

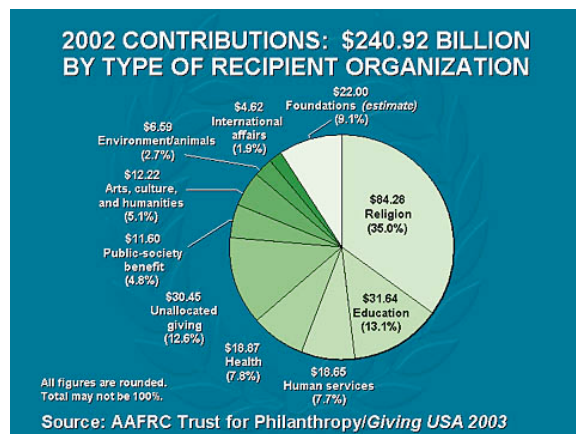
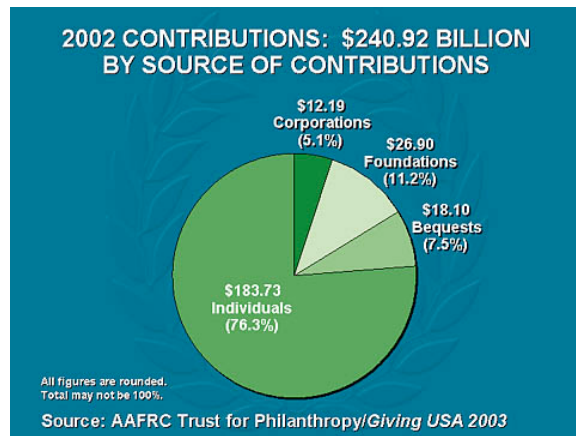
TCU Environmental Scan—Philanthropy

National

Charitable Giving in 2002

Total charitable giving reached an estimated \$240.92 billion for 2002, an historic level, lifted by growth in giving from corporations and estates, according to Giving USA, a report released today by the AAFRC Trust for Philanthropy. The study, which is researched and written at the Center on Philanthropy at Indiana University, found growth of 1 percent in giving in current dollars over a revised estimate of \$238.46 billion for 2001. Adjusted for inflation, giving in 2002 dropped slightly, by one-half of one percent. Among the report's other key findings:

- Giving by individuals, which accounts for more than three-fourths of all donations, decreased by 0.9 percent after taking inflation into account. Individuals contributed an estimated \$183.7-billion to charity in 2002.
- Corporate giving rose an inflation-adjusted 8.8 percent last year to an estimated \$12.2-billion. The increase is attributed in part to the aftermath of the September 11 attacks (pledges made in late 2001, but paid in 2002). Also, the tightening of accounting procedures as a result of corporate scandals in 2002 has led some businesses to do a better job of reporting their philanthropy accurately.
- Giving by foundations dropped 2.7 percent after taking inflation into account, to an estimated \$26.9-billion.
- Educational institutions received the 2nd-highest portion (behind religion), with \$31.6-billion in contributions—13.1% of the total (religion at 35%). Giving to education declined from 2001, however, by 2.6 percent after taking inflation into account. One possible reason for the decline is that some donors to colleges and universities want to wait a year or two before making large gifts in the belief that the value of their stock holdings or other components of their finances will have improved by then. Advancement professionals believe it's more a question of timing—when to given, not whether.



(http://www.aafrc.org/press_releases/trustreleases/charityholds.html). AAFRC (American Association of Fund Raising Counsel) Trust Press Release, *Charity Holds Its Own in Tough Times* (Giving USA, a publication of the AAFRC Trust for Philanthropy, researched and written by the Center on Philanthropy at Indiana University.)

Relevance to TCU

The name of the game in fund raising is still gifts from individuals—to the tune of 75+% of all private support. TCU must continue to strengthen its ties to individuals of wealth and influence in Fort Worth and surrounding areas. Even though giving to education declined significantly after inflation-adjustment, it is still very high on the philanthropic menu and should stay there. (See *Giving by the Wealthy* on page 2 and *Optimism for Higher Education Philanthropy* on page 5.) The University needs to increase the number of wealthy individuals who put TCU at the top of their philanthropic list. And, if the pros are right, the public phase of the capital campaign should benefit from the rebounding market's impact on wealthy donors' portfolios.

Tough at the Top

While total inflation-adjusted giving was down about one-half of one percent, the top dogs felt a bigger pinch. According to the *Chronicle of Philanthropy's* annual survey of the nation's largest 400 charities, contributions to this group from private sources declined for the first time in 12 years—down 1.2% (inflation-adjusted) compared to an average annual gain of 12% during the previous 5 years. The Philanthropy 400 (including 123 colleges and universities) do represent the fund-raising elite—receiving approximately 1/5 of the \$241 billion contributed nationwide in 2002, according to estimates compiled by AAFRC in its report, *Giving USA*. (See details in *Tough at the Top, Texas Style* on page 9.)

(<http://philanthropy.com/free/articles/v16/i02/02002801.htm>) “Surviving Tough Times,” *Chronicle of Philanthropy*, 10/30/03.

Relevance to TCU

Even though 2002 was a down year, a 12% annual gain for the previous 5 years, this report is more evidence that colleges and universities are the fund-raising elite. TCU need to get back into the Philanthropy 400 and stay there.

Giving By The Wealthy

In *Wealth + Values*, a 2002 follow-up to a 2000 study by Community Foundations of America, Louisville, a professional association that represents 98 community foundations across the nation; and HNW Inc., New York City, the giving interests and habits of the wealthy are analyzed. The study focused on people with both \$500,000 or more in assets and an annual household income of at least \$150,000. The following 3 charts highlight the study's findings.

- Almost \$9 of every \$10 is given through direct giving, but some 40% give through donor-advised funds and community foundations (see *The New Competition* on page 8)
- Educational institutions rank 1st overall in terms of recipients of the wealthy's benefaction and 1st for each level of assets presented; the only variation was gender: 1st among males, 2nd among females
- Following educational institutions are 2) health and medical charities, 3) religious and faith-based organizations, 4) arts or cultural organizations, and 5) children and youth services
- Overwhelmingly, mission is the primary motivation for the wealthy—above 80% in each category of analysis (level of assets and gender)
- Following mission were 2) personal experience or connection; 3) program strategy, 4) financial performance, and 5) personal contact

HOW THE AFFLUENT GIVE

Giving Opportunities	
Direct giving	89%
Gift fund or donor-advised fund	22
Community foundation	18
Charitable trust	8
Their own or their family's private foundation	7
Same vehicle used previously	3
Volunteering time	2
Non-monetary donations	2
Church/religious donations	2
Contributions of stocks/appreciated securities	1
Donations to Goodwill	1
In-kind donations	1
Donations through United Way	*
Special fund-raising events	*
Property donations	*
University foundation contributions	*
Other	1
Don't know	*
Decline to answer	1
None/not applicable	1

* Indicates a value of less than one-half percent.

Source: Community Foundations of American and HNW, Inc.

Types of Charities Wealthy People Support

	Level of Assets				Female	Male
	All wealthy	\$500,000 to \$999,999	\$1 million to \$4.9 million	\$5-million or more		
Educational institutions	54%	53%	55%	52%	49%	56%
Health and medical charities	51%	54%	52%	45%	57%	49%
Religious and faith-based organizations	49%	50%	48%	46%	45%	51%
Arts or cultural organizations	43%	43%	42%	42%	37%	45%
Children and youth services	42%	42%	43%	39%	49%	38%
Homeless or low-income services	40%	39%	46%	27%	42%	39%
Political or advocacy organizations	26%	21%	29%	30%	20%	28%
Disaster-relief organizations	24%	21%	28%	21%	25%	23%
Disability organizations	24%	27%	22%	20%	27%	22%
Environmental groups	19%	20%	18%	19%	21%	18%
Animal-rights groups	15%	16%	16%	14%	21%	13%
Sports or recreational groups	15%	19%	14%	9%	14%	16%
Women's organizations	15%	13%	14%	24%	24%	11%
Elderly or aging services	14%	12%	15%	17%	16%	13%
Family-planning or parenting organizations	10%	8%	9%	16%	11%	9%
Civil-rights groups	10%	8%	10%	11%	8%	11%
Unsure	4%	2%	2%	12%	4%	3%

Source: Community Foundations of American and HNW, Inc

What Motivates the Wealthy to Donate to Charity?

	Level of Assets				Female	Male
	All wealthy	\$500,000 to \$999,999	\$1 million to \$4.9 million	\$5 million or more		
Mission, that is, the main purpose for which the organization exists	85%	85%	84%	86%	88%	83%
Personal experience with or connection to the organization	50%	51%	51%	43%	53%	48%
Program strategy articulated by the organization	48%	49%	45%	50%	52%	45%
Financial performance of the organization	26%	21%	31%	27%	23%	27%
Personal contact at the organization	23%	21%	23%	27%	21%	23%
Geographic location	13%	12%	15%	8%	6%	16%
Charitable event	12%	18%	6%	7%	11%	12%
Recommendations or solicitations from friends and family	11%	12%	10%	10%	12%	10%
Staff or board members	8%	6%	8%	12%	5%	10%
Publicity or a news-media story about the cause or the organization	6%	5%	7%	6%	11%	4%
Business connection with the organization	3%	5%	2%	1%	2%	3%
Direct-mail solicitation	3%	4%	2%	3%	3%	3%
Other	8%	6%	9%	9%	9%	7%

Source: Community Foundations of American and HNWI, Inc

(<http://philanthropy.com/premium/articles/v16/i03/03001102.htm#wealthy>) “Affluent Americans Feel Compelled to Give to Charity, but Not to Give More Money, New Poll Finds,” *Chronicle of Philanthropy*, 11/13/03.

Relevance to TCU

Another study documents education’s philanthropic dominance. While the confirmation of direct giving as the primary means (89% of respondents), the fact that 40% acknowledge giving through donor-advised funds and community foundations is cautionary. The diversion of assets from institutions to community foundations or commercial donor-advised funds will have a negative effect on the balance sheet. Even though the income from those assets finds its way into the institutional economy on an annual basis, the fact that others hold the income-producing asset puts the beneficiary institution in a weaker financial position, and a position of dependence and uncertainty since the decision whether and what to support is beyond the institution’s direct control.

In terms of donor motivation, TCU’s philanthropic appeal is strong when matched against these criteria. Because message leads money, TCU must continuously communicate the strength and relevance of its mission and its financial integrity. It also reemphasizes the notion of affiliation/involvement usually being a prerequisite for financial support particularly major giving. The absence of tax considerations on the list would seem to discount the incentives in the pending charitable giving legislation. However, those incentives are likely to have their greatest impact on the beginning end of the giving continuum.

Optimism for Higher Education Philanthropy

In the October 17, 2003 *Chronicle of Higher Education*, CASE President Vance T. Peterson took on academia's subdued mood and pessimism about the philanthropic landscape in a commentary entitled, "Giving to Colleges: There's Reason for Hope."

Despite "Giving USA's report that "giving in current dollars to education as a whole declined in 2002 for the first time in nearly three decades," and the Council for Aid to Education's report that gifts to higher education dropped during 2002 in current dollars for the first time in 14 years, including the unprecedented 13.6% drop in alumni giving, Peterson finds cause for optimism. He does so by highlighting several points of what he calls "positive buoyancy":

- The decline in giving to education during 2002 was very modest—only 1.2 percent—as compared with the double-digit percentage decline of the Dow Jones Industrial Average.
- While gifts by alumni were off substantially more, closer scrutiny of the data shows that giving participation by alumni held up quite well—alumni giving still accounted for 25% of total voluntary support, down only 3 percent from 2001.
- The \$212-billion contributed for all causes in 2001 meant that approximately \$1 in every \$50 in the U.S. economy became a gift in that year. It is unlikely such a key structural element of our economy, and our culture, is going to disappear or change radically.
- While the number of millionaires/billionaires declined slightly during the past 2 years, the total number of such high-net-worth individuals persists well above the levels of only a decade ago.
- A final significant, but often overlooked, reality is that education's market share of total philanthropy has increased about 3% during the last two decades as compared with other sectors that have dropped in market share or barely held their own—like religion, with a decrease of more than 10 percent. That suggests that donors continue to place great value on education as a critically important investment in the future.

(<http://chronicle.com/prm/weekly/v50/i08/08b01601.htm>) The Chronicle Review, Point of View—"Giving to Colleges: There's Reason for Hope," *Chronicle of Higher Education*, 10/17/03.

Relevance to TCU

Education's place at the head of the philanthropy "food chain" appears secure. Alumni giving continues to be the bedrock of fund raising. Even in uncertain economic times, there are still plenty of very rich people to cultivate.

Impact of Tax Cuts

Changes in the federal tax laws will impact charitable gifts, especially in the estate planned giving arena. Raising the estate deduction and lowering the marginal tax rate make it less appealing to include bequests to charitable organizations when constructing a will. With the new rates and exclusion, it will often be more tax-advantageous to leave bequests to individuals who may then make charitable gifts from the proceeds. Unfortunately, in most cases those individuals would not have the same organizational affinity as the deceased.

Research by Brookings Institution economists Jon Bakija and William Gale shows that the existence of the estate tax creates a powerful incentive for charitable giving. Their study found that, without the estate tax, charitable giving in 2001 would have been reduced by about \$10

billion — an amount “equivalent to the total grants currently made by the largest 110 foundations in the United States.”

The estate tax increases the amount of charitable contributions, particularly among the largest estates, because these donations are fully deductible and thus act to reduce estate taxes. In 2001, for example, the latest year for which these IRS data are available, estates contributed \$16.2 billion to charities. Taxable estates of more than \$20 million gave \$6.8 billion of this total, averaging \$23 million in donations per estate. The Bakija-Gale study found that eliminating the estate tax would affect charitable giving by reducing both charitable bequests at death and charitable donations made during a person’s life.

The portion of an estate that is *exempt* from the estate tax is scheduled to rise from \$1 million today to \$3.5 million in 2009 (\$7 million for a couple), and the estate tax is repealed in 2010. The repeal remains in place for only one year, because all of the tax cuts enacted in 2001 sunset at the end of 2010. Permanently eliminating the estate tax would remove a powerful incentive for charitable giving both at death and during life. Retaining the estate tax at a higher exemption level, such as the exemption level that will be reached in 2009 under current law, would maintain an important tax incentive for large estates to make charitable contributions while eliminating the tax on smaller estates currently subject to the tax.

(<http://www.cbpp.org/6-17-03tax-fact3.htm>) Springer, J., “Repealing the Estate Tax Would Reduce Charitable Giving,” *Center on Budget and Policy Priorities*, 6/17/03.

Relevance to TCU

Although major donors by and large do not take tax consequences into account when making a large gift, capstone or estate gifts would likely be affected if there were no estate tax and the marginal tax rates on capital gains and dividends remain that current levels. That being said, the time horizon for impact is fairly short (6 years). Since no one knows what will happen in 2011 and beyond, TCU should develop strategies for three scenarios: no estate tax, low exemption (e.g., current \$1 million), and a higher exemption, say \$3 million.

Charitable Giving Legislation

The Charitable Giving Act (H.R. 7) and the companion CARE Act (S.476) were passed in 2003, but were never sent to conference committee before Congress recessed. The second session of the 108th Congress should see the compromise legislation passed. The bills propose a number of important incentives to encourage charitable giving, including the non-itemizer deduction and the IRA rollover provision. The non-itemizer deduction allows non-itemizing taxpayers to deduct giving over \$250 up to a ceiling of \$500 (joint filers can deduct giving over \$500 up to \$1,000). The IRA rollover provision allows individuals who are at least 70 _ years of age to make direct or deferred gifts from their individual retirement accounts without suffering adverse tax consequences. (<http://www.independentsector.org/programs/gr/hr7.html>)

Relevance to TCU

Both bills have non-itemizer provisions, but H.R. 7’s provision would be in effect only for the 2004 and 2005 tax years. The bill requires that Treasury complete a study by end of 2005 on the effect of the proposal on increased charitable giving, and of taxpayer compliance. The IRA rollover proposal is permanent. The impact of the non-itemizer provision would be minimal if not made permanent. If permanent, it could provide an

impetus for younger alumni (the majority of whom would like be non-itemizers) to give and/or give more. At the other end of the spectrum, the IRA rollover provision would provide another important tool for estate planning and charitable giving.

Expected Transfer of Wealth

The headline reads: The Largest Intergenerational Wealth Transfer in History is Still Valid. In January 2003, researchers at Boston College’s Social Welfare Research Institute (SWRI) in a new report, *Why The \$41 Trillion Wealth Transfer Estimate Is Still Valid: A Review of Challenges and Questions*, confirmed the findings and conclusions of their 1999 report *Millionaires and the Millennium: New Estimates of the forthcoming Wealth Transfer and the Prospects of a Golden Age of Philanthropy*, that a wealth transfer of at least \$41 trillion (conservative estimate) will take place in the U.S. by 2052 despite the economic downturn and fall of the equity markets, and that \$6 trillion of that total will go to charity.

Projections for Intergenerational Wealth Transfer 1998-2052*

	Low Estimate (2% secular real growth in wealth)	Middle Estimate (3% secular real growth in wealth)	High Estimate (4% secular real growth in wealth)
Number of Estates	87,839,311	87,839,311	87,839,311
Value of Estates **	\$40.6	\$72.9	\$136.2
Estate Fees	\$1.6	\$2.9	\$5.5
Estate Taxes	\$8.5	\$18.0	\$40.6
Bequests to Charity	\$6.0	\$11.6	\$24.8
Bequests to Heirs	\$24.6	\$40.4	\$65.3

* Derived from tables in *Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy*, Schervish, Paul G. and Havens, John J., Social Welfare Research Institute, Boston College, Boston, MA, October 1999.

**All dollar values are in trillions of 1998 dollars.

There are some cautions:

- Wealth transfer will be split unevenly between the wealthy and the non-wealthy
- An estimated 66% will come from only 7% of estates—the very wealthiest
- Baby boomers shouldn’t count their chickens—wealth transfer is not the same as inheritance
- Only \$25 trillion of the \$41 trillion total is expected to go to heirs; the baby boomers' share will be considerably less than that, about \$7.2 trillion
- So over the five decades of the transfer, the boomers will play a more important role as benefactors than as beneficiaries.

How much charitable organizations can expect from to receive the \$6 trillion to be transferred during the next five decades will depend in large part on their ability to deal with another legacy—that of the 1990s boom, which SWRI’s Mary O’Herlihy says, "created a generation of younger and more engaged givers, whose contributions to charitable causes are in response to both societal needs and their own need for effectiveness and significance."

(<http://www.bc.edu/research/swri/features/wealth/>) “Wealth Transfer Report,” **Social Welfare Research Institute**, Boston College, 1/6/03.

(<http://www.bc.edu/research/swri/meta-elements/pdf/41trillionreview.pdf>) “Why The \$41 Trillion Wealth Transfer Estimate Is Still Valid: A Review of Challenges and Questions, *SWRI, Boston College, The Journal of Gift Planning*, Vol. 7, No. 1, January 2003, pp.11-15, 47-50.

Relevance to TCU

How much of the wealth transfer will come from the estates of Texans? How much of the wealth transferred to charities from Texans and non-Texans will go to Texas institutions and organizations? How much of the Texas wealth transfer will go to heirs out of the state? Because of the long time horizon, TCU has the time to analyze the anticipated wealth transfer in Texas and identify targets for cultivation. It will be particularly important to understand where Texas wealth is likely to leave the state (dispersed heirs) and identify ways to work against that possibility. Getting a meaningful piece of the wealth transfer will be essential to accomplishing the goal of becoming an endowed institution.

The New Competition: Family Foundations/Donor-Advised Funds/Community Foundations

Family foundations proliferated in the 1990s, when the stock market operated in a gravity-free zone. In many instances, family foundations were a way for the generation of “younger and more engaged givers,” to have a more hands-on role in directing where and how their money was given, a greater sense of involvement and connection, to create their own charitable legacy. Family foundations from modest affairs run by a bank trust officer to the \$15.8 billion Lilly Endowment, the nation’s largest family foundation, launched in 1937. The majority of family foundations control less than \$1 million in assets.

While precise numbers do not exist, the Council on Foundations estimated several years ago that there were more than 30,000 family foundations across the country. Some experts believe that as many as 2,000 new family foundations were established annually in the late 1990s. The recent market slump most certainly slowed the annual growth rate, but new family foundations do continue to be created.

Community foundations have been around for 90 years. Frederick Goff, President of the Cleveland Trust Company, established the first community foundation in 1914. One year earlier, John D. Rockefeller had made a \$35 million gift to start the Rockefeller Foundation. Goff believed that there needed to be a way for individuals of all means to leave philanthropic bequests to benefit their community without having to establish a private foundation.

Today, many consider community foundations to be the fastest growing sector of philanthropy. There are an estimated 600 community foundations in the U.S., with assets of some \$30 billion and annual gifts in excess of \$1.6 billion.

The creation of donor-advised funds has been a major factor in the growth of community foundation assets. Many community foundations have been aggressively—and convincingly—promoting the donor-advised fund as an alternative to the family foundation. With the donor-advised fund, tax benefits are enhanced, the administrative hassle of running a family foundation is removed, and control over distribution of the fund’s income is maintained—an attractive combination for many donors. In fact, some families have even morphed their foundations into donor-advised funds.

The success of community foundations with donor-advised funds did not go unnoticed by the financial services industry. Well-known names like Vanguard, Fidelity, Charles Schwab, T. Rowe Price, and Merrill Lynch have successfully entered the commercial donor-advised fund business. It was Fidelity Investments that created the Charitable Gift Fund, the first commercially run donor-advised fund, in 1992. Many community foundations view the millions contributed to commercial donor-advised funds as assets that should have been theirs. As a response, the donor-focused approach gained widespread acceptance among community foundations.

In an interesting relationship evolution, in 2002, Merrill Lynch launched a donor-advised-fund program that its financial advisors market to the firm's clients on behalf of community foundations throughout the U.S. This joint venture with 20 community foundations built on a six-year-old joint marketing initiative Merrill had developed with individual community foundations.

Starting in 1996, Merrill encouraged its financial advisors to introduce their clients to their local community foundations, which agreed in return to offer Merrill Lynch to donors as an option for managing assets in donor-advised funds they created as a result of referrals by Merrill Lynch advisors. That initial effort led to partnerships with about 170 community foundations. Clearly the success of that referral arrangement convinced Merrill Lynch to get into the donor-advised-fund business directly. So today, the competition for the billions of dollars that are destined for philanthropic purposes is growing increasingly fierce among community foundations, financial-services firms, mutual funds and charitable organizations.

Many fundraisers say that the growth in commercial services will increase the total amount of giving because thousands of consumers who might never have become donors are learning about philanthropy. But the surge of for-profit activity in philanthropy also is forcing charities to wrestle with some tough questions:

- Should charities offer a wider range of gift options to compete with the for-profit providers? Or should they turn more of their attention to philanthropic activities, such as working closely with volunteers, and leave financial-management tasks to banks and brokers?
- How can charities stay connected with donors who are working more closely with their own financial advisers and institutions in making charitable gifts?
- How can charities adjust to the changing job market for planned-giving officers as more and more financial-services companies recruit experienced fundraisers from the nonprofit world?
- What kinds of deals can charities strike with financial institutions that are helping their clients with estate and charitable planning? And if charities do form alliances, how can they prevent commercial advisers from recommending illegal or unethical giving techniques or steering clients into tax-saving plans that lack a charitable purpose?

(<http://philanthropy.com/free/articles/v12/i06/06002901.htm>) "Donors Big and Small Propelled Philanthropy on the 20th Century," Chronicle of Philanthropy, 1/13/00.

(<http://www.forbes.com/1999/07/31/feat.html.html%20>) "Giving Away Grandpa's Cash," *Forbes*, 7/31/99.

(<http://philanthropy.com/free/articles/v13/i03/03000101.htm>) “Chasing Charitable Assets,” *Chronicle of Philanthropy*, 11/16/00.

Relevance to TCU

The old romance novel love triangle has got nothing on contemporary philanthropy. Our triangle consists of charitable organizations, community foundations, and the commercial philanthropic service providers. As the article said, all are chasing the same pool of charitable assets. The commercial firms have more muscle and manpower—and greater ease of access. The fact that Merrill Lynch has gone from symbiotic referral relationships with community foundations to direct competition for donor-advised funds means that the price of poker just got higher. The strategic questions above are all relevant to TCU, particularly as the Community Foundation of North Texas becomes active in the donor-advised-funds business and all of those commercial providers ratchet up operations in the Metroplex market.

State/Local

Tough at the Top, Texas Style

How did Texas fare in the 2003 Philanthropy 400 survey? There are 22 Texas-based organizations in 2003’s top 400, starting with the American Heart Association at 16. The highest-ranking higher education institution is UT-Austin at 79. TCU did not make the list in 2003. In fact, the only time since the survey began in 1998 TCU made the Philanthropy 400 was 2000, when it ranked 371 with \$28 million. Below are the 22 Texas organizations in ascending 2003 rank order. Figures (in \$ millions) represent total private support. Three previous years’ rankings and amounts are also included.

Organization	Rank	2003	Rank	2002	Rank	2001	Rank	2000
American Heart Association (Dallas)	16	437.5	18	404.6	15	396.4	12	357.8
Boy Scouts of America (Irving)	27	291.3	29	290.2	28	278.2	22	273.8
UT-Austin	79	155.3	60	180.0	42	201.6	73	132.9
Texas A&M University	110	118.2	57	183.4	109	110.4	54	154.2
UT Southwestern Medical Center	112	117.6	152	90.4	102	115.0	179	64.4
Susan G. Komen Breast Cancer Foundation (Dallas)	166	82.4	195	70.5	205	70.5	-	-
Baylor College of Medicine	175	79.2	144	95.4	144	92.1	184	63.6
SMU	219	61.4	230	59.3	211	67.8	181	64.1
United Way of the Texas Gulf Coast (Houston)	220	61.2	199	69.1	208	69.1	193	60.6
Rice University (Houston)	226	59.5	204	67.5	191	73.7	147	78.4
UT M.D. Anderson Cancer Center	230	57.8	218	61.6	222	63.5	186	63.2
United Way of Metropolitan Dallas	260	49.8	299	43.2	299	43.2	279	34.8
Communities Foundation of Texas (Dallas)	281	45.3	-	-	65	156.3	190	62.0
Texas Tech University	288	43.8	117	115.8	237	59.5	196	60.5
University of Houston System	289	43.7	288	44.8	145	91.8	268	40.4
Life Outreach International (Fort Worth)	300	42.1	306	42.4	344	38.2	366	28.3
Baylor University	310	41.3	249	52.9	247	57.7	262	41.8
UT Medical Branch at Galveston	311	41.0	336	38.1	367	35.0	-	-
Houston Museum of Fine Arts	312	40.9	361	35.7	309	41.6	117	88.9
UT Health Science Center at Houston	353	34.9	-	-	-	-	-	-
United Way of San Antonio and Bexar County	359	33.5	380	33.6	-	-	-	-
UT Health Science Center at San Antonio	396	29.4	384	33.1	-	-	-	-
UT –Dallas	-	-	-	-	350	36.7	-	-
Mothers Against Drunk Driving (Irving)	-	-	-	-	380	32.8	338	31.1
TCU	-	-	-	-	-	-	371	28.0

As the chart indicates, the “players” have been fairly consistent over the years, with few additions and deletions. Of the 22, 2 (Heart Association and Boy Scouts) represent headquarters of national organizations whose dollar totals reflect nationwide fundraising. A 3rd, Life Outreach International, is an evangelical ministry that, while headquartered in Fort Worth, reaches—and raises money—nationally and internationally. So, what of the remaining 19? They are predominately academic institutions (13 of 19), with about half universities and half academic health centers.

(<http://philanthropy.com/free/articles/v16/i02/02002801.htm>) “Surviving Tough Times,” *Chronicle of Philanthropy*, 10/30/03.

Relevance to TCU

Higher education institutions remain attractive beneficiaries of Texas philanthropy, but TCU is not playing at the same level as some of its student-recruitment competitors. The relative disparity between TCU and SMU, Baylor, and, a lesser extent, Rice, may have significant implications. In today’s “high-sticker-price-tuition-discount” environment, to the extent that SMU and Baylor, in particular, are able to offer more attractive financial aid packages to “overlap” applicants because of their fund-raising success and win those recruitment battles, TCU is at a distinct competitive disadvantage.

Since alumni and others closest to the institutions are usually the most generous benefactors, the success of other academic institutions does not represent serious competition for TCU, except in the battle for pockets of Metroplex wealth that have no local higher education affiliation (will always be competition with *alma mater*). However, 5 of the “local” 19 are Metroplex organizations—UT Southwestern Medical Center, Susan G. Komen, SMU, United Way (Dallas), and Communities Foundation. These organizations do represent a threat to the extent that they are competing with TCU to be ranked first (or higher) on someone’s philanthropic priority list. Are there TCU donors who give more to any of these organizations? If so, TCU needs to work on “moving up the list.”

The absence of any Metroplex arts/cultural organization (Houston Museum of Fine Arts is the only such Texas organization) from the list is notable. That absence would seem to indicate that those organizations are not competing on the same philanthropic plane, even though they do provide a measure of glamour and social elitism for their supporters.

Big Givers in Texas

Five of America’s top 60 most-generous donors in 2003 are Texans, according to the *Chronicle of Philanthropy*’s fourth annual survey. California led the way with 9, including 1 and 3.

Donor	Rank	Amount	Type	Beneficiary
Michael and Susan Dell	2	\$673.7 million	Gift	Dell Foundation (whose gifts included a \$446,000 award to UT-Austin)
John A. (Jack) Jackson	5	\$247.0 million	Bequest	The University of Texas at Austin
Boone and Nelda Pickens	19	\$55.0 million	Gift	Oklahoma State University Foundation
Marrs and Verna McLean	34	\$28.8 million	Bequest	Baylor University & Trinity University
George and Cynthia W. Mitchell	38	\$20.0 million	Gift	University of Houston

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Gifts and pledges by those 60 largest contributors in 2003 totaled \$5.9-billion, compared with \$4.6-billion in 2002. The median giving total, including pledges, was \$32.5 million in 2003, rising \$7.5 million from \$25 million in 2002.

What Big Donors Gave

	2003	2002	2001
Gifts Paid	\$2.24 billion	\$0.7 billion	\$10.0 billion
Pledges	\$0.96 billion	\$2.1 billion	\$1.5 billion
Bequests	\$2.7 billion	\$1.8 billion	\$1.2 billion
Total	\$5.9 billion	\$4.6 billion	\$12.7 billion

What a difference a year makes. The headline from last year’s survey report read: “Megagift Plunge.” The 2002 survey spoke of a “troubling sign of the economic slowdown: a growing tendency among donors to make long-term pledges rather than outright cash gifts.” The report said some donors also were delaying payments on previous pledges, and fundraisers sense an increasing reluctance among wealthy people to make new giving commitments of any sort. That sentiment appears to have been temporary.

While large donations to private colleges and universities are relatively common, the 2003 list shows an increase in big gifts to state institutions. The example cited was the \$55 million the Oklahoma State University Foundation received from Boone Pickens. In fact, 33 of 60 most-generous givers in 2003 gave to colleges and universities, including 4 of 5 Texans (Michael and Susan Dell gave to their foundation, which does give to higher education, but that is not it’s primary priority).

The world of higher education must be extremely optimistic about mega-donors, because there are currently 21 campaigns underway that seek to raise at least \$1 billion and others on the drawing board. There’s good reason for optimism. Since 1998, starting with the University of Michigan at Ann Arbor’s \$1.4 billion and Cornell University’s \$1.5 billion campaigns, there have been a total of 17 successful \$1 billion+ campaigns, topped by Columbia University’s \$2.79 billion campaign completed in 2000.

The most ambitious goal among current ongoing campaigns is UCLA’s \$2.4 billion campaign, scheduled to end in 2005 and already exceeding the goal two years ahead of schedule, with \$2.416 billion raised at the end of 2003.

The billion-dollar campaigns are split evenly between public (11) and private (10) institutions, and are distributed among 14 states and the District of Columbia. Two of the 21 are in the Lone Star State—Texas A&M University at College Station’s and The University of Texas at Austin’s \$1 billion campaigns. At 12/31/03, TAMU had raised \$701.8 million (with a 2006 target completion date) and UT-Austin had exceeded its goal with \$1.479 billion with a campaign scheduled to end this year. California is the most active state, with 5 billion-dollar campaigns

(Cal Tech, Stanford, UCLA, UC at San Diego, and UC at San Francisco), that collectively seek to raise \$7.2 billion by 2007.

(<http://philanthropy.com/free/articles/v16/i09/09000601.htm>) “Big Giving Makes a Comeback,” *Chronicle of Philanthropy*, 2/19/04.

(<http://philanthropy.com/premium/articles/v15/i09/09000601.htm#big>) “Megagift Plunge,” *Chronicle of Philanthropy*, 2/20/03.

(<http://chronicle.com/prm/daily/2004/01/2004012705n.htm>) “Update on Billion-Dollar Campaigns at 21 Universities,” *Chronicle of Higher Education*, 1/27/04.

Relevance to TCU

Education is still the top philanthropic dog among the wealthiest Texans. TCU’s road to becoming an endowed institution during the next 10-15 years will pass through the mega-donor territory. During that period of time, major non-profit organizations (cultural, health care, etc.) are expected to continue increasing their fund-raising sophistication. That spells more heated competition for colleges and universities that once had the mega-donor field virtually to themselves. Add to that the potential aggressiveness of community foundations in promoting donor-advised funds and the proliferation of commercial philanthropic service providers, and the job of finding new mega-donors gets much more difficult.

There are two main categories of überwealthy—those who inherit and those who are self-made. For example, a 1999 study of the Forbes 400 identified 149 as having inherited some or all of their wealth and 251 being self-made.

With each succeeding generation removed from the wealthy barons of the late 19th and early 20th Centuries, the impact gets diluted, as size of everyone’s pile gets smaller when inheritors multiply. Not only does the size of the piles diminish, but also, often, the forebear’s philanthropic spirit and generosity. The “new wealthy” (best exemplified, of course, by Bill and Melinda Gates and Texas’ own Michael and Susan Dell) have a different kind of philanthropic spirit—more activist—that may not as easily find a comfortable home in academia.

However, remember that Boston College’s Social Welfare Research Institute reported in 1999 and affirmed in 2003 that a wealth transfer of some \$41 trillion will occur by 2052—with an estimated \$6 trillion going to charity (higher education institutions rank second only to religious organizations in the amount of philanthropic support). How much of the \$41 trillion is in Texas today? What will be the likely inflow and outflow as the transfer of wealth unfolds? How much of the \$6 trillion for charity will be given by Metroplex residents to Metroplex organizations?

Experience says that the best prospects for mega-gifts are current donors and those in their circles of influence. Does TCU have prospects with mega-gift potential among its donors? How many of which kind? Who will be the next generation of Texas mega-donors and how can TCU make an effective connection with them?

Fort Worth Gives Generously

Residents of Fort Worth tied for 2nd in personal giving in a *Chronicle of Philanthropy* study of America's 50 largest cities. Residents of Fort Worth and New York City donated 10.9% of their discretionary income; residents of Detroit donated 12.1%. The study was based on 1997 data from taxpayers who earn at least \$50,000 and who itemized their deductions. The following table shows the ranking for the 6 Texas cities in America's 50 largest cities.

City	Rank	# Itemized Returns	Average Discretionary Income (\$)	Average Charitable Donation (\$)	Average Donation as % of Discretionary Income
Fort Worth	T2	30,957	60,344	6,576	10.9
Houston	T23	126,617	80,669	6,665	8.3
San Antonio	T23	59,116	57,920	4,778	8.3
Dallas	T31	64,231	117,715	9,089	7.7
Austin	T48	56,785	67,879	3,913	5.8
El Paso	T48	18,489	52,052	2,995	5.8

The Chronicle's analysis shows the big difference between urban and suburban areas. Six of the top 10 cities on the list are located in regions that ranked markedly lower on the generosity index when entire metropolitan areas (county) are examined. That finding holds true for Texas. While Fort Worth came in tied for 2nd among cities nationally, Tarrant County didn't even rank in the top 100 Texas counties (T122 at 9.3%). The top 3 Texas counties were: Donley (21.7%), Foard (19.1%), and Crane (18.2%). The highest-ranking Metroplex area county was Johnson County, tied for 20th at 12.5%.

The following table shows the rankings for the counties in the Metroplex in terms of percentage of discretionary income donated.

County	# Itemized Returns	Average Discretionary Income (\$)	Average Charitable Donation (\$)	Average Donation as % of Discretionary Income
Johnson	5,509	29,299	3,675	12.5
Ellis	6,042	28,625	3,139	11.0
Kaufman	3,282	30,936	3,274	10.6
Hood	2,283	35,609	3,424	9.6
Tarrant	100,056	47,143	4,374	9.3
Parker	4,416	37,030	3,430	9.3
Somervell	165	45,115	3,800	8.4
Dallas	144,329	71,950	5,950	8.3
Denton	42,357	34,117	2,828	8.3
Rockwall	4,042	48,542	3,937	8.1
Wise	1,491	45,137	3,633	8.0
Collin	55,118	49,336	3,227	6.5

Dallas County, the highest-ranking Metroplex-area county in terms of average discretionary income (\$71,950) and average donation (\$5,950), ranks no better than 25th and 65th, respectively, statewide.

For the Metroplex, in terms of average donation, Tarrant County ranks 2nd at \$4,374 to Dallas' \$5,950. In terms of average discretionary income, Tarrant County ranks 4th, behind Dallas, Collin, and Rockwall Counties. Of note, while Collin County had the 2nd highest average discretionary income, it has the lowest donation percentage and the 3rd lowest average donation.

In terms of the Big 5 Counties (Bexar, Dallas, Harris, Tarrant, Travis), the data are:

County	# Itemized Returns	Average Discretionary Income (\$)	Average Charitable Donation (\$)	Average Donation as % of Discretionary Income
Bexar	63,603	56,384	4,621	8.2
Dallas	144,329	71,950	5,950	8.3
Harris	201,494	66,156	5,429	8.2
Tarrant	100,056	47,143	4,374	9.3
Travis	58,199	66,981	3,873	5.8

(<http://philanthropy.com/premium/articles/v15/i14/specialreport.htm>) “Special Report: Where Generosity Lives,” *Chronicle of Philanthropy*, 5/1/03.

Relevance to TCU

In looking at the 5 Big Counties, Tarrant has the highest donation percentage, but only the 4th highest average donation and the lowest average discretionary income. So while there are known pockets of significant wealth in Fort Worth, the larger metropolitan area (county) appears to have the propensity to give if not the greatest means. That might allow TCU to establish a broader base of support from individuals in the community, if a compelling message can be communicated effectively and consistently.

Fund-Raising Competition in Texas

The local philanthropic competition for the past 10 years has been primarily the museums and performing arts hall, all of which built new or expanded existing facilities. Currently, competitive activity is low, with several small projects—Texas Wesleyan Law School, \$3 million; Alliance for children, \$3 million; Women’s Center, \$3 million; Tarrant County Medical Society, \$7 million.

Looking ahead, for the next 10 years, the \$100 million (private and public financing) Western Heritage Rodeo/Arena project will receive a lot of attention. Other possibilities for the near future include a significant renovation for the Museum of Science and History (something less than \$30 million), a \$15 million YMCA campaign (likely spread across several Metroplex Ys, and campaigns from independent schools, particularly Country Day and All Saints Episcopal, that are looking at campaigns in the \$10-\$20 million range.

The creation of family foundations (and, to a lesser extent, donor-advised funds as alternatives to family foundations) is perhaps a bigger challenge for TCU. In the past, the establishment of a family foundation prevented TCU from getting a few megagifts. The proliferation of family foundations of the late ‘90s slowed dramatically post-9/11 as market declines eroded portfolios. As the market comes back, so too may family foundations.

The Communities Foundation of North Texas, while offering donor-advised funds, is not aggressive in promoting them either directly or as alternatives to family foundations. As the market for commercial donor-advised funds gets heated up by increased awareness resulting from corporate promotion efforts, the competition to attract donor-advised funds will likely increase.

The absence of a State income tax continues to make Texas an attractive place to live, which may mean that heirs of the überwealthy may be more likely to live in Texas, thus bucking the national trend that expected to see pockets of wealth leave an area when passing from one generation to the next because of geographic dispersion of heirs.

Relevance to TCU

The relative absence of major capital competitors is a plus. With the exception of the Rodeo/Arena project, nothing on the horizon is of the scale that would concern TCU. It is important to being mapping the dispersal patterns of wealth inheritance so provide ample time to make connections and form linkages with the inheriting generation. Some attention needs to be paid to family foundation and donor-advised fund activity, particularly if Merrill Lynch or Fidelity or other commercial providers attack the market.

Hispanic Philanthropy

By the year 2050, 49% of the U.S. population will comprise people of color. One quarter of this ethnically diverse population will be Hispanic, accounting for 98 million people—a 200% increase from the present Hispanic population. In Texas, the data are more dramatic. According to the Texas State Data Center, Hispanics will represents 59.2% of the Texas population in 2040, 55.3% of the North Central Texas Councils of Government counties, and 59.9% of the Tarrant County population. The economic stability and social well being of the Hispanic communities will be increasingly critical for national, state, and local vitality.

Generosity is part of the Hispanic culture. The simple expression “mi casa es su casa” sums up our strong commitment to giving. However, America’s economic expansion, combined with the Hispanic community’s tradition of volunteerism, is creating more opportunities for Hispanic philanthropy. Hispanic purchasing power will exceed \$425 billion in 2001, a 118% increase since 1990. Hispanic-owned businesses continue to grow—the U.S. Census Bureau has counted nearly 1.2 million Hispanic-owned firms. A report by the Council on Foundations titled “Cultures of Caring: Philanthropy in Diverse American Communities” discusses expanding philanthropic giving in the growing Hispanic community:

- The number of Hispanics achieving professional career status is increasing and so is the number of Hispanics who are participating in organized philanthropy, but the number is small when compared with the potential pool of such donors.
- Hispanics report a dearth of effective, targeted outreach efforts by nonprofit organizations in general, and by more established mainstream institutions especially, to solicit their involvement and financial support.
- Like mainstream philanthropists, Hispanic donors seem to respond most favorably to appeals from leaders and peers in their community or profession for support of organizations or causes with which they have personal experience—either as a beneficiary or a volunteer.

One challenge is to educate fund-raising professionals on how best to “make the ask” in the Hispanic community. As more Hispanics join America’s middle class, mainstream institutions must make an effort to understand Hispanic giving habits, including our culture, interests and needs. The other challenge is how to best educate the Hispanic community on the available philanthropic tools and giving opportunities. Many Hispanics are not familiar with corporate matching, planned giving, endowments and capital campaigns.

(<http://www.thelunagroup.com/article1.html>) Chris Luna, "Growth in Hispanic Population Should Boost Philanthropy," *Dallas Morning News*, 4/17/01.

Relevance to TCU

Demographics tell us that Hispanics will be a major economic force in Texas the coming decades. The questions are, will they become a major philanthropic force and how can TCU best play a role in and be a beneficiary of that development? Even as TCU focuses its efforts in the near-term to complete the capital campaign, cultivation efforts in the Hispanic community must begin now, if they are to bear fruit by 2020. The need for cultural sensitivity on the one hand and education about philanthropy on the other create a nexus of interest that should facilitate interaction and dialogue.

There are no significant Hispanic philanthropists in the area. However, wealth accumulation is happening in the Hispanic community, primarily through successful family-owned businesses. Over time, as Hispanic representation among the professions increases, the wealth patterns will diversify. If that development has a 20-year horizon, TCU has a 20-year head start.