Author(s): Neel Hajra, 2010

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PubPol 671: Policy & Management in the Nonprofit Sector

Lecture 13: Overview of NEW wrap-up, Philanthropy Intro, Individual Philanthropy

Neel Hajra
Reminder – Paper #2

- Due Friday, March 5 at midnight
- Office hours on Friday
- Will check email less frequently next week
IJM and the Nation Articles
Office of Social Innovation

- From recent FAQ: “An important goal of the SIF is to strengthen the available evidence of effectiveness over time, and consequently we expect grantees to use the most rigorous evaluation methodologies appropriate for a particular intervention at its particular stage of growth. For many programs, this should include evaluations using well-designed experimental and quasi-experimental studies, as these studies can provide strong evidence of the impacts of interventions.”
BoardConnect

- **Services**: Training, Matching, Consulting, Board Room, Board Assessment
- **Licensing**: Battle Creek, Kalamazoo, Upper Peninsula, Flint
  - MANY challenges with licensing
  - Still a work in progress, not major source of revenues
npServ Overview

- Cutting edge, novel approach to nonprofit I.T. infrastructure
- 2 years and half million dollars in research, development, and piloting
- NEW invested its own reserves in the development of this program
Board Transformation

- Current priorities:
  - Ethnic and gender diversity
  - Geographic diversity
  - Fundraising

- Emerging priorities:
  - Balancing geography
  - Networking and fundraising

- Current Challenges
  - Engagement!
So what DIDN’T happen as planned?

- Recession has slowed our growth (contributions and earned income)
- npServ has remained a tech-only program
- ResourceConnect never turned into a revenue-generating program
- Less revenue than expected from outside of southeast Michigan
Board Packet

- Good illustration of some of our topics of discussion:
  - Performance Metrics
  - Financial Management
Scaling Up and Collaboration

- Opened Detroit office in 2007
- Many challenges
  - Marketing / Outreach
  - Cultural
  - Competitors
  - Cost
- Franchising outside of SE Michigan
Note – Basic Infrastructure

- **NEW Data System**
  - $25,000 up front
  - $6,000 / year

- **NEW Center Phone System**
  - $17,000 up front
  - Additional $25,000 for full integration with 10 tenants
Program Challenges Going Forward

- npServ: Getting to break-even
- BoardConnect: Finding right balance between sustainability, mission, and capacity
- NEW Center: Long term capital maintenance
- ResourceConnect: Role within NEW and impact on nonprofits
Next Vision

- New round of strategic planning (2010)
- Ongoing expansion and outreach
- Earned income growth
- Cultivation of new funders
- Continued evolution of Board
- Exploration of new services for new economy
NEXT “CHAPTER”: FUNDING FOR NONPROFITS
Recap!

- Framework: What and why
- Management Issues: Impact on nonprofit sector and inter-sector
- NEXT: Impact of funding issues on nonprofit sector and inter-sector
Roadmap Going Forward

- Overview / Individual Philanthropy
- Foundation Support
- Corporate Support
- Government Support
- Venture Philanthropy
- Nonprofit capital markets
- Social Enterprise
Foundation Week!!!

- Foundations!
  - First class is discussion / analysis
  - Second class involves Phil D’Anieri, Ann Arbor Area Community Foundation
What is Philanthropy?
U.S. History of Ind. Philanthropy

- Driven by individual giving
- Tradition is long and strong
- Why is this so?
Why Give?

- Social: Individualism/community spirit
- Carnegie attitude for the rich – responsibility because of wealth disparities
- Policy: Strong tax incentives
- Political: Small government
- Social norms and peer pressure
- Transcendence through giving (immortality?)
- Self-interest
Note – Decline in 2008

(Charitable giving in the U.S. fell for the first time in 21 years in 2008. But it topped $300 billion for the second consecutive year. Charitable giving over the past 10 years. In billions of current dollars. $307.7 billion. $202.7 billion. $120 billion. $100 billion. $80 billion. $60 billion. $40 billion. $20 billion. $10 billion. $0 billion. '99 '00 '01 '02 '03 '04 '05 '06 '07 '08. Who gave in 2008. Individuals $229.3 billion 75%. Foundations $41.2 billion 13%. Bequests $22.7 billion 7%. Corporations $14.5 billion 5%. Total Contributions $307.7 billion. Source: Giving USA. All figures are rounded. By Tobey — The Washington Post.)

(Foundation giving up 3%)
2009: Decline projected to continue
Benefits of individual giving?

- The democratic ideal
- Donors become volunteers (and vice versa)
- Money with fewer strings
- Dependability of the masses
- Independence from government
Strong, but… total giving?

- Total giving increasing, but decreasing as % of wealth (half of 1920’s levels)
- 2008: $307B in giving!!! (>2% of GDP – pretty steady, despite drop)
- Inflation-adjusted: relatively steady since 2000 despite 12% growth in economy and 7% growth in personal income
Keeping perspective

- Individual giving is 75-80% of total giving
- BUT IN TOTAL:
  - 71% fee-for-service (includes gov’t payments)
  - 10% individual giving
  - 9% government grants
  - 4% investment income
  - 4% other
  - 1% Foundation
  - 1% corporate
Strong, but... distribution?

Recap: Three Failures Theory

Gov’t Failure

Market Failure

Voluntary Failure
Reminder: Voluntary Failure theory

- Philanthropic insufficiency: Under-donation because of free rider concerns (of individuals AND government)
- Philanthropic particularism: Focus on specific subgroups yields gaps and redundancies
- Philanthropic Paternalism: Clients don’t vote for nonprofits like they do for government!
- Philanthropic Amateurism: Tendency to rely on less credentialed workers, particularly for moral (vs. technical) issues
Strong, but... trend?

- Decline as share of income
  - Half of 1920’s level!
  - Acute among wealthy
- Decline in “benevolent” giving
WHY THESE CAVEATS?

- Growth of government?
- Growth of the upper class?
- Growth of earned income?
- Tax policy?
- More selfish society?
- What else?
On the other hand…

Professionalization of fundraising + More ways to give = “Democratization” of Philanthropy
Management Implications: How does it FEEL????

- Grassroots fundraising is a “best practice”
- Yet it is really, really hard!
- Burnout is common