscellaneous organizations that raise funds are related to special interests, to environmental causes, or to international programs. While there is a local component and expenditure for these organizations, the local effort serves as a conduit for
national fund raising efforts. Thus, we assume that 35% of the effort in this area goes to non-area organizations.

Table 2 summarizes our estimates for the total philanthropic capacity of Pierce County residents (CPP), the fraction of the capacity which goes to organizations and programs outside of the local area, and the capacity which is available to support local programs and organizations.
Table 2

Pierce County Philanthropic Capacity (CPP)
Geographic Allocation: Local and Non-Local
By Organizational Sector,
1991-1992 (millions of dollars)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Total Capacity</th>
<th>Non-local Support</th>
<th>Local Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religion</td>
<td>$108.9</td>
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<td>$95.8</td>
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<td>Education</td>
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The Pierce County private sector has the capacity to provide $197.1 million for local nonprofit organizations and programs. We estimate that the local private sector contributed $94.0 million to local nonprofit organizations and programs. Thus, the gap between the local potential (what could have been raised) and the local effort (what was raised) is $103.1 million, or 52% of local capacity. (Assuming the smallest potential and largest effort implies a gap of $35.1 million or 18%.)

With reasonable effort nonprofits in Pierce County should be able to increase charitable giving by more than 50%.

In other words, the private sector can provide significantly more support to local area nonprofit institutions. We believe that with moderate additional effort the private sector could increase support by one-third -- raise an additional $64 million dollars per year. To close the gap entirely will require considerably more professional effort and expenses.
FACTORS INFLUENCING GIVING

Many studies of charitable giving describe variations in giving by demographic characteristics of individuals and/or households. We have summarized the common conclusions of these studies and highlighted the major findings in the sections below.

Age

In an age graded society such as the United States, where age is a significant social identity, it is not surprising to find variations in charitable giving by age groups. The relationship between age and charitable giving is well established. The main conclusion are that:

- charitable giving increases with age,
- reaches a peak around middle age,
- decreases slightly around retirement age,
- and then increases slightly again for the oldest of the old.

This relationship is supported by several different studies. A 1992 study reported householders under 25 gave the least amount in cash contributions, while householders 45 to 54 gave the most. The difference between the two groups was striking; the older group gave almost nine times more than the younger group. The findings of a 1986 national survey also found that the 35 to 49 age group reported giving more in cash contributions than any other age group, with the under 30 group giving the least. The Gilmore Research Group reported a similar finding in their Puget Sound survey; fewer respondents in the 18 to 24 year old group reported making charitable donation than any other age group.

However, using 1991 data, another national study found the older age group (60 and older) gave most to charities. Most data which analyze giving by age note the 60 and over age groups give considerably more than the youngest age group. Interestingly, some evidence suggests the oldest of the old age group, 75 and over, give the most compared to all of the older groups.

"Age" constitutes a social identity, not simply a state of mind or a biological stage of life. "Social aging” is described as a process that determines levels of giving for people of various age groups. The amount that people are expected to give is based on their “social age,” or social identity, not on the amount that they could afford to give.
Age as a social identity has an important implication for charitable giving. The young are not expected to give as much to charity, even though they may have the means to do so. They are "just getting started" and "should enjoy life while they can." Established middle aged people are expected to have the means and the willingness to share what they have to improve their community. Older citizens are also expected to give consistently with their retirement stage of life. Thus, older citizens may be expected, health permitting, to give more of their time and wisdom.

**Household Type**

Current demographic trends indicate that charitable cash contributions, as a proportion of household income, may level off or even decrease in the future. These trends indicate:

- more single occupant households,
- a smaller household size overall,
- more non-family households,
- more renter occupied households, and
- fewer rural households.

The average size of households in the U.S. dropped from 3.33 persons in 1960 to 2.63 in 1990. As a proportion of the total, non-family and one person households have increased significantly during the past twenty years. For the past several decades, one-person and non-family households reported giving less in cash contributions than did family households.

Another way to categorize households is with reference to their housing choice.

- Homeowners report giving larger contributions than do renters.
- Homeowners without a mortgage report giving more than mortgage holders.
- Renters report giving only one-fourth of what homeowners without a mortgage give for charitable donations.
- Homeowners with mortgages give about twenty percent less than those homeowners without.

When analyzed by location, urban households give larger cash contributions than do rural households. However, rural households give a greater proportion of their income than do urban households.

Overall, only about two-thirds of all households actually make cash contributions to charity. Studies reporting average total amounts given do not always separate cash from non-cash donations, and may be somewhat misleading. For example, one study combines
money and property as charitable giving. Almost 20\% of these respondents reported that they made no donations of money or property in 1990. \textsuperscript{65} Thus, a household giving only used clothing and household items would be counted as making a charitable contribution during the past year, even though they made no cash contribution at all.

In addition, the relationship between doing volunteer work and making cash contributions tends to be a strong, positive one. Research indicates that 45\% of respondents in the Puget Sound region did not do any volunteer work during 1990; in Pierce County the percentage was even higher at 48\%. \textsuperscript{66}

**Income**

As expected, there is a positive relationship between income and reported giving to charities; the greater the income, the greater the reported amount of charitable contributions. \textsuperscript{67} This relationship is for total income and charitable giving. There is no information on the amount of disposable or discretionary income and charitable contributions. A 1992 study found households with reported incomes over $50,000 gave almost two and one-half times more in cash contributions than did the household with an average income of about $35,000. Households with incomes of less than $10,000 made cash contributions of only one-fourth the average. One researcher found in 1986 that households with a before tax income of $10,000 to $14,999 gave about $750 a year less than those households with an income of $40,000 and over. \textsuperscript{68}

Although the higher income households give more dollars than do lower income households, the lower income households give a larger proportion of their income. A 1986 study found that households with before-tax incomes of $5,000 to $9,999 give away 3 percent of their income, while households with incomes of $20,000 to $29,999 give 1 percent. \textsuperscript{69} Whether the greatest total amount contributed comes from lower income or higher income households is in dispute. A 1979 study asserts that individuals in the lowest income brackets give a larger proportion of their take-home pay than do individuals with higher incomes; therefore, most of the total cash contributions come from low- to middle-income earners. \textsuperscript{70} A much different conclusion was reported in a 1992 study that found 61\% of all charitable contributions came from affluent households. \textsuperscript{71} But it does seem to be the case that lower income households give a larger proportion of their income to charities than do the higher income households.

The relationship of income to charitable giving is descriptively obvious; the more affluent give more dollars than the less affluent. \textsuperscript{72} One authority attributed the key to giving as an individual’s “discretionary income,” or the money that an individual has left to spend after basic needs have been met. \textsuperscript{73} Even though individuals must make complex
judgments about how much money they have left to spend, their discretionary income is understandably related to their total income. In other words, those with more income also "feel" they have more discretionary income. While this may be a reasonable conclusion, it does not illuminate just how decisions are made concerning what to do with that discretionary income.

**Marital Status**

When households are characterized by the marital status of the householder, the pattern of charitable giving seems clear.

- A single parent household with a child under six years of age present gives the least -- both in terms of amount and as a proportion of income.
- The unmarried householder also gives a modest amount in cash contributions; however, this amount is almost double the proportion of income compared to the single parent household.
- The married couple with no children living in the household gives the most both in dollar amount and in proportion of income.

The data indicate that the presence of children at home, especially younger children, affects charitable giving. Households with any children present contribute less than households without children in the home. Households with children under six present contribute the least of all married couple households.

The demographic trends are clear with regard to marital status. The proportion of married couple households continues to decline. The proportion of single parent and single person households continues to increase. These trends are occurring at both the national and local levels. The implications are not encouraging for the nonprofit sector.
**Religious Membership**

The majority of charitable cash contributions made by households typically goes to religious organizations. Religious organizations provide a significant proportion of all social services in most communities. Yet, there is little information about variations in giving by religious memberships. Religious organizations have a vested interest, understandably, in the moral imperatives related to appeals to their membership to be charitable. The relationship between religious membership and charitable giving is likely to remain a "sensitive topic," outside of most research agendas. Yet, much of the variation in the "culture of giving" is clearly related to religious membership.

**Gender**

Recent commentaries on patterns of charitable giving suggest that women are the key decision makers when it comes to allocating household resources to charities. Some commentators also suggest that women are more "charitable" than men, but that characterization seems based more on the interpretation of the voluntary participation of women in religious and other groups than on information about cash contributions. Insofar as more and more households are headed by single women, it seems that those same households will have but modest resources to donate to charity.

**Occupational Status**

While the most common way to describe charitable giving is by household characteristics such as income, marital status, and age, there are other interesting and potentially informative characteristics that have received much less attention. Surprisingly, there is little information on variations on giving by occupational group. Occupation is, by far, the single best indicator of "lifestyle," including patterns of charitable giving. One study reported that the majority of volunteers tend to come from white-collar occupations, such as professionals, managers, and clerical-office workers; while service workers, retired people and semi-skilled and unskilled employees were the least likely to participate as volunteers. The statistical relationship between volunteering and charitable giving is a strong one, but little information exists about the direct relationship between occupational membership and amount of charitable giving. Because the workplace is an obvious and convenient fund-raising situation, it is surprising just how little seems to be understood about charitable giving in the workplace.
We do know, however, that occupational identity is perhaps the single most important and significant social identity a person has. Thus, it is occupation that may be the most single influential factor in charitable giving behavior. Most certainly, conforming to workplace norms and receiving workplace social acclaim in relation to "public" charitable giving would seem to be a powerful influence on giving behavior. Few workers court the reputation of being "cheap" and "uncaring" among fellow workers, and giving or not giving is rather difficult to conceal in most workplace charitable activities. Thus, careful study of workplace charitable behavior would seem most promising and useful.

**Ethnicity**

There is also little information about variation in charitable giving by ethnic (sometimes classified as racial) group membership. A few studies report that African-Americans give the greatest proportion of their income to charitable causes compared to other, including "white," ethnic groups. However, no study reports on charitable contributions to organizations with a specific ethnic membership, or with a well known ethnic identity. Thus, little is known about how the numerous ethnically organized charities impact overall community giving. It seems likely that as emphasis on "ethnic pride" becomes more common in educational and community contexts, more and more charitable giving will be targeted on the basis of ethnic identity.

There is little question that Washington State, in general, and Pierce County, in particular, are becoming more ethnically diverse. More ethnic groups, especially those with more recent immigrants, are forming ethnic communities within the county. These ethnic groups have an identity separate from, or in addition to, the larger community. Thus, general community appeals, such as those used by United Way, may become less successful in the future.

**Culture Climate and Charitable Giving**

The United States gained, and perhaps earned, the reputation of a nation of generous people after each of the two world wars of the twentieth century. Those experiences of international charity were complemented, especially after World War II, with the development of a public attitude toward domestic charitable giving; this attitude emphasized the moral responsibility of aiding the less fortunate through cash contributions. In addition, various specialized organizations, such as the March of
Dimes, promoted not only the sense of responsibility to give but also the perspective that "we are all in this together and we can accomplish anything united in purpose." Hundreds of not-for-profit social service organizations at the local level looked to the generosity of the local community. The development of community chests and United Way groups institutionalized charitable giving as a normal aspect of good citizenship.

Recent economic, demographic, and social changes indicate that the culture of charitable giving is changing. Increasingly those being solicited for contributions want to know just who will benefit from their charity and how their money will be spent. Further, the current emphasis on the acceptance of diversity, whether based on ethnic or other characteristics is, and will have the effect of weakening the sense of "we-ness" and the feelings of common responsibility for others. One study states that charitable giving is motivated by diverse and complex motives, for example:

- concern about the welfare of others,
- conforming to social expectations and norms,
- living up to one's own code of ethics or religious beliefs, and
- receiving social acclaim and enhancing one's own reputation.

Increasingly, it has become a daily experience in cities and towns to see the homeless wandering the streets during the day, queuing for food and shelter at missions, churches, and community centers, and sleeping in doorways or any other place providing at least some shelter. Begging is once more becoming a common, almost unnoticed, means of daily survival for large numbers of people in communities across the nation. These scenes are increasingly being defined as normal, not as conditions calling for redress.

A return to a less generous America presents a very real challenge to organizations committed to providing programs and services supportive of community well-being. It may be that the culture of charitable giving is shifting from a context of "we-ness" to one of "me-ness"; charitable giving driven by self-interest, not by community interest. As two researchers conclude "self interest is personal and can only be defined in terms of the specific person or group concerned, such a behavior that is in the best interest of one might simultaneously have deleterious effects on another." Self-interest motives for charitable giving, as opposed to community-interest motives, might effect the “culture of giving”; while self-interested motives for charitable giving might benefit a specific individual or group, those interests might also have an adverse impact on the community as a whole. We believe one possibility is:
As American society becomes more diverse, appeals based on a sense of community are likely to become less effective. Then the non-profit social service sector will find it more difficult to elicit cash contribution support for its mission.

A Note Concerning the Lotteries

The effect of the lotteries on charitable giving has not been systematically studied. If it is reasonable to assume that most people who play the lotteries do so with "discretionary income," lotteries, then, drain support from charitable causes. A 1992 report noted that lottery play is a voluntary contribution to state revenue; further, lottery participation is related to social class. The report analyzed a sample of Oregon households and found 55% of respondents reported buying lottery tickets during the previous year. The average annual household expenditure for lottery tickets was about $50.00. While this amount is not a substantial proportion of household income (less than one percent), it is a significant proportion of the average household charitable contribution. It may be the case that the state lottery is competing with charitable causes for citizens' discretionary dollars. It would be interesting to compare pre-lottery charitable giving with current giving in Washington and Pierce County, but the information necessary to do that does not exist. Occupational group members who reported playing the lottery most frequently included clerical, service, sales, skilled and semi-skilled workers, operatives and laborers, all occupations of significant numbers in Pierce County.

The lottery, as a competitor to charitable causes for citizens' discretionary dollars, is likely to be a factor for the foreseeable future. It is also the case that charitable/religious organizations use "games of chance" as a means of fundraising. This traditional approach to fundraising may be especially impacted by the state lottery and, therefore, further limit the effectiveness of what has been a reliable fundraising technique.

Explaining Charitable Behavior

Many of the efforts to understand why people do or do not give to charities have focused on individual "motivation." While such study might help explain why particular individuals do or do not contribute, it does little to illuminate why rates of contribution vary from one time to another, one city or region to another, or even from one campaign to another. In particular, a focus on individuals does not provide those who must plan
fund-raising campaigns with the information necessary to make important decisions about how to best use their often limited resources.

The more individualistic theories used to explain social behavior have a lengthy intellectual history in such diverse disciplines as Social Philosophy, Anthropology, Political Science, Psychology, and, most certainly, Economics. It is well beyond our scope and interest to explore the similarities and differences of those perspectives here, but it will be useful to describe briefly what is known as Social Exchange Theory in Sociology and the Self Interest perspective used in several of the social sciences.81

Proponents of Social Exchange Theory argue that people give to charity because they find it personally rewarding to do so. At the same time, people do not give to charity because they find it personally rewarding not to do so. People who have found giving rewarding in the past will tend to give in the present. The more rewarding the giving experience, the more likely a person will continue to give, up to a point. The focus of the analysis and explanation for giving is on the reward.

Given our interest, to "explain" giving, we would have to determine what an individual considers "rewarding" about giving. In a sense, the studies reviewed above imply that certain types of individuals (e.g. married) find charitable giving "rewarding" while other types (e.g. single) find it much less so. The important question becomes what "reward" influences different demographic groups.

A related perspective is the self interest explanation for charitable giving. Proponents of the theory say, the basic concept of self-interest is easy enough to understand in theory: people hold beliefs and make decisions such that their own goals or interests are served. Many studies report that individuals give more to religious organizations of which they are members (thus, giving to benefit themselves), or to such organizations as schools, the arts, and recreational groups in which they have some interest or claim. The motive or incentive to give to "generic" causes such as the needy is weak. While studies do not reveal just how much anonymous charitable giving occurs among those who give, there is every reason to assume that very little is done anonymously. Available studies indicate that much charitable giving is self-interest motivated, but how much has yet to be confirmed.

Each of the demographic characteristics reviewed above interacts with the others to constitute a household at a particular point in time. As each characteristic changes over time, the household situation changes; households, as units of interest and description, are dynamic, not static. For example, over a ten year period of time the charitable giving potential of a defined geographic area may change significantly. In addition, it seems
clear that any one demographic characteristic does not constitute a meaningful indicator
of giving potential.

Combining the Social Exchange and Self Interest theories of charitable giving
suggests that an individual's "rewards" and satisfaction will be related to the individual's
social context. What motivates is more than just internal beliefs; it is also related to what
is external. Motivation to give merges with the situation for giving. An individual's set
of characteristics defines the individual's social situation, which influences the charitable
giving motive.

Individuals change, so their social situations change. As one student of the process
observed, "If we survey life histories of particular individuals in various collectivities
during various historical periods, we find that every individual in the course of his life is
the center of different social circles and that, in each of these, the standards by which he
is evaluated as a person, the kind of duties which he is expected to perform, and the rights
which others grant him vary and change." Moreover, "In a modern urban region, the
man who is a father and a partner in relations of polite companionship may be also an
active church member, a businessman, an amateur sportsman and a minor politician. The
social circles in which he performs these functions are seldom composed of the same
people: his duties manifestly differ, and his person is differently evaluated in each of
them."

Social situations are complex, but can be described as made up of three elements:

- objective conditions, including socially enforced rules of behavior;
- preexisting attitudes of the individual and the group; and
- the individual's definition of the situation, influenced by the group.

What is missing from the research on charitable giving is a description of the situations
in which giving occurs. For example, how does individual giving in the workplace, the
home, or the shopping center vary? Understanding charitable giving requires an analysis
of the social situation when giving occurs: How does variation in situation affect an
individual's (or household member's) giving behavior? As noted above, for example, a
person of a given age and gender is almost certainly more or less generous depending on
the social situation.

Another advantage to focusing on the social situations of giving behavior, rather than
on individual or household characteristics, is that social situations are "common," not
unique. For example, most people go to work, take part in recreational activities, attend
organizations, and go to shopping malls. While the circumstances of the situations differ
between individuals, people do engage in the same types of behavior, including charitable behavior, in those situations.

Thus, understanding the social situations in which charitable giving occurs as normal behavior, and just what situational factors seem to influence that behavior, would significantly improve our understanding of "community capacity" and how best to tap that capacity.
CONCLUSIONS, RECOMMENDATIONS, AND SUGGESTIONS

Conclusions

The analyses in this report clearly lead to two conclusions:

- a considerable untapped potential for supporting the nonprofit sector exists in Pierce County;
- the factors which are necessary to realize the philanthropic potential are in place in Pierce County, but they are not being exploited.

This is not to say that nonprofit agencies in Pierce County are not trying to tap the potential, quite probably they are. Rather, more can be done to help the nonprofit sector realize the full potential for donative support.

In addition, we believe the research on philanthropic behavior provides guidance for improving the situation in Pierce County. An important approach to tapping the community's potential is understanding the situational factors presented in our analysis. If nonprofits in Pierce County employ strategies for fund raising based on the situational model, we believe they can increase the support currently provided by the local community.

We find no evidence that Pierce County residents are " unmotivated" to support nonprofits. Pierce County residents are altruistic and caring. Significant capacity, appropriate motivation, and philanthropic values are all present to support charitable giving in Pierce County. The missing ingredients are the proper approaches for increasing philanthropic effort to reach its potential.

Recommendations

It is important for the nonprofit sector of Pierce County to move rapidly to increase its fund raising ability. While most nonprofit agencies in Pierce County will remain viable in the long term, new pressures are emerging which will significantly impact the role of nonprofits. In particular:
• **Reduced Government Effort**

The current political climate will support fewer public sector agencies and programs to deal with social and welfare issues. Local nonprofit organizations will come under intense pressure to replace now existing governmental programs.

• **Less Government Support**

The current political climate will also result in less government funding for the traditional areas served by nonprofits -- from public broadcasting to child protection, from environmental protection to health care. The nonprofit sector will have to find new sources of funds to support their programs. These can come from marketing services, contracts with local governments, or additional public support from donations.

• **Increased Private Sector Competition**

Privatization is happening, governments are looking to the private sector as contractors. The increased competition in health care, education, and broadcasting is only a precursor of what may be in store. Nonprofits must be able to compete with the private sector in terms of service costs and prices. In addition, nonprofits will increasingly have to compete with for-profits to obtain qualified and skilled professionals. Without sales revenue, the need for "dollars from donation" will be even greater.

• **Intense Competition for Financial Support**

As the economy grows and with reduced public sector programming, the number of nonprofits will increase. The demand for financial support will increase more rapidly than before. Foundations and grant-makers will have to spread their resources more thinly. Public-private partnerships will take some of the traditional support from the business community. Large corporations will continue to look for sponsorship opportunities, rather than gift giving, when they allocate their contributions budgets.

In general, then, the need for additional donative support will intensify. The competition for dollars will increase.

Approaches to fund raising must recognize the reality of recent demographic changes and attitudinal shifts. In particular,
• **Customized Needs**

Fund raising campaigns must appreciate and respond to "customized" needs of specific groups, occupations, and associations, e.g., recreational leagues, membership clubs, or religious organizations. Social changes are altering peoples' sense of community and their responsibilities as good citizens. Rather than the traditional family, religious, or community affiliations, occupation is fast becoming the single most revealing social identity. The occupational structure of Pierce County has materially changed over the past decade. Thus, Pierce County is a very different social environment now than it was just a few years ago. What were effective appeals for charitable giving are almost certainly less effective in the present social environment.

• **Diverse Communities**

Fund raising campaigns need to appeal sincerely and specifically to Pierce County's diverse communities. The composition of Pierce County's ethnic population is changing. Ethnic neighborhoods, as well as social, political, and business organizations have become increasingly significant within the county. The concept of "community" upon which to develop a fund raising campaign is no longer viable. Fund raising campaigns based on appeals for contributions from "the community" will become less and less effective.

• **Cost of Reaching Households**

Fund raising campaigns directed at individual households will experience smaller returns for the efforts and costs expended. Fewer people per household, more female headed households, an increased number of single adult households, and more households with heads aged 75 years and over, mean the cash contribution capacity of the individual household will decline. The giving of "in-kind" goods and voluntary time may not be affected in the same way.

These changes do not necessarily mean that fund raising will be impossible, only harder, in the future. They do suggest that effective fund raising will require more professional support, employees, and effort.

**Suggestions**

Based on our analyses, conclusions, and recommendations, we believe that the following proposals will improve the work of nonprofits in Pierce County as they adjust to the new realities of fund raising.
• **Professional Support**

By and large, only those nonprofits with professional fund raising professionals or those organizations with the resources to hire development counsels will be able to succeed. With professional help and support, a nonprofit with an appropriate mission should be able to reach the Pierce County market and obtain its share of the Community Philanthropic Potential. The capacity is there, reaching it is the challenge.

• **Shared Service Support**

Due to size or current funding base, some Pierce County nonprofit organizations can not afford the cost of employing a fund raising professional. Not all organizations need the services of a professional full time, year round. It should be possible to create a Nonprofit Support Center which would offer shared services. For example, the Center could have a full time development counsel to provide consulting services, software services for mailing list maintenance and support, shared office expense for phone-a-thons and mailings, and professional literature with personalized consultations. This type of Center would not duplicate general services of NDOA or United Way, but would tailor services to the participating nonprofits.

• **Better Understanding**

The charitable capacity of Pierce County is not being reached. The largest potential source of nonprofit support comes from individuals. Reaching this group will be increasingly more difficult. Studies to understand more completely the nature of how households and individuals are changing can be very useful. The same argument can be made for the business sector in Pierce County, especially since small businesses are the largest part of the sector, and little is known about charitable motivation or situational circumstances. Survey studies, case studies, or statistical analysis offer great potential as aids to professionals.

These suggestions are offered as ways to help raise the community's effort and achieve its potential. The suggestions are not "magic bullets" for solving the problems and issues confronting the nonprofit sector. However, we believe they offer directions that will be helpful.
Appendix
Selected Demographic Characteristics
Pierce County -- 1990

Age

The median age of Pierce County residents was 31.3. The proportion of the population under 18 years was 27.2% while the proportion 65 years and over was 10.5%. The middle aged population, those 45 to 64, accounted for 17% of the total population. The median age of King County residents was 33.7% and the proportion of the population under 18 years was 22.6% while 11.1% were 65 years of age or over. The median age of the total U.S. population was 32.6.

Households

There were 214,652 households counted in the 1990 census of Pierce County. Of those, about 71% were classified as family households and 56% were classified as married-couple families. Female householder households accounted for almost 11% of all households, while householders 65 years and over comprised 8% of the total. The average number of persons per household was 2.62 as compared to 2.63 for the United States.

Income

The median 1989 household income for Pierce County, reported in the 1990 census, was $30,412.00. Median family income was $35,108.00 while non-family households had a median income of $18,209.00. Per capita income was reported as $13,439 for Pierce County while that reported for King County was $18,587.00. Median household income reported for King County was $44,881.00. The median household income for the United States was $32,191.00.

Of the residents of Pierce County 11.4% had incomes below the poverty level compared to 13% for the total U.S. population. For female householder families the proportion below poverty level was 32.9%, while the rate for those persons 65 years and over was 9.1%.

Occupation

Pierce County had a total of 251,833 employed persons 16 years of age and over in 1990 while the number for King County was 818,326. Of the Pierce County labor force 68% were wage and salary employees. About 6% of the total were employed by the Federal government compared to 2% of King County workers.
Ethnicity

Approximately 85% of the population of Pierce County was classified as White, 7.2% as Black, 5.0% as Asian or Pacific Islander and 3.5% as Hispanic. The numbers for King County were 84.8% White, 5.1% as Black, 7.9% as Asian or Pacific Islander, and 2.9% as Hispanic.

Table A-1

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References


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1 The concept of "most" is, and has been historically, ambiguous. Most could be interpreted as the "2% of income" rule, the "give-five percent" in time and dollars, or the traditional 10% tithe. Using the 2% norm for just personal income would imply a capacity in excess of $150 million for Pierce County. While this amount could be given, we doubt
that such a figure would bear any reasonable relationship to what is really possible.

2 What "ought" to be given is to some extent dependent on social norms, mores, and personal preferences. Different communities, as well as different people, will have different definitions of what ought to be done. We have no special insight about what ought to be done in Pierce County.

3 A typical example of this type of survey can be found in: Margaret K. Ambry, Consumer Power, New Strategist Publications (Ithaca, NY) or the periodical reports on the Consumer Expenditure Survey from the US Department of Commerce.

4 Some special interest studies are concerned with how people allocate their donations. For example, one study focusing on religious philanthropy is The Charitable Behavior of Americans, by Yankelovich, Skelly and White, Inc. (The Independent Sector, Washington, DC, no date). Other special interest studies focus on a particular givers, for example, "Charitable Contributions by Small Businesses" by Judith K. Thompson, Howard L Smit, and Jacqueline N. Hood, in Journal of Small Business Management (July 1993).

5 For example, periodic reports in American Demographics (published by Dow Jones and Company), Family Economics Review (US Department of Agriculture), or US Department of Commerce reports on Consumer Expenditures.


8 The incentive to over-state charitable donations is related to the tax deductibility of the donations. Particularly problematic is the valuation of in-kind donations as reported on income tax returns. If only cash contributions are considered most analysts conclude that the degree of over-statement is minimal. See, for example, Robert A. Schwartz, "Personal Philanthropic Contributions, Journal of Political Economy (1970, pp. 1264-1291) or John E. Ferguson, Giving More Than a Damn, Garland Publishing, Inc., New York, NY, 1993.

9 Individuals who do not report contributions for tax purposes include those with incomes below the minimum taxable level or have only tax-exempt income. The former group does not present a problem for the analysis of charitable giving since their very low incomes mean they
will not be the source of significant donations. The latter group probably has significant income and capacity for donations. However, they represent an increasingly small fraction of the population, and tax regulations have changed so that even with no tax liability these people must file an "informational" return. Thus, the ability and effort of these families in terms of charitable giving is, to a large extent, understood.

Approximately 30% of all tax returns have itemized deductions. The percentage of itemizers increases with taxable income: 5% for less than $15,000; 20% for $15,000 to $30,000; 50% for $30,000 to $50,000; 80% for $50,000 to $75,000; 91% for $75,000 to $100,000; 95% for $100,000 to $200,000; and 97% for incomes over $200,000. From: Internal Revenue Service, Statistics of Income Bulletin, Summer 1992.

Local income data are available from The Census of Population and Housing (US Department of Commerce, Census Bureau), Local Area Personal Income series (US Department of Commerce, Bureau of Economic Analysis), and the Puget Sound Regional Council.


Local income data were obtained from the 1990 Census of Population and Housing, STF Tape 3A, and Puget Sound Council of Governments. See also the Appendix to this report.


A current review of factors which influence charitable giving by individuals can be found in Ailee Moon and Kenunkwan Ryu, "Predictors of Charitable Contributions for Seven Different Types of Recipient Organization: New Evidence on Household Behavior," Mimeo, University of California at Los Angeles, Department of Economics, no date. They find giving is responsive to differences in the following variables: age, educational level, marital status, home ownership status, number of income earners, number of dependents, volunteer experience, and attitudes toward government spending.

See the Appendix for the way in which Pierce County differs from the national averages.

Particularly important sources of data for corporate contributions comes from the annual reports of The Conference Board, Corporate Contributions and Virginia Hodgkinson, et.al., Nonprofit Almanac (Jossey-Bass Publishers). These standard data sources provide excellent coverage for the largest and publicly-held corporations. Data for smaller and private businesses come from Statistics of Income (Business), and special research studies reported in the literature.

See: Hodgkinson, et. al., Nonprofit Almanac, Judith K. Thompson, Howard L. Smith, and Jacqueline N. Hood, "Charitable Contributions By
A detailed analysis of corporate giving by type of industry (durable manufacturing, retail, diversified service, non-durable manufacturing, commercial banking, utilities, diversified financial, and transportation), geographic area for donations (local, regional, and national), and size of annual corporate contribution budget is presented in Robert J. Bruder-Mattson, Finding the Right Corporate Dollars for Your Charity, Garland Publishing, Inc., New York, NY, 1993.

Corporate income, measured either as before tax or after tax, fluctuates more widely than does total corporate contributions, see: Corporate Contributions 1992: A Research Report, The Conference Board.

Hodgkinson, et. al. note that corporate donations can be made in cash, securities, company products, or property and equipment. For 1989, they reported that corporate contributions were distributed as: 85% cash, 10% products, 5% equipment and property, and 1% securities. (See: Nonprofit Almanac 1992-1993, p 56)

Based on the Conference Board data, the 1990 average contribution from 371 of the largest US companies was $5.1 million. However, Bruder-Mattson notes the tremendous variations in giving from the corporate sector. In his study the smallest company gave $50,000 and the largest gave $40,000,000 annually. Thompson, et. al. found similar variability among small companies with, of course, a much smaller average donation level of about $4,000 per year. Since the Conference Board average amount is heavily weighted with large corporations, but since most of the corporate sector contributions come from larger firms, the figure in the text is adjusted to reflect more accurately the average contribution for firms which do make charitable donations.

Based on detailed local area sources of income analysis, non-corporate income accounted for about 50% of total US income while it accounted for almost 60% of Pierce County income in 1987. Non-corporate income is composed of farm earnings, transfer payments, dividends, interest receipts, rental income, proprietors earnings, and governmental income.

See appendix for detail on the size distribution of businesses in Pierce County, the United States, and Washington State.

The model was based on the results reported in Judith K. Thompson, Howard L. Smith, and Jacqueline N. Hood, "Charitable Contributions By Small Businesses," Journal of Small Business Management, July 1993. Based on the structure of the local economy, the model predicts that 43% (of total corporate income) would be available for contributions -- that is, 57% of the corporate community would make no donation. Of the total income for donations, 0.1% of before tax income is given as a charitable donation.

Since the early 1980's corporate contributions have averaged about 1.8% of before tax profits and 3.2% of after tax income. These percentage tend to rise when the economic climate is good and fall when the climate decays. In addition, the percentages of income given as contributions have been increasing slightly over time. See:
The Pierce County Economic Index (prepared by Douglas Goodman and Bruce Mann, University of Puget Sound) was used to evaluate local economic conditions.


Data from the Nonprofit Almanac were used to formulate these relationships. Additional information was obtained from US Department of Commerce, Bureau of the Census, Economics and Statistics Administration, Household Wealth and Asset Ownership: 1991, Current Population Reports, P70-34, January 1994.


The difference explains, in part, why the business sector appears more important for Pierce County than it is nationally. The 4.9% for the national business sector in the table represents the fraction of actual giving from the business sector -- not the potential for this sector. Because data are not available we were not able to estimate the actual contributions of the business sector in Pierce County -- had this figure been available it might show that the local business community provided 5% of local funds. Nonetheless, our estimate is that the business community is capable of providing 9% of the total philanthropic capacity in Pierce County.

While the Pierce County data have been adjusted for local business conditions, the U.S. data have not been so adjusted. To a minor degree this could account for some of the difference related to the business sector.

Public monitoring is done by the Internal Revenue Service at the national level and by the Secretary of State's Office at the state level. No public agency monitors at the local level. Examples of private sector monitoring include The Independent Sector, AAFRC, The Conference Board, and the Indiana University Center on Philanthropy.

A special computer tabulation was run for this study by the Corporations Division of the Washington State Secretary of State Office (Don Whitting) which identified all 501(c)(3) organizations with an address in Pierce County. However, a number of Parent-Teacher Organizations representing non-Pierce County school groups were listed in Pierce County. These groups were deleted from the total.
Data from the Nonprofit Almanac 1992-1993 (page 559) indicates that the average contribution received by nonprofits in Washington State was $325,000. This represents information from more than 2,800 501(c)(3) organizations which filed 990 tax returns with financial data. The data reflect activity in tax year 1989.

This is from the same source as noted above, Nonprofit Almanac 1992-1993.


The report of the Users/Local Arts Organizations Committee of the Broadway Theatre District Task Force (April 1990) interviewed 20 major groups in Pierce County of which only one-half were included in the National Assembly study. The tabulation from the Secretary of State's Office indicated more than 40 groups which appeared to be related to the arts. The "Economic Base and Shift-Share Analysis of Pierce County, Washington, 1988," (Pierce County Community and Economic Development Department) noted that the arts and cultural sector of the local economy was becoming increasingly important in terms of employment. The data in that report imply more than twice as many employees in Pierce County as the National Assembly study did. Based on this information, then, a reasonable assumption is that the arts sector in Pierce County is two to three times larger than reported by the National Assembly study. We used a factor of two to adjust upward the data from the National Assembly study to account for the entire sector in the county.

Research data indicate that contributions to arts and cultural organizations account for between 6 and 9 percent of total contributions. The variation results from different definitions of what art and culture includes as well as fluctuations in support from year to year (See: William S. Hendon, Harry Hillman-Chartrand, and Harold Horowitz (eds.), Paying for the Arts, Association for Cultural Economics, University of Akron, Akron, OH, 1987). Based on the most recent data from the Nonprofit Almanac 1992-1993 and Giving USA, we assumed that art and culture contributions would account for 7.5% of total local giving.

This data set was provided by the Mr. Don Whitting of the Secretary of State's Office in Olympia. The data set was created from the informational returns submitted to that office by nonprofits in Washington. The data set included all reporting, nonprofits with a mailing address in Pierce County. The original listing was adjusted to exclude organizations with only a mailing address, but no function, in the county. Organizations which are not required to file with the state were not included in the list -- these generally include religious organizations, non-incorporated groups, and organizations with no public-type fund raising activity. The exclusion of religious institutions is not a problem, since we estimate the religious sector's activities from other sources. The non-incorporated groups are basically small and informal with little fund raising activity. Obviously, the non-501(c)(3) organizations are outside the scope of interest for this study. Thus, the data set from the Secretary of State's Office, while imperfect, probably includes the majority of activity of interest to our analysis.
The data from the Secretary of State's Office indicated that total revenue for Pierce County health care organizations was about $150 million. National studies show that about 4% of revenue for health care organizations comes from private donations. This implies about $6 million in donations in Pierce County. For the average community, health care related donations account for about 20% of the total. See: Nonprofit Almanac 1992-1993 and Giving USA, for the relationship of health care giving to total giving; David B. Starkweather, "Profit Making by Nonprofit Hospitals," in Nonprofit Organizations in a Market Economy, David C. Hammock and Dennis R. Young (eds.), Jossey-Bass, San Francisco, CA 1993 for a discussion (and bibliography) of health care institutions' finances; and United States Department of Commerce, Bureau of the Census, Census of Service Industries, SC87-S-4, October, 1991 for data on contributions as a percent of revenue.

The Secretary of State data indicated that approximately $6.5 million were donated by Pierce County foundations. See: Nonprofit Almanac 1992-1993 and Giving USA for data on the relationship on foundation giving and total giving.


This is from Wuthnow, Faith and Philanthropy in America.

See: Yankelovich, Skelly, and White, Inc. The Charitable Behavior of Americans.

There are about 450 religious institutions in Pierce County. These were identified through telephone listings.

This general order of magnitude is reported in most studies of religious organizations. See: Wolpert, Patterns of Generosity in America and Wuthnow, Faith and Philanthropy in America.


The most evidence for the way in which local organizations use the funds donated is from Wolpert, Patterns of Generosity in America, who estimates that between five and twenty percent of donations are sent out of the area of the nonprofit organization.

Wuthnow (Faith and Philanthropy in America) estimates the percentage can be as high as 17% for religious organizations.


For more information on social aging, refer to Robert C. Atchley’s discussion in Social Forces and Aging, 1994.


Kathleen K. Scholl’s 1986 article “Contributions and Gifts of Cash” can be found in Family Economics Review, No. 4.


See the data and analysis in Ambry, The Official Guide to Household Spending

Refer to The Official Guide to Household Spending by Margaret Ambry, 1992.


For further discussion, refer to Charity U.S.A. by Carl Bakal, 1979.


A current discussion of religious organizations as social service providers can be found in Julian Wolpert’s Patterns of Generosity in America, 1993.


Refer to George Ritzer’s Sociological Theory, 3rd edition, 1988, for further discussion of “Self Interest Perspective.”


A more complete discussion is available in Don Martindale’s The Nature and Types of Sociological Theory, 2nd edition, 1988


See: Znaniecki, Social Relations and Social Roles: The Unfinished Systematic Sociology, at page 201.