After the Storm Comes the Rainbow

New Rule Provides Short-Term Fundraising Opportunity

by Bob Jones, Ph.D.
Chair of the Resource Development Services Advisory Committee

Following the devastation of the many natural disasters this past year and the consequent realignment of donor giving to address those massive and urgent needs, there is one philanthropic rainbow on the horizon for all nonprofit providers. It doesn't matter whether the organization is involved in direct disaster relief, elder care, the arts, children's services, or animal protection. However, like all rainbows, the window of opportunity is brief. This one disappears at 11:59 pm on December 31, 2005.

Congress has passed a one-time change in the charitable giving deductions for tax year 2005. It allows donors who make cash gifts to qualified charities by the end of this year to deduct an amount equal to virtually 100 percent of their adjusted gross income—that is double the normal limit of 50 percent of income.

Congress created this one-time incentive out of a concern that high-net worth donors, who had given so generously to assist victims of the tsunami and the more recent hurricane disasters, would be penalized by the current tax code for making additional contributions that are necessary to address local needs.

Many of our colleagues have wondered how one begins to bring up unmet local needs when there is such tremendous devastation and massive unmet need in the Gulf Coast region. Well, Congress has given you the vehicle!

The Philanthropic Context

Charitable giving in the United States is robust. A recent issue of The Chronicle of Philanthropy highlights the fact that the top 400 charities are seeing an 11.6 percent increase in giving over last year. Recent giving to relief organizations has been massively generous.

Unfortunately, this has not been the case for smaller local human service organizations. The sad reality is that most children and family service organizations reported an adjusted-for-inflation decrease in charitable giving for the third year in a row. Furthermore, human service organizations represent only about 7.7 percent of the total estimated giving in the United States, according to Giving USA 2005, published by the Center on Philanthropy at Indiana University.

A more grim scenario is offered in a September 2005 article in The Chronicle of Philanthropy that suggests Katrina will present the field with significant "short-term fundraising problems and longer-lasting challenges." The looming economic crisis in America, combined with governmental budget deficits, and the spiraling price of gasoline and home heating costs, could create a "perfect storm" for the charitable sector. Yet, there is also room for optimism.

Maintaining a Balance

Balancing a positive and realistic perspective is imperative for success in this environment. This requires setting expectations in a manner consistent with actual capacity, as well as local opportunities and challenges. Knowing the trends nationally and locally also makes a difference. For example, if your growth in donations in any of the previous three years is 3 percent or higher, you are both beating inflation and way ahead of most human service agencies. Make sure you are celebrating your success with your staff and board. The average human service agency increased giving by only 1.5 percent, which is an inflation-adjusted decrease of 1.1 percent.

There is also an odd silver lining or reason for optimism. Although human service giving represents only 7.7 percent of giving, it is also one of the most understaffed and poorly supported philanthropic sectors. Less than one-third of human service organizations have development staff. Most human service organization boards are only now beginning to think about the need to develop their own "culture of philanthropy." Why is that good news? For the sector it is not. For your agency it means you may well be positioned in your community to obtain a greater share of that 7.7 percent. The challenge is akin to the old joke of two hikers trying to outrun a hungry bear; they don't need to outrun the bear, just each other.

Giving from the Heart

Donors to human service organizations are true philanthropists. They give from their heart. It is an act of kindness and an investment in others and the community's capacity. Their contributions are "mitzvahs" in the truest sense of the word. Most of our donors and board members have not and probably will never use our services. They simply share our mission and a vision of a better world. They have a desire to build capacity within our community. They hope to provide an opportunity to heal. But, in difficult times these same donors who give from the heart to us share those "heartfelt" dollars with other worthy causes, e.g. the victims of the tsunami, Katrina, and Rita. How could they not?

Why do human services trail behind other charitable organizations? Partly because we are causes that touch the heart rather than a sense of personal definition or obligation. Unfortunately, "heartfelt" dollars are often limited, and in many cases are understandably viewed as highly discretionary gifts rather than core commitments.

In fact, not only do we lag most other organizations, it is even most unlikely that we rank as one of the top three charitable recipients from most of our own board members. Typically, most human services cannot compete with university, synagogue/church, or hospital. These are institutions that are often core to an individual or family's life and self definition. If this is true for most of our board members, then why would we expect more from our non-board member donors? That being said, if we are not the fourth or fifth charity in our board members giving plan, then the board needs to have a serious conversation about the role and obligations of leadership giving in board service today. That also applies to the CEO and the development executive.

Why is this important? For a variety of reasons, among them to help maintain a balanced understanding of the philanthropic drivers and dynamics impacting on your organization, and most of all to set a context that genuinely nurtures a culture of gratitude that sustains lasting donor relationships.

What to Do?

Be optimistic about this one-time possibility, but still set development goals based on realistic prospects and past performance. Build into the effort recognition of the difficult context and of what it will take to be successful. Get the board on the team.

Help the board take leadership in both giving and articulating the local need. Recognizing that most board members can't or won't do an "ask," all board members are capable of bragging about the difference the organization makes in the life of the community. Positive energy from the board goes a long way in energizing the staff as well as engaging new constituents in the life of the agency. Come up with strategies to help the board carry the mission and message into their spheres of influence and the larger community. Also make it easy for them to introduce the agency to others; be it with printed material, tours, "friend raisers," etc.

Communicate the challenge and opportunity of these times to your donors. Talk with them, write to them, get the message in front of them. As you make your appeals, acknowledge and even congratulate supporters for their response to victims of these past tragedies. Those impacted communities desperately needed and continue to need the support of the nation. And then, it is also perfectly acceptable—in fact, it is your obligation—to remind your community and donors that simply because there is great need elsewhere, it in no way diminishes the needs at home. Even Congress understands that there continues to be local needs that must be met. They've set the stage for the conversation.

Provide a compelling and clear picture of your agency's impact in meeting local needs and the difference you are making in real lives. Remember that donors give to people, not to organizations. Donors want to make a difference. Think of the impact the faces of abandoned and struggling people in the flood waters of New Orleans had on the television viewers of America. It is therefore imperative that the case for the local needs of your community be made. Make it meaningful. Make it clear. Tell them how you'll make it different. Then ASK for support.

Talk with potential major donors about the congressionally-created charitable giving incentive. The clock is ticking on this charitable deductions opportunity. It truly is the silver lining in the storm clouds of 2005.

Attend the First Annual Resource Development Network Conference, April 20-21, 2006 in Chicago at the Sheraton Suites near O'Hare Airport. This one and one-half day conference will focus on the philanthropic development of member agencies. The conference is designed for board members, development professionals, and chief executives. April 20 will be particularly relevant to volunteer board members with the half-day on April 21 focusing on bringing the learning home and next steps. Alliance Board Chair Jimmie Alford will keynote on April 20, addressing the national and sector trends as well as what they mean for our members. Our luncheon presentation will include a panel of funders sharing their perspectives on the times and what captures their attention. The workshops will be relevant to volunteers and professionals. Join us for this exciting opportunity to develop our knowledge, enhance our skills, share tips, tools, and ideas, as well as strengthen our collegial network of development professionals and volunteers. I hope to see you in Chicago.▲

Bob Jones is president and CEO of Children's Aid and Family Services, Inc., in Paramus, NJ. To find out more about Children's Aid and Family Services, visit their Web site at www.cafsnj.org.