



Understanding the Giving Landscape



The importance of the charitable sector in America is greater now than at any time in our history. Total charitable giving in the United States was just below \$241 billion in 2002 (AAFRC Trust for Philanthropy, 2003), or about 2.3 percent of the country's gross domestic product. Giving by individuals and households represents more than three-quarters of all charitable donations and is one of the defining characteristics of this country. National research indicates that well over 4 in 5 people in this country donate money each year to charity (Independent Sector, 2001).

Charitable giving by individuals and households helps to protect our land and water, fosters independence for the elderly and disabled, helps domestic violence victims, provides health care services, combats drug and alcohol abuse, enriches lives with arts and culture, and supports community institutions - from soup kitchens to places of worship, day care centers, libraries, theaters, colleges, and more.

Still, there is need to grow and strengthen the charitable sector and the organizations that do important work in and for our communities. To better understand giving patterns and inform efforts to increase charitable giving, this report summarizes new research on giving in the 50 U.S. states, highlighting the economic, demographic and social factors that most strongly influence giving.

About this report:

- Uses the most current available IRS data and economic, demographic and social statistics from the US Census and other Government and independent sources.
- Statistically tests hypotheses regarding giving, considering how socio-economic and other factors affect the context for giving in the U.S. states.
- Identifies how state economic and social context can influence giving.
- Explains a large majority of the variation in state average giving levels across the 50 U.S. states.
- Looks at each factor independent of, or controlling for, all other factors.
- Seeks to explain overall state giving trends, not individual giving behavior.

The main economic and social factors that were found to **positively** affect giving in the U.S. states are:

- personal income
- capital gains
- volunteerism
- education (percentage of adults with a graduate degree)
- African American population (percentage of total population)
- Protestant church membership (percentage of total population)
- percentage of tax filers who itemize

The main economic and social factors that were found to **negatively** affect giving are:

- a predominance of babyboomer - population aged 35-54 - (percentage of total population)
- giving concentration among high-income households
- Catholic church membership (percentage of total population)

How to use these state-specific findings:

While many of the factors identified as affecting giving are not readily susceptible to influence by the philanthropic sector, this analysis may encourage both deeper understanding of state giving patterns, and dialogue about potential approaches to growing giving. Examples may include:

- The link between higher volunteerism and greater average giving suggests that efforts to increase volunteerism may over time contribute to increased giving. These efforts might also be targeted at new volunteer opportunities that are especially accessible and appealing to those in the babyboomer generation.
- High skewness of giving, that is, giving concentrated among the wealthy, correlates with lower average giving levels. This suggests that those promoting greater giving may wish to focus not solely on the most wealthy, but on increasing giving across the population to boost average giving levels.
- States with a greater percentage of the population with *graduate* degrees enjoy higher average giving (independent of income, etc.), but the percentage of college degrees does not have this same effect. This may suggest some value in working with colleges to increase student learning about giving and the non-profit sector more generally, perhaps through including philanthropy or nonprofit sector issues in more coursework, and/or through community service requirements.
- Where certain populations (Protestants, African Americans) seem to have a positive influence on giving, further research might seek to uncover, and identify means to replicate in other settings, cultural or social norming dynamics that have encouraged more generous giving among these communities.

ARIZONA (2002)

Six measures of giving

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- Ranks 38th in average giving per giver (\$2,937) (Low)
 - Ranks 16th in percent growth in total giving (6.5%) (Middle)
 - Ranks 38th in average giving per itemizer (\$2,592) (Low)
 - Ranks 22nd in average giving per tax filer (\$1,015) (Middle)
 - Ranks 28th in average giving per capita (\$414) (Middle)
 - Ranks 12th in giving as a percentage of personal income (3.8%) (Middle)
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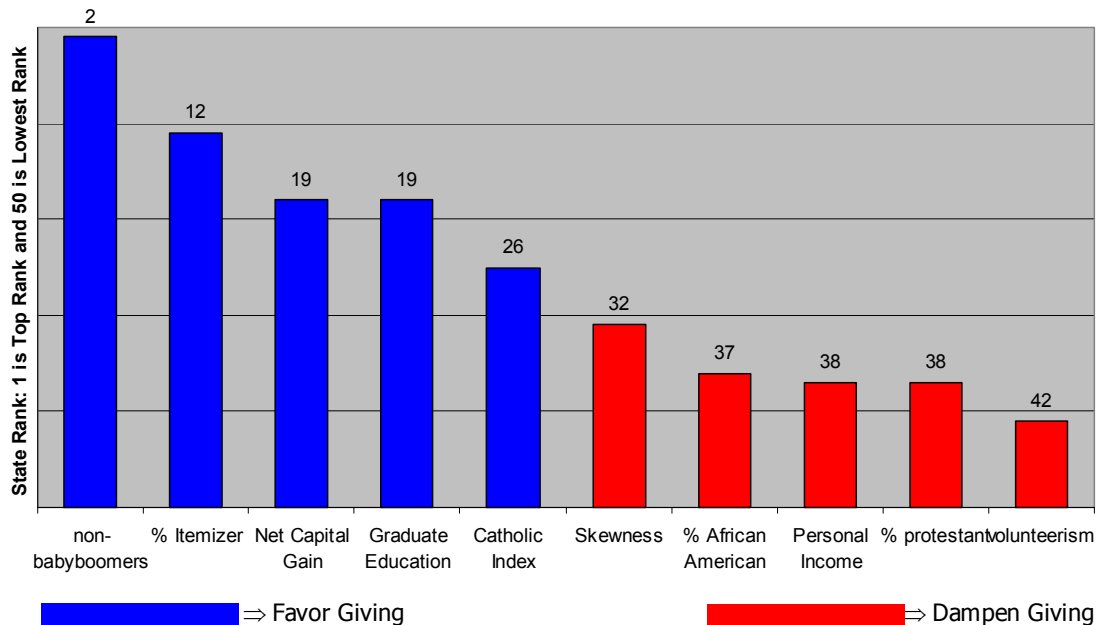
Factors that favor greater giving

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- High percentage of non-baby boomers (not aged 33-54). Ranks 2nd in non-baby boomer percentage (72.5%)
 - Middle itemizing. Ranks 12th in percent tax filers who itemize (39.2%)
 - Middle educational attainment. Ranks 19th in percentage of adults with graduate degrees (6.6%)
 - Middle capital gains. Ranks 19th in average net capital gain (\$8,499)

Factors that dampen giving

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- Low volunteerism. Ranks 42nd in volunteerism rate (24%)
 - Low Income. Ranks 38th in per capita income (\$26,406)
 - Low percentage African Americans. Ranks 37th in percent population African American (3.0%)
 - Low dispersion in giving. Ranks 32nd in proportion of giving among non-high income households
 - Religious composition.
 - Middle percentage Catholic. Ranks 25th (or 26th in position favoring giving) in percent Catholic (19.0%)
 - Low percentage Protestant. Ranks 38th in percent Protestant (14.0%)
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*Arizona's rank among 50 states in factors contributing to high and low giving
(1 is top-ranked and 50 is lowest ranked)*



* Catholic index=(1 - percent catholic)

ARIZONA HIGHLIGHTS

- *On three summary giving measures the state ranks well below the median state; this is particularly true with giving per giver and giving per itemizer. The state ranks in the middle on giving relative to per capita and percent growth in total giving.*
- Arizona has a relatively low volunteerism rate, so efforts to increase volunteerism may, over time, contribute to increased giving. The model suggests that the state's differential from leading giver state, Utah, in volunteerism generates \$82 lower average giving per filer. If the state had the same volunteerism rate as Utah, the model suggests that it would rank 15th in average giving per filer.
- State has lower membership in Protestant churches than US average. The model suggests that the state's differential from the national average in membership in Protestant churches generates about \$57 lower average giving per filer. If the state had the same percentage Protestant as the US average, the model suggests that it would rank 19th in average giving per filer
- The econometric model fails to explain 12.9% of the disparity in AZ's giving. This puts Arizona in the bottom quartile of the states for fit with the model.

This report was researched and authored by Professor Ross Gittell, PhD. and Edinaldo Tebaldi, PhD candidate, of the Whittemore School of Business, University of New Hampshire. For questions about the report's findings and methodology, please contact the authors at ross.gittell@unh.edu.

The underlying national giving analysis was conducted by the authors for the New Hampshire Charitable Foundation, which initiated this research and has been a lead contributor.

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The referenced empirical analysis of charitable giving was conducted using an econometric specification of giving in the 50 U.S. states. The model seeks to explain giving per IRS tax filer (the so-called dependent variable). The independent variables, or explanatory variables, include measures of personal income and other economic, demographic, religious, and cultural variables. The econometric model allows for specification of the independent effects of explanatory variables, isolating the influence of individual variables while controlling for the other variables in the model - for example, being able to isolate the effect of education on giving, independent of the effect of income on giving. In the analysis, giving per tax filer is utilized as a general measure of giving as related to a state's general capacity to give. An average of giving between 2000 and 2002 is used to reduce the effect of anomalies in any particular single tax year.

The model was estimated using a standard approach, Ordinary Least Squares (OLS), with formal testing and validation for appropriateness of the specification. The best model specification explained 92 percent of the variation in average giving across the 50 states (as measured by adjusted R-squared). The model has explanatory power well above the norm for social science modeling. Eleven variables, among over 25 considered, had a statistically significant effect on private giving in the U.S. states.

A Description of Giving and Factors affecting Giving in Arizona, US, and Selected States

Variable	AZ	US	Top 5 states*			Comparison States			Rank		
			CO	GA	NM	CO	GA	NM	AZ	CO	GA
Six measures of giving											
Average Contribution per Giver, 2002	2,937	3,461	4,632	3,196	3,937	2,902	38	28	11	40	
Percent Growth in Total Giving, 00-02	6.5%	1.9%	12.2%	0.5%	7.4%	31.8%	16	38	13	1	
Average Contribution per Itemizer, 2002	2,592	3,029	4,027	2,726	3,508	2,408	38	29	10	42	
Average Contribution per Tax Filer, 2002	1,015	1,065	1,385	1,155	1,373	666	22	11	4	45	
Average Giving per capita, 2002	414	484	625	534	588	289	28	9	6	47	
Average Giving per filer /personal income 2002	3.8%	3.5%	4.8%	3.4%	4.8%	2.7%	12	22	2	42	
Factors explaining giving											
• Positive Impact											
Personal Income, 2002	26,406	30,795	33,702	34,124	28,884	24,730	38	6	25	47	
Net Capital Gain, 2002	8,499	9,401	10,104	11,823	10,689	6,995	19	6	9	36	
Volunteerism Rates, 2002	24.0%	30.3%	30.7%	30.1%	22.4%	27.6%	42	23	47	34	
Percent adults with graduate degrees, 2000	6.6%	6.6%	8.6%	9.0%	6.4%	8.1%	19	6	22	10	
Percent Protestant, 2000	14.0%	23.6%	16.9%	17.7%	37.9%	18.0%	38	34	11	33	
Percent of filers who Itemize, 2002	39.2%	35.2%	42.5%	42.4%	39.1%	27.6%	12	5	13	40	
Distribution Skewness, 2001**	-0.05	2.97	0.89	0.13	-0.23	-0.31	32	25	42	44	
Percent African American, 2000	3.0%	16.3%	16.4%	3.7%	28.6%	1.8%	37	32	4	39	
• Negative Impact											
Percent Catholic, 2000	19.0%	21.9%	21.4%	16.9%	4.6%	36.9%	25	28	43	6	
Percent baby-boomers (aged 35-54), 2000	27.5%	29.8%	29.5%	31.6%	29.9%	29.3%	49	6	21	33	

*=Giving per tax filer is utilized as the giving measure; ** see full report for more details about this variable
Source: Authors' compilation using data from IRS, BEA, BLS, and other sources described in the appendix.