



## Pandemic clouds outlook after strong year for charitable giving

BY JANE C. SIMONS Sunday, July 05, 2020 10:23am

A robust stock market, strong economy and low unemployment rate in 2019 created a trifecta that is credited for the second-best year in recorded history for charitable giving in the United States.

American individuals, bequests, foundations and corporations gave an estimated \$449.6 billion to U.S. charities in 2019, placing it among the top years ever for charitable giving, according to the Giving USA annual report on philanthropy released in mid June.

“Through the period covered by Giving USA 2020, the national picture was a strong one,” said Michael Montgomery, owner and principal of Oakland County-based **Montgomery Consulting Inc.** Montgomery also serves as a lecturer in the Department of Health and Human Services at the University of Michigan-Dearborn.

“Even then, however, the picture was a little different here in Michigan where a longer-term pattern of fewer organizations reporting improved year-over-year fundraising results continued,” he added.

The annual report said total charitable giving rose 4.2 percent as measured in current dollars (2.4 percent adjusted for inflation) over the revised total of \$431.4 billion contributed in 2018. Adjusted for inflation, total giving reached the second highest level on record, just slightly below the record amount achieved in 2017.

Compared to the nation as a whole, a “somewhat different” economic and employment pattern is playing out in Michigan, “where the economy tends to go down before the national economy and stays down longer,” Montgomery said.

The percentages in the Michigan Fundraising Climate Survey 2020 that he authored differ from those in the Giving USA report. For example, individual giving was listed as 69 percent in the Giving USA Report and 54 percent in Montgomery’s survey, while corporate giving was 5 percent in the national report and 22 percent in the Michigan-focused survey.

Over the last six years, Montgomery said fewer organizations have reported improved results and the portion of them not meeting their fundraising goals has remained stable in the 33-36 percent range.

## Accounting for COVID

Montgomery questions the relevance of the 2020 Giving USA report given the economic devastation brought by the coronavirus pandemic that took hold in the U.S. beginning in March.

“In some ways, Giving USA isn’t very relevant this year and doesn’t tell us anything that helps us understand the future, but the global pandemic and its impact is just a whole different ball game,” Montgomery said. “It’s an interesting fun fact, but it doesn’t tell us much about what the future holds.”

This year, he’s looking more closely at the recent report from the **Fundraising Effectiveness Project**, which estimates that giving was down 6 percent for the first quarter, driven by an 11-percent decline in March. The Fundraising Effectiveness Project is the provider of the Growth in Giving Database, the world’s largest publicly available database of actual donations to nonprofits in the U.S. and Canada.

Montgomery said he’s also “looking with great interest” at a May survey from the **Association of Fundraising Professionals** in which 56 percent of respondents reported they expect to raise less in 2020 than they did in 2019.

“Those two studies are very similar to what I found in a brief March 23-24 ‘update’ survey I did to get a sense of how the COVID-19 outbreak might have changed how Michigan nonprofit leaders viewed the 2020 climate for successful fundraising,” Montgomery said. “What we saw was a change between January/February and the third week of March that was large, dramatic, and entirely negative — 87 percent of our respondents expected the conditions for successful fundraising to be worse in 2020 than they had been in 2019.

“That was even a little more shocking because the January/February survey reported somewhat higher levels of optimism about fundraising conditions than in the recent past.”

### Some still optimistic

For Keith Hopkins of Ada-based **Hopkins Fundraising Consulting LLC**, that optimism continues because of the levels of giving he has seen even in the middle of mass shutdowns and economic turmoil. While he agrees that in times of economic uncertainty people tend to give less, he has seen a “bunch of people who did some pretty significant amounts of giving to sizable organizations in need” that were able to continue their work because of local generosity.

At any given time, he’s working on six or eight campaigns around the state. Despite the pandemic, each one received some major gifts, mostly in the six-figure range with one that was seven figures, he said.

Hopkins and Montgomery also maintain that philanthropy looks different on the east and west sides of the state.

“West Michigan is well known for its generosity and there are other generous pockets of the country like Green Bay, Wisconsin and the state of Utah,” Hopkins said. “Nationally, Grand Rapids would be in the top 10 and Kalamazoo would be in the top 20.”

This generosity is being helped along by demographics, namely the aging U.S. population and subsequent massive transfer of wealth.

“One thing that is remarkable to me is how consistent American generosity is. Even through this time, people continue to be generous,” Hopkins said. “Since 1969, we’ve had seven recessions, and in four of those, giving went up.”

Rick Dunham, chairperson of **Giving USA Foundation** and founder and CEO of **Dunham + Co.**, said the 2020 report demonstrates very clearly that Americans prioritize generosity as a key part of their lives.

“While it’s too soon to tell what that will mean in the uncharted territory we all find ourselves in today, these estimates provide an important baseline for understanding where giving stood at the outset of the current crisis,” Dunham said in a statement. “As importantly, Giving USA’s decades of data provide

insight into how giving trends have been changing in recent years, offering context in these uncertain times.”

### **Broad-based giving**

Hopkins said despite being in a “different scenario” now, it was good for him to see that giving in 2019 was strong because that reinforced what he experienced locally.

“One of the things I thought was interesting is that giving across the board to all categories was up for virtually everybody,” he said, including religious entities, educational institutions, health and human service organizations, and arts and cultural groups.

“If the economic fallout from the pandemic continues and we still have huge unemployment rates, giving will shift from foundations and individuals to basic human needs, such as housing and food,” Hopkins said. “There are things that are nice to have, but not critical. The arts typically suffer when economies are down. I think the trend of giving in America as the country continues to age is that we’ll see more and more resources go to older Americans.”

The organizations that are most heavily dependent on philanthropy as opposed to earned income may be in better shape, Montgomery said.

Individual giving totaled an estimated \$309.7 billion in 2019, an increase of 4.7 percent, according to the Giving USA report.

Hopkins said individuals always make up 75-80 percent of giving throughout the U.S., but noted the percentage of individual giving is declining slightly, in part because of a gradually shrinking middle class and changes to the tax laws that limit opportunities to take charitable deductions to those who itemize.

### **Tax benefits return?**

On that front, a bipartisan group of U.S. Senators, led by Amy Klobuchar, D-Minnesota, and Mike Lee, R-Utah, offered a glimmer of hope last week when they introduced the Universal Giving Pandemic Response Act for the 2019 and 2020 tax years. The legislation would create an “above-the-line deduction for charitable giving on federal income taxes valued at up to one-third of the standard deduction,” or around \$4,000 for an individual filer and \$8,000 for married joint filers.

Hopkins said he wishes they’d make this change permanent.

“I don’t think the federal government should be choosing who gets to deduct. Anybody who gives money to a local charity ought to be able to deduct for taxes,” Hopkins said. “If you ask people if they’d rather give to a local charity or the federal government, 100 percent would say they want their donation to stay local.”

As Hopkins looks ahead, he said he thinks the giving outlook will improve as the economy recovers and lockdown restrictions are eased.

Montgomery sees it a bit differently. He said overall giving tends to hover around 2 percent of GDP.

“We are now in a recession and giving will go down for the foreseeable future. It will be rough. We could see an increase in the fourth quarter, but that’s not likely,” Montgomery said. “Giving in 2020 is going to be less than in 2019 because the GDP is less than in 2019. That is one of the absolutes in philanthropic research.”