Philanthropy

SOTU

September 9, 1999 – DRAFT

MEMORANDUM FOR THE PRESIDENT

FROM:

SUBJECT: Tax Proposals to Increase Charitable Giving

You asked us for an analysis of recent charitable giving proposals and for ideas we could implement by executive order or enact this Congressional session. Below, we analyze the major recent tax proposals intended to encourage charitable giving, including ones included in the Senate-passed tax bill and in Governor Bush's plan, as well as some possible alternatives. Several of these issues could be raised in any possible tax negotiations this fall, considered for announcement at the October Philanthropy Conference, or considered for your FY2001 budget.

Impact of General Provisions in Tax Bill on Charitable Giving

At the outset, it should be noted that while the tax bill includes some provisions to promote charitable giving, other provisions in the tax bill would lead to reduced giving. The reductions in individual income and capital gains tax rates would reduce the value of the charitable deduction for itemizers, and thus reduce the incentive for lifetime charitable gifts. In addition, repeal of the estate tax would significantly reduce the incentive for charitable contributions. The current estate tax rates of up to 55 percent provide a substantial incentive for charitable bequests. The results of economic studies of the effects of deductibility of charitable bequests suggest that repeal of the estate tax could reduce charitable bequests of the wealthy by as much as 25 percent. Estate tax returns filed in 1997 reported over $14 billion in charitable bequests, an amount that has been growing rapidly due to the stock market boom.

With that background, here is an analysis of the specific tax proposals.

Deductibility of Individual Charitable Contributions

Recent proposals would increase individuals' deductions for charitable gifts, by allowing a deduction for non-itemizers and/or increasing the current limits on the deduction for those who itemize.

Current Law

Under current law, taxpayers who itemize their deductions can claim a deduction for contributions made to qualified charitable organizations, up to certain percentage limits. In the case of an individual taxpayer, the total deductible contributions generally may not exceed 50 percent of the taxpayer's adjusted gross income (AGI). A lower limit of 30 percent of the taxpayer's AGI applies in the case of gifts of certain appreciated property (however, taxpayers who donate appreciated property receive a special benefit, because they do not pay tax on the built-in capital gain). If the contribution is made to a private foundation, these percentage limits are reduced to 30 percent and 20 percent, respectively. Unused deductions can be carried forward for up to five years.

Individuals who elect the standard deduction (non-itemizers) may not claim a deduction for their charitable contributions, but the amount of the standard deduction includes an allowance for estimated average charitable contributions

Bush Proposal

Governor Bush has proposed to allow taxpayers who take the standard deduction the opportunity to deduct their charitable contributions. He has not released any details of how he would structure his proposal.

Senate Proposal

The Senate-passed tax bill, S. 1429, included a proposal to allow non-itemizers who take the standard deduction also to claim a charitable deduction of up to $50 for single filers and $100 for joint filers in the years 2000 and 2001. The Joint Committee on Taxation (JCT) estimated the proposal would cost $1.3 billion. This proposal was not included in the final conference report.

There are several problems with this proposal. Extending the charitable contribution deduction to non-itemizers in this way would probably stimulate little, if any, additional charitable giving. The proposal would be difficult for the IRS to enforce, as taxpayers would be encouraged simply to claim the maximum deduction ($50 or $100). Moreover, the standard deduction theoretically includes an allowance for charitable giving. Therefore, non-itemizers should not be allowed to claim both the standard deduction and a deduction for the first $50 or $100 of their charitable contributions.

In addition to the proposal for non-itemizers, the Senate bill included a provision that would gradually increase the percentage limits on deductible contributions to qualified charitable organizations (other than private foundations) from 50 percent and 30 percent (in the case of gifts of certain appreciated property) of AGI, to 70 percent and 50 percent of AGI, respectively. JCT estimated this proposal would cost $3.7 billion over 2002-2009.

The proposal to increase the percentage limits would benefit a relatively small number of taxpayers. Under current law, less than one percent of individuals who claim a charitable contribution deduction are affected by the percentage limits, but 10 percent of charitable contributions were not currently deductible because of the limits. The deduction limits are most significant for the wealthiest taxpayers, with 19 percent of charitable contributions by taxpayers with at least $1 million in income not being currently deductible. Some of the charitable contributions disallowed due to the limit may be deducted in future years, as a result of the five-year carry forward.

An Alternative Approach

An alternative to the Senate-passed provision for non-itemizers would be to allow non-itemizers to claim a deduction (or tax credit[1]) for charitable contributions above a certain floor. The floor would be set at a level that exceeds the average charitable contribution by non-itemizers (estimated to be $465 in 1996). Thus, for example, non-itemizers could be allowed to deduct their aggregate charitable contributions in excess of $500. Although any proposal to allow a charitable contribution deduction (or tax credit) for non-itemizers would add complexity and some level of administrative burden, the use of the threshold amount would at least reduce potential enforcement problems and increase the possibility that the deduction (or tax credit) would reward large or increased charitable contributions. In 1997, JCT estimated that allowing non-itemizers to deduct in full aggregate annual charitable contributions in excess of a flat floor of $500 for single filers ($1,000 for joint filers) would cost about $6 billion per year.

One variation on this approach would be to allow non-itemizers to deduct only a portion of their charitable contributions in excess of $500. For example, Independent Sector, an umbrella group for nonprofits, has proposed that non-itemizers be allowed to deduct 50 percent of charitable contributions above $500. This approach is also consistent with a bill, H.R. 1310, introduced earlier this year by Rep. Philip M. Crane (R-Ill.). In 1997, JCT estimated that allowing non-itemizers to deduct 50 percent of aggregate annual charitable contributions in excess of a flat floor of $500 for single filers ($1,000 for joint filers) would cost about $2 billion per year.

Would Any of These Proposals Increase Giving?

A study published in the June 1999 National Tax Journal concludes that charitable contributions are somewhat sensitive to the tax price, and thus taxpayers will give more if given a tax incentive to do so. The study found, however, that itemizers are more price sensitive than non-itemizers, implying that increasing incentives for itemizers would stimulate more giving per dollar of lost tax revenues than incentives aimed at non-itemizers. However, the level of responsiveness even for itemizers is relatively low. *Although the issue remains unsettled*, recent

[1] A variation on this approach would be to allow non-itemizers to claim an income tax credit in lieu of a deduction. For example, non-itemizers could be allowed to claim a 15 percent tax credit for their aggregate charitable contributions in excess $500. A tax credit for charitable contributions by non-itemizers would be somewhat more equitable than a deduction, because it would benefit all taxpayers equally, without regard to their marginal income tax rate.

studies have generally concluded that the revenue cost of the charitable contribution deduction for itemizers exceeds the additional giving to charity.

The National Tax Journal study is based on data covering the tax law in effect from 1982-86, which allowed non-itemizers first to deduct increasing amounts until, in 1986, they could deduct the full amount of charitable contributions. In 1986, 90 percent of itemizers claimed deductions averaging $1,463 and 46 percent of non-itemizers claimed deductions averaging $477. From 1985 when non-itemizers could deduct 50 cents on the dollar to 1986 when they could deduct 100 cents on the dollar, the percent of non-itemizers donating rose from 42 to 46 percent and the average amount increased from $376 to $477. This likely overstates the true effect as many taxpayers accelerated charitable contributions into 1986, to take advantage of the non-itemizer deduction before it expired. Even so, this study found that the cost to Treasury of a full deduction to non-itemizers is likely to be more than the added giving to the charities. That is, a dollar of tax deductions produced less than a dollar of additional giving. Is that right test?

Research has also shown that lower-income taxpayers, who tend to be non-itemizers, are more likely to give contributions to religious charities, rather than foundations and schools favored by higher-income taxpayers. It follows, then that extension of the itemizers-only deduction to non-itemizers would confer the greatest benefit upon religious and social service charities.

Tax-Free Rollovers of IRA Assets to Charity

A second proposal made by Governor Bush would allow people over age 59-1/2 to make charitable contributions with IRA funds without paying income tax. The final conference report included a version of this proposal, which would allow people over age 70-1/2 to make tax-free distributions of IRA assets to charity. JCT has estimated that the proposal included in the conference report would cost $1.6 billion over 2003-2009.

Current law

Under current law, distributions from an IRA are includible in the gross income of the account owner, except to the extent that the distribution represents a return of after-tax contributions to the account. Also, as discussed above, current law allows taxpayers who itemize their deductions to claim a deduction, subject to certain percentage limits, for charitable contributions to qualified charitable organizations. The amount of the itemized deductions otherwise allowable may be reduced for taxpayers with AGI above certain levels.

Discussion

Any proposal to allow tax-free rollovers of IRA assets to charity would be inequitable, because it would provide more favorable tax treatment to taxpayers who fund their charitable contributions using IRA assets than those who use other income or assets. For example, taxpayers who make contributions using IRA assets would (in effect) receive the benefit of a charitable contribution deduction without regard to whether they itemize their deductions, and without regard to present-law limitations on deductible charitable contributions. By contrast, taxpayers who fund charitable contributions using other income or assets would continue to be subject to these limitations.

To the extent that the limitations on deductions under present law are too restrictive, it would be better to modify those limitations as they apply to all taxpayers than to create an exception for charitable contributions funded using IRAs. Although there is considerable support in the charitable giving community for the IRA rollover proposal, the community would also likely support a more broad-based approach.

Importance of Steps to Eliminate Abusive Transactions Involving Charities

Any efforts to stimulate and reward charitable giving should be combined with efforts to eliminate the promotion of aggressive tax-avoidance schemes that purport to give rise to charitable contribution deductions. Treasury and the IRS will continue to work with Congress to identify the latest abuses and ensure that a charitable contribution deduction is available only for true gifts to charity. However, increased tax incentives to make donations will make abusive schemes potentially more profitable, and could make monitoring compliance more difficult.

U.S.News ONLINE

Cover Story

The philanthropist next door

Average Americans, not the super-rich, are the real givers

Find out what you can do to help -- check out our online charity guide


KEVIN HORAN FOR USN&WR

BY THOM GEIER

James Chatman considers himself an unlikely successor to the philanthropic legacy of Andrew Carnegie or John D. Rockefeller. "I never had such a dream," says the 71-year-old retired business consultant from Alexandria, Va. "I was just a poor farm boy."

Chatman grew up fatherless in tiny Atkins, Ark., where his Uncle Sy promised that he would have time for games "only when lay-by comes." A period for leisure never seemed to arrive. So Chatman set himself to work--first in the fields, then peddling newspapers after he moved as a child to Little Rock, and later working as a bellman at hotels in the segregated South. He worked his way through St. Louis University, earning a degree in economics, served 24 years in the U.S. Air Force, and then applied his skills as a supply-services staff officer to founding Technology Applications Inc., a consulting firm for government agencies. By 1993, when he sold it, the firm was posting revenues of $40 million a year.

Chatman realized that he had more money than he or his four children really needed. So he established a $400,000 fund at the Northern Virginia Community Foundation to create a Grandfathers Group to mentor black boys. "My wife and I really hate the idea of black people seeing ourselves as takers and receivers, and not seeing ourselves also as givers," he says.


KEVIN HORAN FOR USNWR

As the Chatmans prove, philanthropy isn't just for Gettys anymore. The real face of charity in America today can be found in ordinary people who have benefited from the booming economy and now plan to share a portion of their good fortune with others. Call them the philanthropists next door.

They come in many different types. Some are latter-day Horatio Alger heroes who have grown sizable nest eggs through hard work, shrewd investments, and frugal living. Some have cashed in big in the tech-driven stock market of the past decade. And some are unlikely philanthropists such as Oseola McCarty, the Hattiesburg (Miss.) washerwoman who scrimped for years before donating her life savings of $150,000 to a scholarship fund at the University of Southern Mississippi. "When I started out, the typical donor was wealthy, white, male, and dead," says Lynne Woodman of the Cleveland Foundation. "We are seeing many more living donors from all walks of life."

Community foundations like Cleveland's are the fastest-growing element of philanthropy in America today. Nationwide, the 500 or so community foundations had assets totaling $17.1 billion in 1996, a 28.6 percent increase over the previous year. For those plunging into philanthropy for the first time, allying with community foundations offers distinct advantages. Many require as little as $10,000 to set up a named fund that can target a specific project. And foundation staffs often have knowledge of local agencies and the ability to negotiate many of the legal and bureaucratic tangles required in maintaining charitable trusts.

Other philanthropists are exploring private family foundations. The New York-based Foundation Center reports that there are 35,600 independent grant-making foundations (including most family funds but not corporate or community foundations), a 42 percent increase since 1987.

Every drop counts. Last year, Americans donated $130 billion to charitable causes, up 9.5 percent in two years; the majority of donations went to religious institutions. The media played up Ted Turner's $1 billion gift to the United Nations and financier George Soros's donations of millions of dollars to Russia and Eastern Europe. But according to one recent study, more than half of all charitable giving comes from Americans earning less than $50,000 a year. And small donors make a difference. "I couldn't do anything like Ted Turner, but every drop in the bucket will make the bucket overflow," says paraplegic Barbara Decker of suburban Cleveland, who used a large malpractice settlement to set up a trust to benefit children's charities.

Researchers see potential for an even more explosive growth in charitable giving thanks to the estates of older Americans who lived through a half century of record prosperity. A 1993 study by two Cornell University economists estimated that Americans over the age of 60 are sitting on a pot of wealth totaling $10 trillion--more than enough to put every American under the age of 21 through Harvard for four years. And while taxes and children will claim a significant portion of that money as that generation passes on (the federal government now taxes estates over $600,000 at rates up to 55 percent), charities are hoping for a big windfall. "We're at the front edge of a huge generational transfer of wealth," says Fern Portnoy, a Denver-based adviser on philanthropic giving.

Many Americans have been taken by surprise by the amount of wealth they have accumulated. Chatman admits that at first, his success in business made him uneasy: "I always felt that if you made a profit that you were somehow stealing from somebody." Chatman began to reflect on the purpose of accumulating money. "How do you justify making all this profit?" he asked. The answer, Chatman found, was to spend the money forging the kind of relationship he had with his Uncle Sy.

Many of the new philanthropists apply the same business principles to giving away their money that they did to earning it. "For a generation of business people who have become juiced on the deal, the challenge is how you translate that excitement into philanthropy," says Portnoy. A good example is John Abele, age 60, who spent the last 20 years helping build Boston Scientific Inc. into a giant in medical technology, with annual sales of $2 billion. Now he splits his time about evenly between company business and philanthropy.

Raised in suburban Boston at the tail end of the Depression, Abele lost his father in World War II and spent much of his early childhood in and out of the hospital with osteomyelitis, a bone disease. "They tried an experimental drug on me that didn't work. A few years later, they tried it again and it did work. The experimental drug was penicillin." Abele never forgot the experience. After studying physics and philosophy in college, he got into the medical-device business and cofounded Boston Scientific, a company that specializes in developing less invasive medical procedures.

The frontiers of charitable work offer similar challenges and rewards. Abele has established his own family foundation, with a $9 million endowment, and is involving his three grown children in the grant-making process. Often his support goes to educational programs like the *Concord Review,* a 10-year-old quarterly journal that publishes high school essays on history in hopes of elevating the status of the subject and rewarding students for academic achievements. Buoyed by his own experience, Abele now finds himself encouraging other business people to take the plunge into philanthropy. "It shouldn't be a guilt trip," he says.

Philanthropic projects are not as hard to nurture as they might seem, Abele says. "If you're going to produce sustainable social value, you have to use the same tools you would apply to any business project, setting benchmarks and then following through," he says. At first, he admits, he erred by straying from a strict business model. For example, some charities spend too little on management. "I had always felt that it was important to aim money at the final recipient," he says, "but programs that cut too short on their leadership have no staying power."

Catherine Muther, a 50-year-old from San Francisco who made her money in Silicon Valley, agrees with the strategic approach to philanthropy. And like many of the younger breed of donors, she seeks out causes that have traditionally been given short shrift in the charitable world. For some, that means environmental or gay rights issues. Muther focuses her charity on improving the lives of women in education and the workplace.

With her business background, Muther takes an active interest in targeting her resources, through her own foundation and through restricted gifts to institutions. "It's trying to understand some structural problem in society--like women's access to capital or young girls' self-esteem--and then figuring out where some resources could be deployed that might influence change," she explains.

The focus of Muther's philanthropy--young women--is no mystery. The granddaughter of a suffragette, she grew up with her three brothers in Newton, Mass., where she became the first girl in town to deliver newspapers. "The idea of being financially independent was a central value in our family," she remembers. "And it wasn't about accumulating money but learning how to support yourself."

Muther carried that notion with her to Sarah Lawrence College and Cambridge University in England. She had wanted to become a Rhodes Scholar, but the program did not accept women at the time. However, Muther took advantage of the newfound acceptance of women into major business schools. Armed with an M.B.A. from Stanford, Muther headed to Silicon Valley in 1984 and eventually became a senior marketing officer at Cisco Systems, the fast-growing computer networking company.

After retiring in 1994 at age 46, Muther set aside $3 million in profits from Cisco's stock to establish the Three Guineas Fund. The foundation, named for a favorite book by Virginia Woolf, is launching an "incubator" program to assist female entrepreneurs in launching businesses in information technology. She has also funded a fellowship for a female doctoral student to study entrepreneurship at Stanford Business School.

Like Abele, Muther hopes to forge giving patterns for her progeny. While she has set up trusts for her two young children, Muther and her husband have stopped making large cash gifts to them. "It's our belief that one can burden one's children with wealth," she says.

In many respects, the new philanthropists hark back to an earlier age. Nearly a century ago in his book *The Gospel of Wealth,* Andrew Carnegie issued a challenge to fellow moneybags to disburse substantial portions of their income during their lifetimes. He even supported levying estate taxes so that the state could better express "condemnation of the selfish millionaire's unworthy life."

Many argue that the philanthropic spirit Carnegie articulated needs to be reawakened. Studies suggest that Americans on average give just under 2 percent of their annual income to charity--a figure that tops other nations' but that has not budged despite record economic growth (and decades of tax benefits from giving). Moreover, Carnegie's message has yet to spread widely among the swelling class of ultrarich. Eight of 10 Americans who earn at least $1 million a year leave nothing to charity in their wills, often making Uncle Sam the charity of choice by default. "The vast majority of the very rich show, if anything, less of a philosophical inclination to give than their predecessors," says Peter Dobkin Hall of the Yale Program on Nonprofit Organizations.

Millionaires now account for 3.5 percent of U.S. households, but it doesn't take substantial means to become a major donor. Helen Sandfort, a retired schoolteacher living in a retirement home in Columbus, Ohio, set up a fund at the Columbus Foundation in 1981 to support arts education in the public schools. "Young people simply do not know what to do with their time," says Sandfort, who served as director of fine and performing arts in the city schools for 25 years. "The arts encourage people to be creative and resourceful, to help them find something really rewarding in life."

Though she retired in 1974, the 87-year-old still contributes each year to the fund, which is now worth $85,000, and plans to leave a quarter of her estate to the foundation as well. "I have enough to take care of myself, but I have enough to share, too," says Sandfort, who has no children. "The reason I'm so rich is because I didn't have time to spend my money." Another reason Sandfort's life is so rich might be that she's spent so much of her money on others.

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Issue Date: December 22, 1997

U.S.News ONLINE

Cover Story

A how-to guide for the serious giver

Of trusts, pooled income, and foundations

Find out what you can do to help -- check out our online charity guide

BY MARGARET MANNIX

The easiest way to give to charity is to write a check. But that may not be the most advantageous way, for you or the charity. Many of the alternatives allow your original gift to grow over time. Some possibilities:

Securities. Investors with huge market gains who give away appreciated stock that has been held for at least a year can base their tax deduction on the stock's fair market value without getting socked with the capital gain. If you sell the asset and then give the cash to charity, Uncle Sam wins; giving the security itself avoids this problem.

Gift funds. Donors who want to create their own giving timetable might consider charitable gift funds. Fidelity Investments Charitable Gift Fund (800-682-4438) has a minimum initial investment of $10,000; donors decide when and which charities get donations (minimum gift: $250). The fund has attracted more than 10,000 donors with $1 billion in funds and has given $500 million to more than 50,000 charities. Eighty-five percent of those who contribute to the fund do so by transferring securities. Some banks offer similar funds.

Foundations. No matter which charity you select, once you have made an outright gift, the charity calls the shots. Philanthropists who want to control how their funds will be used can set up their own foundation, but the red tape may be too burdensome for everyone except the very rich. Many new philanthropists are teaming up with community foundations. These benefit a particular geographic area and help make giving more personalized. Over the past 20 years, the El Paso Community Foundation in Texas has established more than 237 individual endowment funds; one example is the Dr. Jaime Martinez Memorial Fund for Children's Dental Health Needs. The Council on

Foundations, at (202) 466-6512, can provide contact numbers of local foundations.

Trusts. Community foundations and charities can help you design a planned or deferred gift. The most common method is the charitable remainder trust. Assets are transferred to a trust; the trust provides the donor an income for a specified period of time, and the donor gets a partial tax deduction. After the trust's lifetime, the remaining principal goes to the charity. A charitable remainder trust probably doesn't make sense for young people, because annual payouts will likely be low; it might make sense, say, for a married couple both age 50. The charitable lead trust is like a remainder trust in reverse. Assets are placed in a trust and the charity, not the donor, gets the income--but the assets revert to the donor's beneficiary later on. Such trusts are used mostly to pass on assets to future generations.

Other options. Pooled-income funds mix your donation with those of others and invest the assets. You get an annual income stream determined by the fund's rate of return; the charity gets the remaining assets on your death. Another vehicle is the charitable gift annuity, in which a donor transfers property to a charity in exchange for a guaranteed annual income payment.

Choosing a charity can be hard. The Council of Better Business Bureaus' Philanthropic Advisory Service (703-276-0100), the National Charities Information Bureau (800-501-6242), and the American Institute of Philanthropy (301-913-5200) evaluate individual charities and can offer guidance on picking one.

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Issue Date: December 22, 1997

U.S.News ONLINE

Cover Story

I gave at the mall

Does charity begin in the music store? Yes--and no

Find out what you can do to help -- check out our online charity guide

BY DORIAN FRIEDMAN

Browsing at a suburban Virginia record store, Margarita Ortiz is thinking of buying *Diana, Princess of Wales: Tribute,* the new compilation of mostly old songs by "superstar artists" on Columbia Records. But first she wants to know one thing: Will the $21.99 she pays for the two-CD set go entirely to Diana's memorial fund? "This is not supposed to be for business," she says. "It's supposed to help people." She asks a good question--but it is hard to get a straight answer.

Call a music store in Dover, Del.--you're greeted with "Welcome to Sam Goody, where you can pick up your sale-priced Princess Diana tribute"--and ask how much the trust gets. The clerk guesses 90 or 95 percent--no, make that 100 percent. That doesn't quite jibe with the liner notes for the recording, which say only that the project is "produced by and compiled for" Diana's charitable fund. Dig deeper and you'll find details on the Columbia label's Web site, stating that "net proceeds" go to the cause. That usually means that before the charity gets its share, numerous fixed costs are paid, from studio and factory time to car rentals and hotels for participating stars and record company executives. But how does that translate into a dollar-and-cents figure? Despite five requests from *U.S. News,* Columbia Records did not supply a breakdown of costs.

Most record companies say the financial complexities make it hard to predict what portion of the retail price for a charity CD ends up in the hands of the cause. Consumers should trust the charity to have sealed a deal in its best interest, suggests Al Cafaro, chief of A&M Records. "That way you won't be disappointed, and you will have done some good." But many other charity-linked products--from cleaning materials to fast food--*do* advertise the dollar figure per purchase that goes to the cause, says Bennett

Weiner of the Better Business Bureau's philanthropy arm. "Why can't it be disclosed by the record industry?" he wonders.

Elton John's "Candle in the Wind 1997," which also donates to the Princess Di trust, serves as a model for how benefit CDs should work. The CD single, which typically retails for $2.99, states on the jacket: "All artist and composer royalties and record company profits from sales of this single will be donated" to the fund. Only fixed production fees--like pressing, manufacturing, and shipping the product--come off the top. John has a tradition of insisting on a no-frills operation for his charity endeavors; participants won't be charging limo rides or champagne to the project.

As a rule, stores that sell records keep about a third of the sticker price. But some retailers, like Tower Records and Virgin Megastore, waived their profits for "Candle." Others, like Best Buy, made no promises. A&M estimates that $1.50 per single sold in the United States will go to charity--about half the retail price. Last week, John handed over $33 million to Princess Di's trust, and that was just the *first* check.

Musical windfall. At a Tower Records in Washington, D.C., the bin marked "Benefits" holds some 30 CDs pledging proceeds to everything from breast cancer research to Tibetan liberation. Even with the expenses involved and the retail profit margin, the overall sum donated can amount to a fortune. Two past CDs for the Special Olympics sold 5.9 million copies and netted $43 million for the cause. This season's latest, *A Very Special Christmas 3* (A&M, $17.99)--offering holiday pop and old carols--should do equally well.

Yet the Special Olympics does not market the disk as a "charity" product. "Would you buy something you didn't want simply because [the profits] went to charity?" asks Bobby Shriver, an executive producer of the new CD. Buy this, he says, "because it's gonna rock your Christmas party."

There's another benefit to all these benefit CDs--they raise the public's consciousness. "But it's sort of sad: Here we are struggling with CDs to solve major societal problems," says Irwin Redlener, whose inner-city health clinics will reap proceeds from *Jive's Unreleased Masters for the Children's Health Fund* (Jive, $16.98). If you want your money to go as far as possible for a favorite cause, the experts say, don't buy a CD--write a check.

Cover Story

Lest they forget

For sale at a campus near you: the promise of immortality

Find out what you can do to help -- check out our online charity guide

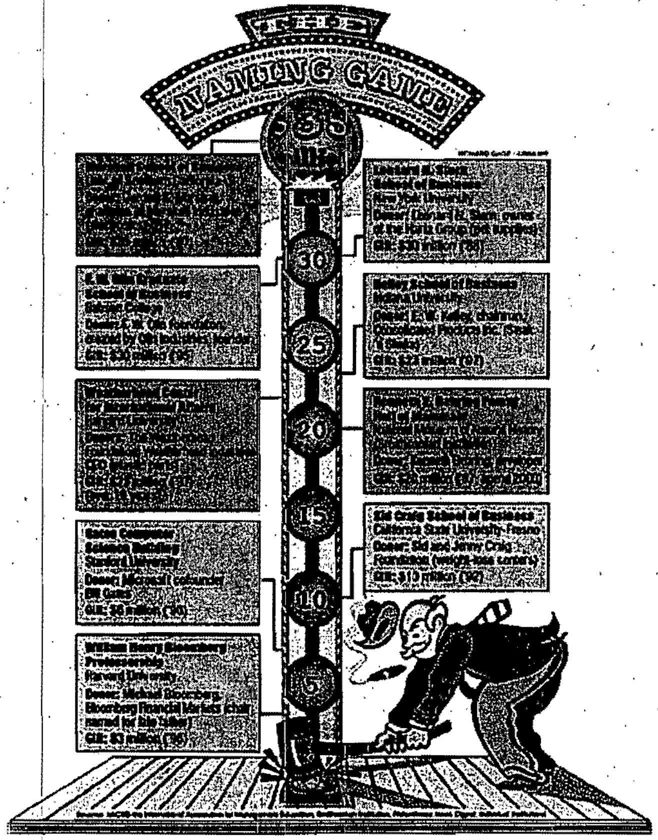
BY MARY LORD

What price immortality? For a business school, the answer is about $30 million. But there are less costly ways of leaving your mark on campus. In the new, $44 million McColl building at the University of North Carolina's Kenan-Flagler Business School, names grace 200 auditorium chairs at $2,000 each and 1,000 bricks at $500 apiece (you're too late to get your name on the structure, it's named for the NationsBank chairman).

"Naming grants," as gifts like this are known, have become "the name of the game in terms of raising money," says Todd Cohen, editor of the *Philanthropy Journal*. This year alone, three major business schools--at the universities of Southern California, Oklahoma, and Indiana--have changed their handles to honor large contributors. The $35 million that USC received from industrialist Gordon Marshall in January was the biggest B-school gift ever. Indiana named the Kelley School of Business after philanthropist E. W. Kelley, who had endowed a scholarship for undergraduates; at $23 million, it was a relative bargain.

Ryan's hope. Northwestern University's Dyche Stadium became Ryan Field after insurance magnate Patrick Ryan, an alumnus who chairs the board of trustees, contributed toward its $20 million renovation. At Harvard University, the school's prestigious Center for International Affairs, founded by Henry Kissinger in 1958, will now be known as the Weatherhead Center for International Affairs, thanks to $21 million from the Weatherhead Foundation, whose president Albert Weatherhead III is an alumnus.

Some institutions charge top dollar to alter their egos. Former publisher Walter Annenberg holds the record: His foundation gave $120 million each to USC and the University of Pennsylvania to their schools of communications in 1993. But many places sell their franchise for a relative pittance. "A lot of names are given away prematurely and for not enough money," says B. Joseph White, dean at the University of Michigan Business School. He says he wouldn't even consider an offer less than $100 million. "Besides," he adds, "we really like our name."



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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release October 22, 1999

Philanthropy Fact Sheet
Prepared by the Council of Economic Advisers
October 1999

- Philanthropic giving in 1998 was estimated to be $174.5 billion.

- Individuals accounted for 85 percent of all contributions in 1998, while corporations and foundations accounted for 5 percent and 10 percent of contributions, respectively. Contributions by individuals have increased 31 percent since 1995, while foundation giving has increased by over 50 percent.

- There has been a recent resurgence in philanthropy as a percentage of GDP.

- Total giving represented just over 2 percent of GDP in 1970. However, it dropped in the 1970s to just 1.7 percent in 1979 and remained fairly constant at about 1.75 percent in the 1980s and early 90s. But since 1995, giving has risen sharply to just over 2 percent in 1998 -- back to the levels of 30 years ago.

- Religion was by far the single largest recipient of contributions, at 44 percent of the total last year. Donations to religion averaged about 50 percent of total contributions from the early 1980s to the mid-1990s, but have fallen as a share of the total since 1995.

- Other organizations have received substantial increases in donations since 1990. These include education (up 59 percent), environmental organizations (up 69 percent), public-benefit organizations such as civil rights groups and community development organizations (up 77 percent), and gifts to foundations (up 254 percent).

- Families at every level of income (except the very top) are about equally generous: The 95 percent of families with incomes under $100,000 all tend to contribute roughly 1.5 percent to 2 percent of their incomes, on average -- even the very poor. Those with incomes above this level tend to contribute a higher percentage of their incomes.

- Elderly households (over age 65) at every level of income are generous givers. They tend to make larger inter vivos contributions in terms of both donation size and as a percentage of their incomes than non-elderly households.

- Wealthy households give a disproportionate share of individual contributions. The 20 percent of families with incomes of $60,000 or more in 1994 gave 67 percent of all individual contributions that year. The 4.3 percent of families with incomes above $125,000 gave 46 percent of the total.

- An estimated $12 trillion in wealth will be transferred over the next 20 years. This will result in an estimated $1.7 trillion in charitable bequests. Over the next 55 years, the wealth transfer is estimated to be $41 billion, resulting in $6 trillion in charitable bequests.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release October 22, 1999

October 22, 1999

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Supporting the Role of Nonprofit Organizations: Interagency Task Force on Nonprofits and Government

The United States is the most generous Nation on Earth. In 1998, an estimated $175 billion was given by American individuals, communities, foundations, corporations, and other private philanthropies to a wide variety of causes and organizations. Individuals accounted for 85 percent of all contributions in 1998 and their giving has increased by almost one-third since 1995. And over the next 20 years, approximately $12 trillion in wealth is expected to be transferred from one generation to the next -- more than $1 trillion of which will flow to nonprofit organizations through charitable giving.

In many cases it is nonprofit organizations that convert philanthropy into results -- helping people in need, providing health care and educating our Nation's youth. The nonprofit sector is an integral component of our national life, encom-passing more than one and a half million organizations with operating expenditures in excess of $600 billion. But more telling than the dollar figures is the new spirit of service and civic activism that nonprofits of every kind are now exhibiting. We are today in the midst of a nonprofit boom, a time when the activities of this sector are becoming ever more creative and entrepreneurial.

Nonprofits are uniquely able to identify problems, mobilize fresh thinking and energy, care for those in need on a human scale, and promote social change at the community level. As this sector grows in size and importance, there is an ever greater opportunity to forge partnerships that include Government, nonprofit groups, businesses, and citizens to address pressing public problems. There are already many ways that nonprofits work closely with the Federal Government. For example, Federal grant programs from the National Science Foundation and the National Institutes of Health assist non-profit research institutions that search for cures to cancer. And the Corporation for National Service works with nonprofits throughout the Nation to provide after-school and tutoring programs. Our challenge in this time of burgeoning social entrepreneurship is to encourage Government, nonprofits, and others to work together more meaningfully.

Therefore, today I direct the Assistants to the President for Domestic Policy and Economic Policy and the Chief of Staff to the First Lady to convene an Interagency Task Force on Nonprofits and Government ("Task Force"). The purpose of this Task Force will be twofold: first, to identify current forms of collaboration between the Federal Government and nonprofits; and second, to evaluate ways this collaboration can be improved.

Structure of the Task Force

The Assistant to the President for Domestic Policy, the Assistant to the President for Economic Policy, and the Assistant to the President and Chief of Staff to the First Lady will jointly Chair the Task Force. The Office of the Vice President, the Office of Management and Budget, and the Council of Economic Advisers will be regular participants.

The Task Force shall be composed of the following members:

(1) Secretary of the Treasury
(2) Attorney General
(3) Secretary of the Interior
(4) Secretary of Agriculture
(5) Secretary of Commerce
(6) Secretary of Labor
(7) Secretary of Health and Human Services
(8) Secretary of Housing and Urban Development
(9) Secretary of Transportation
(10) Secretary of Education
(11) Administrator of the Small Business Administration
(12) Chief Executive Officer of the Corporation for National and Community Service

The Chairs of the Task Force may add such other officials and independent agencies as they deem appropriate to further the purposes of this effort or to participate in specific aspects of it. The Chairs, after consultation with Task Force members, will appoint staff members to coordinate the Task Force's efforts. The Chairs may call upon the participating agencies for logistical support to the Task Force, as necessary. Members of the Task Force may delegate their responsibilities under this memorandum to subordinates. During its work, the Task Force will consult regularly with the nonprofit sector.

Objectives of the Task Force

The Task Force will:

1. Develop a public inventory of "best practices" in existing collaborations between Federal agency programs and nonprofit organizations. In cooperation with the nonprofit sector, the Task Force will work to apply these leading models to other Government efforts. For example, cross-agency initiatives that reflect the community-wide focus of many nonprofits could be highlighted and replicated. The Task Force will also examine ways that Federal agencies can better draw upon the experience and innovations of nonprofits in the development of public policy.

2. Evaluate data and research trends on nonprofits and philanthropy. Understanding the significance of the relationship between the nonprofit and Government sectors requires an understanding of the impact that the nonprofit sector has on the economy and on public policy. For example, the Council of Economic Advisers should undertake an analysis of existing data from the private and nonprofit sectors concerning the role of philanthropy in our economy, including an examination of the factors that affect giving and an investigation of trends that are likely to affect future giving. The Task Force will also coordinate agency efforts to identify the contributions made by the nonprofit sector and information regarding philanthropic activity.

3. Develop further policy responses. The Task Force will meet to discuss new findings and to consider new or modified Administration policy responses. For example, the Task Force

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release October 22, 1999

REMARKS BY THE PRESIDENT
AT THE WHITE HOUSE CONFERENCE ON PHILANTHROPY

The East Room

1:22 P.M. EDT

THE PRESIDENT: Thank you and good afternoon. I am delighted to welcome all of you here. I thank all those who are here from our government, and all of you who have come from all over our country, and all walks of life, to this very, very important meeting.

I also want to say a special word of thanks to Hillary for yet another wonderful idea. This was a good idea, to have this conference. (Applause.) And all of you who have helped on any of these millennium projects, I think it's done us a lot of good to take time out and think about the really big issues in our society, and how we want them to play out in the years ahead. And particularly, I think this is an important issue at an important moment.

A long time ago, Alexis de Tocqueville said that charity in America was something more than simple compassion. It was a sign of good citizenship. He wrote, "Americans make great and real sacrifices to the public welfare. They hardly ever fail to lend faithful support to one another."

Today, this is a strong tradition. And the face of this tradition is changing. Philanthropy is, like our country, now more diverse as new groups seize and share opportunity in the new economy. It is more democratic, as Americans of all income levels, believe it or not, give at roughly equal levels. It is younger, as the high-tech economy creates a new generation of philanthropists.

I've got to take a little time out. Last night, I had dinner with a lot of these high-tech gurus who made allowances for the fact that I am obviously technologically challenged. (Laughter.) And we were talking about how we were all going to relate to each other and maximize the potential of the Information Age. And I started talking about this conference today and said, we've got to get more people to give. I said, I would like it if Internet usage were as dense in America as telephone usage is, if we had 98 percent penetration, everybody had an e-mail address. I think we could have a dramatic impact on education and on poverty. I think we could skip a whole generation of development. And how are we going to get this done?

So there is this guy sitting there, he's 27 years old, you know. He says, well, you know, when I got out of college, I started this company and three years later, I sold it for $150 million and I started three others. And he said, what you need is founder stock. (Laughter.) He said, we need to go all over America and gather up founder stock and put it in a big trust to make universal the access to the Internet. He said, because you've got all these guys like me that don't know we're rich yet -- we're still living on $30,000 and we've got all this stock. (Laughter.) So he said, that's what you need.

So I've now given you my contribution to this conference, which I learned at the foot of a 28-year-old last night. (Laughter.) So, I mean, that's encouraging to people like me who aren't young, you know? (Laughter.) We don't have to depend on the Rockefellers and the Mellons and the Carnegies or even the Paul Newmans, we can go get founders stock. (Laughter.)

I also think it's important to point out that not only the ways of giving are changing but the people -- when I saw that film I was so proud that there was a federal employee that had given every single month for 25 years. Someone obviously of modest means, doubtless a lot of other claims on her income. So I want to thank people like Mary Grayson and others who are giving. And I think we ought to think about new opportunities, or I think the buzz word is "portals," that are opening in the world of on-line philanthropy and how we can make sure that we can continue not only to increase the volume of money but to broaden the base of giving.

We'll hear today about venture philanthropists and start-up charities and other ways in which the entrepreneurial spirit is invading and energizing this field.

I would like to also point out that volunteering is another important way of giving. This week, Hillary and I celebrated the fifth anniversary of AmeriCorps. And we've already had 150,000 young people serve. And I'm very, very proud of that. (Applause.) I think that is an important thing to say. In a lot of ways, the measure of our life and our happiness is -- to paraphrase one of the many wonderful things Martin Luther King said, can be answered by the question: what are you doing for others?

So I'm encouraged by this conference, by the energy here. Some of my favorite people in all our country are out here in this audience today, people I have admired, some of you for 20 or 30 years, for all the things that I have watched you do for others. And I thank you for coming.

I am glad that the sheer volume of charitable giving is going off the charts. But I think, as we've had this phenomenal increase in wealth in our country, I would feel even better if the percentage of our national income devoted to charitable giving had gone up just a little bit. You heard Hillary say what we could do if we could just increase it by 1 percent. But going from 2 to 3 percent is a huge increase. We've been sort of stuck at 2 percent. Now, when the stock market triples, 2 percent is a lot more than it used to be. That's not real pocket change; it's real money.

But if you think about what we could do with just a little more, I think it is really worth pondering. We're having the same debate in Congress now, and I don't want to get into any kind of political dispute about that, but just let me give you an example. I very much want the United States to take the lead with the rest of the wealthy countries in alleviating the debt of the poorest countries in the world. And the Pope has asked us to do it for the millennium -- (applause.) Now, this is a campaign with a broad base: it's being spearheaded by the Pope and Bono, the lead singer for U2. (Laughter.) And even though I am not a candidate for anything anymore, I can spot a big tent when I see it. (Laughter.)

So, you know, we ought to do this. And this is just a little bit of all the money we've got. And it's just like de Tocqueville said a long time ago, this is not just charity; this is good citizenship. We take this burden off these people. If they are well governed and they are working hard, we give them a chance to be our partners and friends in a more equal and balanced way for the future.

So there are things for all of us to do. I would like to -- I would hope today that I will learn something and that we will learn something about how we can at least incrementally increase the percentage of our income we are devoting to philanthropy. I hope we will learn something, as I already said, about the ways we can do it. And I hope we will learn a little bit about whether we can all give smarter and whether we can make sure that the money we are giving is spent in the most effective possible way.

I take it we all begin by accepting that we no longer believe that there is a choice out there -- which was never a real choice -- between government meeting all of our society's needs, and government walking away from them all and letting philanthropy do it. We have to have a better partnership, and it will work better if we do.

We need to think about, in government, whether we can do more things to generate more constructive philanthropy. The Treasury Department will meet with representatives of the nonprofit sector next month to discuss this. And I, in the meanwhile, am going to establish and inter-agency task force to strengthen our philanthropic partnership between government, nonprofit groups, and citizens; and to ask the Council of Economic Advisors to do me a study on the role of philanthropy in the American economy, and how they believe I can increase it.

By analyzing trends in charitable giving, by assessing the impact of the baby boomers' retirement, which -- it's going to be interesting to see whether it makes us more or less generous when we retire, this largest of all generations of Americans. It should make us more generous, because the kids in school are finally the first generation bigger than the baby boomers, and they need our help.

But we need to think about that. What's our message going to be to the baby boomers as they move toward retirement? What's our message going to be to people thinking about the shape of our social tensions as we double the number of people over 65 in the next 30 years? What's our message going to be to ourselves, those of us in the baby boom generation, about how our citizenship responsibilities should grow when we lay down the burdens of retirement, particularly if we've been lucky enough to have a secure way to maintain our standard of living.

This is deserving of an awful lot of thought because there is a whole bunch of us. And on the whole, those who manage to escape a career in politics are going to be better off than any generation in American history. (Laughter.) So some serious thought needs to be given to this.

Well, I've had a little fun with this today. (Laughter.) But I am really grateful to you all for being here. This is a big deal. We all know -- the truth is we're all fairly pleased with ourselves for being here because you feel better about your life when you've spent a portion of it doing something for somebody else. And you feel better about the good fortune you have financially if you spend at least a little of it giving something to someone else.

So what we want to do is to start the new millennium poised to do more and to do it better. And to give more chances to more people to participate.

Thank you all very much. (Applause.)

END 1:35 P.M. EDT

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release October 22, 1999

PRESIDENT AND MRS. CLINTON CONVENE "WHITE HOUSE CONFERENCE ON PHILANTHROPY: GIFTS TO THE FUTURE"
October 22, 1999

Today the President and First Lady, with the National Endowment of the Humanities (NEH), will convene the first-ever "White House Conference on Philanthropy: Gifts to the Future." The conference will bring together individuals who are engaged in philanthropy -- including charitable donors, youth, policy experts, and representatives from non-profit organizations, foundations, and educational programs -- to highlight the unique American tradition of charitable giving; to discuss the diverse and changing face of philanthropy; and at a time of the strongest economy in a generation, to explore how to preserve and expand this tradition for future generations.

Focusing On Philanthropic Giving As The New Millennium Approaches: As the new millennium approaches, the American tradition of philanthropic giving may take a new turn. Several recent economic, demographic and technological advances and trends have made this an important time to focus on charitable giving, such as:

- Giving has reached a new high, rising over 10% in 1998, the third consecutive year in which giving increased.
- Dramatic gifts from some of America's wealthiest citizens have drawn new attention to philanthropy and inspired debate about appropriate giving levels.
- At the same time, there is a growing recognition that as the demographic profile of the United States changes, giving by African Americans, Hispanic Americans, and other people of color is essential to the long-term health of the nonprofit sector and the expansion of our collective philanthropic tradition.
- Just as the strongest economy in a generation has produced unprecedented new wealth, the baby boom generation is poised to inherit $12 trillion from their parents.
- New technology is creating new avenues for giving, through for-profit and nonprofit Internet sites.
- And finally, new donors, particularly those who have made their fortunes in the technology boom, have become innovators in the world of philanthropy, as they look for greater involvement in the causes they support and greater accountability for results. These "venture philanthropists" find kindred spirits among new social entrepreneurs who are applying new thinking and business solutions to the problems that plague our communities.

Clinton Administration Commitments:
At the conference, the President and Mrs. Clinton will announce new Administration commitments to improve our understanding of giving and to encourage subsequent activities and dialogue on giving.

Encouraging Productive Partnerships Between Government and Nonprofits

- Today, President Clinton will announce that he is creating a new Task Force on Nonprofits and Government to strengthen and support the important collaborative efforts of the nonprofit sector and government. In 1998, an estimated $175 billion was given by Americans to a wide variety of causes and organizations. In many cases, nonprofit organizations convert America's giving into results -- helping people in need, providing health care and educating our nation's youth. Nonprofits are uniquely able to identify problems and promote change at the community level. As the sector grows, increasing opportunity arises to forge more effective partnerships between nonprofits and government to address public needs. The Task Force will develop a public inventory of "best practices" in existing collaborations between the Federal Government and nonprofits and work with nonprofits to apply these models to other governmental efforts. The Task Force will also examine ways the Federal Government can better draw upon the experience and innovations of nonprofits, evaluate trends on nonprofits and philanthropy, and work with nonprofits to explore new policies that encourage philanthropy and service and help nonprofits develop and grow.

- In view of the growing size and importance of the nonprofits sector, a new "Tax Exempt and Government Entities" division was recently established at the Internal Revenue Service (IRS). As part of this effort, the Treasury Department also recently announced the formation of a "Tax Exempt Advisory Committee" to provide a public forum for discussions between the IRS and representatives of nonprofits organizations. This Advisory Committee will enable the IRS to receive regular input with respect to the development and implementation of tax policies and practices affecting nonprofits.

- Examining Tax-related Issues and Research Opportunities: The Department of the Treasury also will hold a meeting with organizations involved in the conference to discuss tax policy and research issues affecting the nonprofit sector.

- Expanding Our Understanding of Charitable Giving: The Council of Economic Advisers will undertake an analysis of the role of philanthropy in the economy, including discussion and interpretation of trends in charitable giving, factors that affect giving, and how the aging of Baby Boomers and other trends are likely to affect giving in the future. Please see attached fact sheet.

Corporate and Private Commitments to Expand Giving:
The President and Mrs. Clinton also will highlight several new private initiatives to encourage the expansion of charitable giving, such as:

- AOL Foundation: The AOL Foundation will highlight its launch of Helping.org, a revolutionary e-philanthropy portal that provides Americans who want to lend a helping hand with the fastest, safest, easiest and most cost-effective way to donate money or volunteer time to the charity of their choice. Helping.org connects users to over 620,000 charities and more than 20,000 volunteer activities, providing an important new resource for the more than two-thirds of American households that already make charitable contributions, as well as those new to philanthropy.

- The Bill and Melinda Gates Foundation: A group of organizations concerned with youth giving and service, including the United Way of America, Save the Children, US Committee for UNICEF, City Year, and the Corporation for National Service, have made a commitment to work together on a youth and philanthropy initiative. The Gates Foundation will announce its intention to support the next phase of their planning, including a follow-up conference and will encourage other organizations to support this important effort.

- Girl Scouts of the USA: The Girl Scouts of the USA will unveil its new philanthropy patch entitled "Strength and Sharing." Beginning in 2000, Girl Scouts of all age levels will earn interest patches that will help them recognize and learn from philanthropists in their own families, places of worship, schools, Girl Scout troops, and neighborhoods. The program will allow girls to identify and assist organizations and institutions that meet community needs and understand how their own time and money can make a difference in their communities.

Building on the White House Conference on Philanthropy:

- On the occasion of the White House Conference on Philanthropy, the National Information Charities Bureau (NCIB), together with the Department of Commerce, GreaterGood.com, CharitableWay.com, and the AOL Foundation will host the "E-Philanthropy: Technology and the Nonprofit Community" forum to discuss the how the ever-increasing use of the Internet will impact the unique American tradition of charitable giving. At the White House conference, William Massey of NCIB will report on the morning session of the E-Philanthropy conference.

- The Corporation for National Service will host a morning conference on youth and philanthropy called, "Raising the Roof: Youth Voices on Giving." At the White House conference, Malik Evans, a sophomore at the University of Rochester, will report on what was discussed at the youth conference.

Engaging Communities Around the Country:
A portion of the "White House Conference on Philanthropy" will be broadcast via satellite, presenting an extraordinary opportunity for communities across the country to participate in this important discussion. Over 3,500 sites in 40 states will view the conference via satellite, with the assistance of a grant from the Charles Mott Foundation and the support of SCETV, and the Department of Education. An additional 10.1 million viewers around the country will have access to viewing the conference through PBS and cable channels' live broadcasts.

The White Conference on Philanthropy is made possible with the support of The National Endowment for the Humanities, South Carolina Educational Television, The Charles Stewart Mott Foundation, Community Foundation-Silicon Valley, The J. Paul Getty Trust, the Iscol Family Foundation, The Marcie Polier Family Foundation, the American Red Cross, and the United Way of America.

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AAFRC TRUST FOR PHILANTHROPY

Statement of
George C. Ruotolo, Jr., CFRE
Chair, AAFRC Trust for Philanthropy
Ruotolo Associates Inc.

The 1990s was an exciting and fast-paced decade for philanthropy. It started with a recession in which the value of the contributed dollar lost ground to inflation for two consecutive years. Not only that, but giving to religion, health, human services, and the category of nonprofits called public/society benefit, all retrenched in constant dollars just at a time when the services those nonprofits provided were most needed. The mid-1990s improved, but no one predicted the sharp upturn in the economy that ensued in the decade's second half.

Between 1996 and 1999 inflation was low, and the economy thrived. In December 1999, the economic expansion was in its 105th month. In particular, stock market performance was outstanding. The Council of Economic Advisors reports that $100 invested in December 1989, with all dividends reinvested, would have been worth nearly $500 at the end of 1999. That is an inflation-adjusted return of 250%. The return over the past five years was 200%, or 24% a year, in inflation-adjusted terms. The last time the market performed so well was in the 1930s, when it was recovering from the stock market crash. But, the recent bull market occurred after a strong economic period, rather than a crash.

Disposable income grew 3.7%, adjusted for inflation, during 1999. At the same time, household wealth rose faster than income, and at the end of 1999, it was worth six times annual personal income. This tends to create a climate in which people are comfortable spending more. Personal consumption rose for the seventh consecutive year. As demonstrated by research at Boston College, wealth tends to serve as a platform for contributions of income. When wealth increases, people are more comfortable using income to make charitable contributions. In addition, gifts of appreciated assets cause giving to accelerate, so that contributions made directly from wealth also boost giving.

All of these factors greatly enhanced the capacity to give during the late 1990s. Yet, wherewithal alone does not automatically boost giving. Charities themselves

-over-

influence patterns of giving. Part of the growth in giving during the decade came about because of the messages and actions put forth by recipients of charitable gifts.

Nonprofit organizations became better stewards of philanthropic dollars and were more responsive to the public's demand for accountability and information. Further, leadership from important philanthropists created an environment highly conducive to increased giving. Finally, signals of support of the nonprofit sector from government, such as the White House Millennial Conference on Philanthropy held in 1999 or the Presidents' Summit on Volunteerism, headed by Colin Powell, convey legitimacy upon charities and their programs and encourage people to participate in and support nonprofit activities.

Another issue worth considering, and one often overlooked, resides not in single factor, but in how the various elements that contribute to giving relate. The relationships between government and charities or economy and contributors, to cite two examples, are key. Of paramount importance is the dynamic between the charity and contributors. In particular, the way nonprofits communicate with contributors is extremely and increasingly important. Donors and charities are becoming more strategic. Donors are increasingly thoughtful in their philanthropic decisions, looking for measurable outcomes, and one hopes charities are being more precise in how they articulate their goals and accomplishments.

Nonprofits could do more here. Sometimes charities undergo a planning process and set a course without paying sufficient attention to how their goals are perceived by constituents. Informing and discussing objectives with key supporters is an important way for nonprofits to take the pulse of the community it serves, and it is a good way to keep in touch with that community and anticipate its needs. Contributors who are thus engaged are more committed to the charities they support. Also, charities are better stewards of funds entrusted to them when they listen to and understand the community they serve and that in turn supports them.

Among the fastest growing and most intriguing communication media is, of course, the Internet. Independent Sector's *Giving and Volunteering in the US* estimated that 1.2% of contributions were made on line in 1998. In 1999, that would have yielded under $2 billion. Still e-commerce is in its early stages. And the 1.2% refers only to contributions actually paid for over the web; it does not include giving that may have come as a result of web-based communication, but where the culminating financial transaction did not occur over the Internet.

The Internet has the potential to advance philanthropy other ways. Fund-raising information and consultation are becoming increasingly available at web sites. Also, charities post information about their activities on web sites, and they are beginning to post their tax returns and annual reports, as well. As people become more trusting of web-based financial transactions, the number of contributions made electronically will increase. But the web is probably already having an impact that exceeds the incidence and level of electronic financial transfers.

The last decade of the 20th century was, in short, a period of revolutionary advancement in technology, wealth, and nonprofit management. As *Giving USA 2000* documents, we are entering the next century in a position of strength. Giving surpassed $190 billion, growing 88% since 1990. The nonprofit sector is recognized as a vital part of community life and the nation's economy. The relationship between communities and gift-supported institutions has a long and rich history in this country--a history we can be proud of and that *Giving USA* will continue to document and record in the next century.

1st trillion dollar decade = 1.333 trillion 90-99

1.017 from 93-99 (1,016.57)

> previous 12 yrs combined

- 47% adj for inflation (80s were 34%) (70s were under 10%)

- fastest 4 yr growth on record

40% in 4 yrs
> previous 18 yrs.

41.9 in 5 yrs
42.87 in 25 yrs
39.9% 1973-93

99-95 = 54.6b/135.56 = 40.37%
40.57
95-71 =

99-94 = 56.196/133.97 = 41.94%
94-69 =
42.87%

AAFRC TRUST FOR PHILANTHROPY

Giving by Source 1969-1999 Adjusted for Inflation (In Billions of 1999 dollars)

Year	Total	Change	Corporations	Change	Foundations	Change	Bequests	Change	Individuals	Change
1969	$ 93.77	3.9%	$ 4.21	-2.0%	$ 8.17	6.7%	$ 9.08	18.5%	$ 72.31	2.4%
1970	$ 90.33	-3.7%	$ 3.51	-16.6%	$ 8.16	-0.2%	$ 9.15	0.7%	$ 69.52	-3.9%
1971	$ 96.43	6.8%	$ 3.50	-0.2%	$ 8.02	-1.7%	$ 12.34	34.9%	$ 72.56	4.4%
1972	$ 97.41	1.0%	$ 3.87	10.4%	$ 7.97	-0.6%	$ 8.37	-32.2%	$ 77.20	6.4%
1973	$ 96.02	-1.4%	$ 3.96	2.5%	$ 7.50	-5.9%	$ 7.50	-10.3%	$ 77.05	-0.2%
1974	$ 90.84	-5.4%	$ 3.72	-6.1%	$ 7.13	-5.0%	$ 7.00	-6.8%	$ 72.99	-5.3%
1975	$ 88.45	-2.6%	$ 3.57	-4.0%	$ 5.11	-28.3%	$ 6.91	-1.3%	$ 72.86	-0.2%
1976	$ 93.25	5.4%	$ 3.89	8.8%	$ 5.56	8.9%	$ 6.73	-2.5%	$ 77.06	5.8%
1977	$ 96.81	3.8%	$ 4.24	9.1%	$ 5.50	-1.2%	$ 5.83	-13.5%	$ 81.24	5.4%
1978	$ 98.55	1.8%	$ 4.34	2.2%	$ 5.54	0.8%	$ 6.64	14.0%	$ 82.02	1.0%
1979	$ 98.92	0.4%	$ 4.70	8.3%	$ 5.14	-7.3%	$ 5.12	-23.0%	$ 83.97	2.4%
1980	$ 98.32	-0.6%	$ 4.55	-3.1%	$ 5.68	10.5%	$ 5.78	13.0%	$ 82.31	-2.0%
1981	$ 101.32	3.0%	$ 4.84	6.4%	$ 5.63	-1.0%	$ 6.56	13.5%	$ 84.29	2.4%
1982	$ 102.05	0.7%	$ 5.37	10.9%	$ 5.46	-3.0%	$ 8.99	37.1%	$ 82.23	-2.4%
1983	$ 105.73	3.6%	$ 6.14	14.5%	$ 6.02	10.4%	$ 6.49	-27.8%	$ 87.08	5.9%
1984	$ 109.96	4.0%	$ 6.62	7.8%	$ 6.33	5.2%	$ 6.48	-0.2%	$ 90.53	4.0%
1985	$ 111.00	0.9%	$ 7.16	8.2%	$ 7.59	19.8%	$ 7.39	14.0%	$ 88.87	-1.8%
1986	$ 126.55	14.0%	$ 7.64	6.7%	$ 8.25	8.8%	$ 8.66	17.3%	$ 101.99	14.8%
1987	$ 120.56	-4.7%	$ 7.65	0.1%	$ 8.62	4.5%	$ 9.65	11.4%	$ 94.64	-7.2%
1988	$ 123.98	2.8%	$ 7.52	-1.7%	$ 8.66	0.4%	$ 9.25	-4.1%	$ 98.55	4.1%
1989	$ 132.24	6.7%	$ 7.33	-2.5%	$ 8.80	1.6%	$ 9.36	1.2%	$ 106.75	8.3%
1990	$ 129.21	-2.3%	$ 6.96	-5.0%	$ 9.22	4.7%	$ 9.74	4.0%	$ 103.30	-3.2%
1991	$ 128.45	-0.6%	$ 6.42	-7.8%	$ 9.44	2.5%	$ 9.52	-2.3%	$ 103.07	-0.2%
1992	$ 131.10	2.1%	$ 7.02	9.4%	$ 10.26	8.6%	$ 9.68	1.7%	$ 104.14	1.0%
1993	$ 134.36	2.5%	$ 7.46	6.2%	$ 10.99	7.1%	$ 9.85	1.7%	$ 106.07	1.8%
1994	$ 133.97	-0.3%	$ 7.85	5.2%	$ 10.86	-1.1%	$ 11.25	14.3%	$ 104.00	-1.9%
1995	$ 135.56	1.2%	$ 8.04	2.4%	$ 11.54	6.3%	$ 11.73	4.2%	$ 104.25	0.2%
1996	$ 147.12	8.5%	$ 7.97	-0.8%	$ 12.74	10.4%	$ 12.19	3.9%	$ 114.21	9.6%
1997	$ 159.61	8.5%	$ 8.94	12.2%	$ 14.45	13.4%	$ 13.11	7.6%	$ 123.11	7.8%
1998	$ 178.21	11.7%	$ 9.86	10.3%	$ 17.39	20.3%	$ 13.92	6.2%	$ 137.04	11.3%
1999	$ 190.16	6.7%	$ 11.02	11.8%	$ 19.81	13.9%	$ 15.61	12.1%	$ 143.71	4.9%
Year	Total	Change	Corporations	Change	Foundations	Change	Bequests	Change	Individuals	Change

Giving USA uses the Consumer Price Index to adjust for inflation.

AAFRC TRUST FOR PHILANTHROPY

Giving by Source 1969-1999 ($ in Billions)

Year	Total	Change	Corporations	Change	Foundations	Change	Bequests	Change	Individuals	Change
1969	$ 20.66	9.6%	$ 0.93	3.3%	$ 1.80	12.5%	$ 2.00	25.0%	$ 15.93	8.0%
1970	$ 21.04	1.8%	$ 0.82	-11.9%	$ 1.90	5.6%	$ 2.13	6.5%	$ 16.19	1.6%
1971	$ 23.44	11.4%	$ 0.85	4.2%	$ 1.95	2.6%	$ 3.00	40.8%	$ 17.64	9.0%
1972	$ 24.44	4.3%	$ 0.97	14.0%	$ 2.00	2.6%	$ 2.10	-30.0%	$ 19.37	9.8%
1973	$ 25.59	4.7%	$ 1.06	8.9%	$ 2.00	0.0%	$ 2.00	-4.8%	$ 20.53	6.0%
1974	$ 26.88	5.0%	$ 1.10	4.3%	$ 2.11	5.5%	$ 2.07	3.5%	$ 21.60	5.2%
1975	$ 28.56	6.3%	$ 1.15	4.8%	$ 1.65	-21.8%	$ 2.23	7.7%	$ 23.53	8.9%
1976	$ 31.85	11.5%	$ 1.33	15.1%	$ 1.90	15.2%	$ 2.30	3.1%	$ 26.32	11.9%
1977	$ 35.21	10.6%	$ 1.54	16.2%	$ 2.00	5.3%	$ 2.12	-7.8%	$ 29.55	12.3%
1978	$ 38.57	9.5%	$ 1.70	10.0%	$ 2.17	8.5%	$ 2.60	22.6%	$ 32.10	8.6%
1979	$ 43.11	11.8%	$ 2.05	20.6%	$ 2.24	3.2%	$ 2.23	-14.2%	$ 36.59	14.0%
1980	$ 48.63	12.8%	$ 2.25	10.0%	$ 2.81	25.4%	$ 2.86	28.3%	$ 40.71	11.3%
1981	$ 55.28	13.7%	$ 2.64	17.3%	$ 3.07	9.3%	$ 3.58	25.2%	$ 45.99	13.0%
1982	$ 59.11	6.9%	$ 3.11	17.7%	$ 3.16	2.9%	$ 5.21	45.5%	$ 47.63	3.6%
1983	$ 63.21	6.9%	$ 3.67	18.1%	$ 3.60	13.9%	$ 3.88	-25.5%	$ 52.06	9.3%
1984	$ 68.58	8.5%	$ 4.13	12.4%	$ 3.95	9.7%	$ 4.04	4.1%	$ 56.46	8.5%
1985	$ 71.69	4.5%	$ 4.63	12.0%	$ 4.90	24.1%	$ 4.77	18.1%	$ 57.39	1.7%
1986	$ 83.25	16.1%	$ 5.03	8.7%	$ 5.43	10.8%	$ 5.70	19.5%	$ 67.09	16.9%
1987	$ 82.21	-1.3%	$ 5.21	3.7%	$ 5.88	8.3%	$ 6.58	15.4%	$ 64.53	-3.8%
1988	$ 88.04	7.1%	$ 5.34	2.4%	$ 6.15	4.6%	$ 6.57	-0.2%	$ 69.98	8.4%
1989	$ 98.43	11.8%	$ 5.46	2.2%	$ 6.55	6.5%	$ 6.97	6.1%	$ 79.45	13.5%
1990	$101.37	3.0%	$ 5.46	0.1%	$ 7.23	10.4%	$ 7.64	9.6%	$ 81.04	2.0%
1991	$105.01	3.6%	$ 5.25	-3.9%	$ 7.72	6.8%	$ 7.78	1.8%	$ 84.27	4.0%
1992	$110.41	5.1%	$ 5.91	12.7%	$ 8.64	11.9%	$ 8.15	4.8%	$ 87.70	4.1%
1993	$116.54	5.6%	$ 6.47	9.4%	$ 9.53	10.3%	$ 8.54	4.8%	$ 92.00	4.9%
1994	$119.18	2.3%	$ 6.98	7.9%	$ 9.66	1.4%	$ 10.01	17.2%	$ 92.52	0.6%
1995	$124.01	4.1%	$ 7.35	5.3%	$ 10.56	9.3%	$ 10.73	7.2%	$ 95.36	3.1%
1996	$138.55	11.7%	$ 7.51	2.1%	$ 12.00	13.6%	$ 11.48	7.0%	$ 107.56	12.8%
1997	$153.77	11.0%	$ 8.62	14.8%	$ 13.92	16.0%	$ 12.63	10.0%	$ 118.60	10.3%
1998	$174.36	13.4%	$ 9.65	12.0%	$ 17.01	22.2%	$ 13.62	7.8%	$ 134.08	13.1%
1999	$190.16	9.1%	$ 11.02	14.3%	$ 19.81	16.5%	$ 15.61	14.6%	$ 143.71	7.2%
Year	Total	Change	Corporations	Change	Foundations	Change	Bequests	Change	Individuals	Change

Allow Charitable Contribution Deductions for Non-Itemizers

Key facts:

- Currently 70 percent of taxpayers do not itemize and cannot get a tax credit for their charitable giving; two and a half times more taxpayers are nonitemizers 84 million) than itemizers (34 million).
- About 80 percent of families with incomes between $10,000 and $30,000 are nonitemizers. Over two-thirds of these families give to charity. Independent Sector estimates are on average nonitemizers give $465 annually, and the average household income for nonitemizers who give is $33,775.
- Low income households tend to give more of their donations to religious charities and social welfare organizations, and this proposal has the support of over 300 groups, including Catholic Charities, Salvation Army, American Red Cross, March of Dimes, Environmental Defense Fund, the American Cancer Society and the National Organization of Women Foundation.
- Governor Bush has made this proposal a key part of both his faith based and tax relief package, arguing it will generate billions of dollars annually in additional contributions.
- This proposal has strong bipartisan support in Congress. "The Charitable Giving Tax Relief Act", (H.R. 1310) sponsored by Reps. Crane (R-IL) and Coyne (D-PA), currently has 106 bipartisan cosponsors, including a majority of the House Ways and Means Committee.

Likely Criticisms of the proposal include:

The standard deduction theoretically includes an allowance for charitable giving. Therefore, non-itemizers should not be allowed to claim both the standard deduction and an above-the-line deduction.

- **Response** – There is no estimate as to what amount is built into the standard deduction to compensate for charitable giving. We can address any potential problem by providing a tax deduction for nonitemizers above a set floor (about $500, the amount the average nonitemizer now gives).

Extending the charitable contribution deduction to nonitemizers is likely to cost Treasury more than the added actual giving to charities – that is, a dollar of tax deductions produced less than a dollar of additional giving.

- **Response** – There is no conclusive evidence to suggest that this is true. As a matter of fact, we know that giving is highly price elastic – implying that the deduction stimulates more in giving than it costs Treasury in terms of tax revenue. Price Waterhouse has estimated nonitemizers would give $3 billion more annually if they could deduction contributions.

It is too expensive.

- **Response** – There are a number of ways to control the cost of such a proposal, such as: 1) placing a ceiling on the amount of the deduction; 2) allowing only a percentage (i.e., 50%) of the amount over the floor to be deducted; and/or 3) raising the floor.

J. Eric Gould 01/17/2000 02:00:59 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Eric P. Liu/OPD/EOP@EOP

cc: Cynthia A. Rice/OPD/EOP@EOP, Ann O'Leary/OPD/EOP@EOP, Anna Richter/OPD/EOP@EOP, Cathy R. Mays/OPD/EOP@EOP

Subject: charity taxes

It looks like the entire tax piece to encourage philanthropy is set and Burman doesn't think it should be a problem at this point.

1. Nonitemizer 50% above-the-line deduction for charitable contributions in excess of $1000 singles/$2000 joints - 2001-2005; $500 singles/$1000 joints - 2006 and thereafter.

(Costs are in millions)

01	02	03	04	05	06	07	08	09	10	00-05	00-10
-$516	-$1062	-$733	-$765	-$817	-$1245	-$1847	-$1928	-$2007	-$2082	-$3893	-13002

2. Simplify the excise tax on private foundations from the current 1-2% floating rate to a flat 1.25% [Note - I am not totally comfortable with this yet. From a tax policy perspective it makes sense to have a flat rate instead of the floating 1% and 2 %. Still, I have not been able to track down the appropriate people from the Council on Foundations to get their read on it. While 1.25 % can be described as tax simplification, it still would effectively raise taxes (although negligibly) on some private foundations. If the 1.25% is a problem, I would propose dropping it from 1.25% to 1% in 06.

01	02	03	04	05	06	07	08	09	10	00-05	00-10
-$49	-$70	-$71	-$73	-$75	-$78	-$81	-$84	-$87	-$90	-$338	-$758

3. Increase limit on charitable donations of appreciated stock. This includes increasing the current 30% AGI limit on appreciated assets to 50% AGI; and increasing the current 20% AGI limit on appreciated assets to private foundations to 30% AGI.

01	02	03	04	05	06	07	08	09	10	00-05	00-10
-$7	-$47	-$29	-$20	-$12	-$8	-$8	-$9	-$9	-$10	-$115	-$159

* Treasury also wants to include a small technical clarification that would treat donor advised funds maintained by charitable corporations similar to the operational rules that apply to community trusts under existing Treasury regulations, which include minimum annual payout requirements applicable to private foundations.

<u>Background</u>

In recent years there has been a large increase in the number of so-called "donor advised funds" maintained by charitable organizations. These funds permit a donor to receive a current charitable contribution deduction for amounts contributed to the charity and to provide ongoing advice regarding the investment or distribution of such amounts. Several financial institutions like Fidelity and Vanguard have formed charitable corporations for the purpose of offering donor advised funds. These funds resemble the separate funds maintained by community trusts. However, although Treasury regulations provide clear rules regarding the requirements that a community trust must meet in order to qualify as a publicly supported organization, the rules governing donor advised funds maintained by charities organized as corporations are unclear. Most of the large funds have voluntarily adopted minimum payout requirements and other requirements which have been agreed to as "best practices" among the big players in the industry. Treasury wants to propose these agreed to "best practices" in order to avoid regulatory uncertainty in the future.

Specifically, the proposal would provide that a charitable corporation, which engages in donor advised funds may qualify as a public charity (thus, not a private foundation, which are more highly regulated) if: 1) the donor can't restrict or condition the use of the assets - the larger corporation has to have a say in where the assets go; 2) the corporation makes distributions from the funds only to public charities; and 3) the corporation annually distributes at least 5 percent of the corporation's assets.

The cost of this proposal is negligible (as a cost) and doesn't factor into budget estimates.

The bottom line is that Treasury is trying to maintain that these donor advised funds act like the separate funds maintained by community trusts in their manner of operation by supporting public charities. I don't believe that we need to include this proposal in paper describing our policies to promote philanthropy.

J. Eric Gould 01/17/2000 11:57:06 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Eric P. Liu/OPD/EOP@EOP

cc: Cynthia A. Rice/OPD/EOP@EOP, Ann O'Leary/OPD/EOP@EOP, Anna Richter/OPD/EOP@EOP, Cathy R. Mays/OPD/EOP@EOP

Subject: charity tax

The tax package is still not finished but there is a new model for the nonitemizer deduction, which seems to fit into a package that Treasury can accommodate.

	01	02	03	04	05	06	07	08	09/10
floor	$1000	$1000	$1000	$1000	$1000	$500	$500	$500	$500
% deductible	50%	50%	50%	50%	50%	50%	50%	50%	50%

Total cost 01-10 is $13 billion. Burman said not to worry about the 60 percent increase in cost from the last model we were looking at, which was a little less than $8 billion - there is more money available in the out-years to accommodate this model. This model does a good job of addressing both our concerns (by getting to a $500 floor) and Treasury's (by not delaying implementation and having a 50% deductible limit across the entire stream).

Beth Mohsinger
05/09/2000 09:46:23 AM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: From Ellen - another article from The Chronicle of Philanthropy

From The Chronicle of Philanthropy

From the issue dated Thursday, April 20, 2000

Support Grows for Adoption of New Federal Rules on Donor-Advised Funds

By THOMAS J. BILLITTERI

Donor-advised funds have become one of the nation's most popular giving techniques. And yet the funds operate with few clear legal guidelines.

But that may soon change. Officials in Washington have begun considering how best to regulate the funds, which allow donors to obtain a tax deduction on gifts to a community foundation or similar charity, then recommend how to distribute the money.

In February, the Clinton administration asked Congress to pass new rules on donor-advised funds. The restrictions it proposed would require such funds to distribute a minimum portion of their assets each year to charity and discourage donors from recommending inappropriate uses for their money.

Helping to fuel the drive for new legislation is the concern that some organizations are allowing or encouraging people to make grants from their donor-advised accounts to themselves or to groups that provide personal benefits to the donors.

In an analysis of the proposed regulations, which are outlined in President Clinton's 2001 budget proposal, the Treasury Department said that new laws are needed "to encourage the continued growth of donor-advised funds" while also "minimizing the potential for misuse" of the funds.

Donor-advised funds are offered by community foundations, Jewish federations, and other charitable organizations, including non-profit corporations formed by commercial banks and brokerages. Donors who establish such funds get an immediate income-tax deduction for an irrevocable gift of cash or some other asset. They then can recommend how and when grants will be paid from the funds to charities.

Under the Clinton administration's proposal, organizations that offer donor-advised funds could incur stiff penalties if they fail to meet three main requirements:

* The organizations must maintain control over how the money in the gift funds is spent. Donors can only recommend -- not dictate -- which groups receive grants from their accounts.

* Grants made by the funds must go only to charities, private operating foundations, or some government-related groups.

* The annual grant payout must equal or exceed 5 percent of the aggregate assets of the funds that the organization maintains, the same payout threshold that applies to private foundations.

Penalties for breaking one of the rules would be stiff. A charity that maintained more than half of its assets in gift funds would risk being classified as a private foundation if it violated one or more of the rules. Private foundations are subject to far stricter regulations than are charities, including the imposition of an excise tax on their investment income and lower deductibility limits for donors' gifts.

A charity that maintained less than half of its assets in donor-advised funds would not be subject to private-foundation rules, but the portion of its assets that were held in donor-advised funds could be.

The proposed rules also would penalize donors who recommended that distributions from their funds be used in ways that provided personal benefits.

Legal experts and officials at many gift funds have long argued that if action isn't taken to prevent abuses of donor-advised funds, Congress or the Internal Revenue Service could wind up imposing far stricter regulations that would slow or even stop the growth of the technique.

"We're in favor of anything that would give people a more secure feeling about donor-advised funds and that would put all the funds on a level playing field," says Susan Smith, marketing director for the Vanguard Charitable Endowment Program, a donor-advised fund offered by the Vanguard Group, a brokerage company.

Still, consensus does not yet exist among charity officials on exactly what form new legislation should take or whether the administration's proposal, as currently crafted, would lead to unintended problems.

Concern exists, for example, that the proposed rules could stop grants from being used for gifts to foreign charities. Barring donor-advised funds from making overseas grants is a particularly nettlesome issue for many non-profit groups.

"In a global economy, this creates a very xenophobic approach to philanthropy," says Drummond Pike, president of the Tides Foundation, a charity in San Francisco that has about 250 donor-advised funds with $124-million in assets.

Tides makes grants to overseas charities and is helping to start a sister organization in Canada that Mr. Pike says will probably receive grants from Tides -- unless Congress winds up preventing such transactions.

Some observers also worry that the rules, as currently proposed, could impose penalties on a charity even if only a single gift-fund account were used inappropriately. Phasing in penalties and shifting some of the burden of compliance to donors -- and away from charities -- would make the rules more equitable, they say.

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News

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TOTAL GIVING REACHES $190.16 BILLION AS CHARITABLE CONTRIBUTIONS INCREASE $15.80 BILLION IN 1999

SECOND LARGEST INCREASE OF THE DECADE

May 24, 2000. New York City. The AAFRC Trust for Philanthropy released its 1999 estimates of charitable giving in the United States at noon. George C. Ruotolo, Jr., CFRE, Chair, AAFRC Trust for Philanthropy stated that, as the 1900s ended, charitable giving surpassed $190 billion. Since 1997, giving has increased by more than $15 billion annually. Giving also gained ground in the context of the total economy. Since 1995, when philanthropy represented 1.7% of gross domestic product (GDP), giving as a share of GDP has steadily increased, reaching 2.0% in 1998 and 2.1% in 1999. Giving as a percentage of personal income has also been growing over that time span. In 1995, personal giving represented 1.5% of personal income. In 1998 and 1999, it reached 1.8%.

Giving By Individuals and Bequests Up $11.63 Billion

In fact, contributions from individuals caused the vast majority of the 1999 increase in overall giving. Personal giving rose an estimated $11.63 billion, representing nearly three-quarters of the total. Most of this increase--$9.64 billion--came from living individuals. Another $1.99 billion were contributed by bequest. Personal giving increased 7.2% and reached $143.71 billion; bequest giving increased 14.6% and reached $15.61 billion.

The Ripple Effect

Personal giving creates a ripple effect that goes beyond the increase of a particular year. Individuals make contributions to foundations, and these contributions subsequently begin to flow out to the nonprofit sector as grants. Contributions that formed new foundations or enlarged the endowments of existing foundations are now directly funding nonprofit programs. Moreover, the seeds that are planted in foundation endowments become more vital by virtue of the fact that they are invested, and the growth in invested assets augments the value of the original gift.

Giving By Foundations Increases Sharply
Giving by non-corporate foundations, as estimated by the Foundation Center, increased by $2.80 billion and reached $19.81 billion. This 16.5% increase was the direct result of the increased value of foundation assets. Foundation endowments swelled because of both the strong economy and the infusion of new money in the form of personal contributions.

Foundations As Vehicles For Personal Giving
Personal gifts to foundations increased by double-digit percentages every year of the decade except 1994. In keeping with this pattern, personal giving to foundations in 1998, the last year for which data are available, increased by over $14 billion, or 37.8%. The Foundation Center reports that the number of active foundations in 1998 rose by 2,700, the largest increase in numbers on the record, that begins in 1975. Since 1980, the number of foundations almost doubled. Thus, the relatively strong rate of growth in institutional giving is in part due to the increased use of these institutions as vehicles for personal giving.

Giving As Investing, Some Other Examples
In addition to beefing up the endowments and numbers of foundations, individuals made gifts of appreciated assets, mostly stocks, to other institutions over the past decade that will continue to fund nonprofit programs into the future. People gave to the endowments of specific nonprofits, such as those at colleges and universities. And the phenomenon of giving to charitable gift funds rapidly accelerated over the past ten years, as well. It is apparent that individuals have chosen to invest their charitable assets as well as their personal assets.

The Stock Market
The extent to which individuals make gifts of assets for capital purposes the focus of their philanthropic planning is closely tied to the performance of those investments in the stock market. Year-end values of the market are particularly salient indicators of personal wealth and the value of contributions. The market grew more in 1997 and 1998 than in 1999. The Standard & Poors 500 index's average value in November and December increased by over 200 points in 1997, by over 300 points in 1998, and by just under 150 points in 1999. This slightly slowed the rate of growth of giving in 1999 relative to 1998. In 1999, total giving grew 9.1% after increasing by 13.4% the year before. However, much 1998 giving was invested in foundation endowments, charitable gift funds, and the endowments of specific charities, and so the 1998 growth continued to play an important role in the financial health of the sector in 1999.

Corporate Giving Rises Also

In keeping with the pattern of increase seen in foundation giving, corporations and their foundations increased their giving over 1998 by an additional $1.37 billion. Corporate giving was up 14.2%, and total corporate giving reached $11.02 billion. Corporate giving as a percentage of pretax profits also climbed. In 1996, corporate giving represented 1.0% of corporate pre-tax income; by 1999, it had reached 1.3%. This is particularly impressive because the value of corporate philanthropic contributions and corporate foundation grants is only part of corporate support of nonprofits. Marketing dollars and other expenditures also benefit charities, even though they are not charitable gifts.

Religion Posts Largest Dollar Increase Among Recipient Categories

Giving to religion increased by $4.29 billion, reaching $81.78 billion. This is double the next largest dollar increase of $2.14 billion that went to education organizations. Religious giving is the largest component of total giving, representing 43.0% of 1999 contributions, and it has historically been the area to which Americans donate the most. Because the baseline number on giving to religion--$77.49 billion in 1998--is so high, the percentage increase generally does not appear very dramatic. For 1999, it was 5.5%, compared to 8.5% for education, even though education organizations posted a lower increase in dollar amounts.

Giving to Education Increases. Second Largest Dollar Increase.

Giving to education increased by 8.5%--or $2.14 billion--in 1999 and reached $27.46 billion in 1999. This is slightly slower than the 10.9% growth in giving to higher education for fiscal 1999 reported by the Council for Aid to Education. Still, it follows two years of double-digit increases, and education giving remains very strong. The organizations surveyed by *Giving USA* showed strong increases in contributions to large and small organizations, but weaker performance among mid-sized groups.

Giving to International Affairs and the Environment Increase Sharply

The small categories of international affairs and environment/wildlife posted large percentage increases--23.6% and 11.1%, respectively. Much of the charitable giving to these kinds of organizations is concentrated in the largest groups, and these large groups fared even better than did the complete categories. In 1999, total international giving reached $2.65 billion, and environment/wildlife giving reached $5.83 billion.

Public/Society Benefit Giving Slows

Giving to the category of nonprofits called public/society benefit slowed in the aggregate after growing sharply the year before. But this represents some variety in how different institutions performed. For one thing, there was a lot of variability among the largest institutions that responded. Charitable gift funds, as an example, fall into this category and are among the large organizations. Some of these large public/society benefit organizations posted very sharp gains, gains that were well outside the norm. But the more typical response was not as strong as some of these particular institutions' responses would imply. In addition, small organizations in this category performed very well; they just do not command enough revenue to influence the totals very much.

Arts Giving Up Solidly; Large and Small Organizations Continue to Show Strongest Growth

Giving to the arts, culture, and humanities increased by 5.12% in 1999, reaching $11.07 billion. The growth was caused primarily by increases in giving to large and small organizations, the came categories that fared well in 1998. Also like 1998, the mid-sized organizations showed a moderate decline in contributions. Still, total revenue reported by these mid-sized organizations was up, indicating that charitable contributions data do not tell the whole story with regard to the financial health of the responding charities. Other sources of income to mid-sized arts organizations apparently did not fall off.

Health and Human Services Post Gains

Giving to health and human services increased, by 6.28% and 7.95%, respectively. Giving to human service organizations reached $17.36 billion. Giving to health reached $17.95 billion. Both increases come after giving to both categories increased by more than 20% the previous year. The solid growth of the 1999 year is part of a recent pattern of strong performance.

The AAFRC Trust for Philanthropy

The American Association of Fund-Raising Counsel (AAFRC) was founded in 1935 to advance professional and ethical standards in philanthropic fund-raising consulting and to promote philanthropy in general. *Giving USA* was first published as a public service in 1955. In 1985, three association leaders, Arthur D. Raybin, John Grenzebach, and Charles E. Lawson, incorporated the AAFRC Trust for Philanthropy to carry out and expand a number of the public service goals of the association.

Today the trust publishes *Giving USA*, the annual yearbook on American philanthropy, and supports research and education in philanthropy. The American Association of Fund-Raising Counsel continues to provide financial support, expertise, and leadership to the trust and works in partnership with it to advance philanthropy and promote ethics in the fund-raising profession.

Giving USA 2000 data will be available on disc in June 2000, and *Giving USA 2000* will be available in book form by September 2000. Both may be ordered by calling 888-5-GIVING or by downloading an order form from http://www.aafrc.org. *Giving USA* $65 + $6 shipping and handling ($71). *Giving USA on Disc* is $135 + $6 shipping and handling ($141). All orders must be prepaid.

AAFRC TRUST FOR PHILANTHROPY

Statement of

Russell G. Weigand, CFRE

Chair, American Association of Fund-Raising Counsel, Inc.

Co-President, Campbell & Company

Charitable giving has increased by double-digit percentages for four straight years. It is likely that this is not merely a momentary windfall for the nonprofit sector, but rather, we might say it signals the beginning of a new age of philanthropy. Research from Boston College indicates that the transfer of wealth between 1998 and 2052 is likely to be valued at least $41 trillion and may be as high as $136 trillion. Even the conservative end of this range provides support for the idea that we may be at the brink of a revolutionary augmentation in the capacity to give.

The wherewithal for giving has been studied and demonstrated. And there has been significant leadership among emerging philanthropists, leadership that sends a signal to wealth-holders at all levels that the nonprofit sector is a valuable place to invest some of those assets. However, the full potential for charitable giving will be realized only when we address matters other than the sheer magnitude of capacity to give and the attitude of the public toward the sector. The precise patterns of giving depend on other factors as well.

How well will we guide gift-supported institutions in seeking and using a wide range of assets? Which communities and what types of nonprofits will benefit from philanthropy in the new millennium?

It is true that there has been an explosion of new wealth. Yet, we are sometimes narrow-minded in how we think about capital. New wealth is held not only in stock and cash. It may also be in the form of land or other tangible property. Nonprofits may not always be positioned to benefit from gifts in non-traditional forms, especially if the relationship between the type of asset and the charity's mission is not straightforward. Sometimes, charities unnecessarily forgo contributions that could be of great value to them.

The nonprofit consulting field plays an integral role in helping nonprofits manage resources. The professionals who guide nonprofits must understand the range of assets and how they may be used by nonprofits, and they must impose both discipline and creativity on this understanding. Nonprofits will continue to receive much support from contributions of appreciated securities and cash. But, nonprofits

-over-

can learn to use a more diverse platform of assets. It is the consulting profession that can make these assets work for the sector. For example, certain conservation organizations receive gifts of land regularly, but other types of organizations, in a different ways, can use the same asset.

The profession must also be in tune with its client base and anticipate changes in the needs of a variety of institutions. The American Association of Fund-Raising Counsel, Inc. (AAFRC) believes that a strong professional association must have five key components: It must provide collegiality for its members. It must provide ongoing education for them. It must promote ethical professional behavior and standards. It must advocate for an environment conducive to doing business effectively. And it must have a strong public service component.

The AAFRC, in partnership with the National Society of Fund Raising Executives (NSFRE), is developing a program to identify and educate highly trained development professionals who represent a variety of specific ethnic and racial communities that may be under-represented in the consulting profession. By encouraging and facilitating the entry of such professionals into consulting careers, the program can ensure that consultants to the sector are able to understand a broad base of client needs in an ever-widening range of communities.

Today's development professional must understand the increasing diversity of contributed assets and must also understand and, indeed, represent the demographic diversity of those who support the sector and are served by it. The AAFRC aspires to play a pivotal role in ensuring that both these patterns that will so dramatically affect nonprofit institutions are skillfully and ethically managed.

Association members are proud of sixty-five years of service to the sector in a variety of cultural and economic climates. And for more than four decades association leadership recognizes the importance of meeting public needs that go beyond the immediate needs of AAFRC firms through the production of *Giving USA*. This year's edition of the nation's yearbook on philanthropy marks another year of supplying information about the sector to nonprofit organizations, the press, professionals, and policy makers. The AAFRC is proud of its continued partnership with its 15-year-old foundation, the AAFRC Trust for Philanthropy, in providing this valuable public service, and it anticipates a continuing pattern of service in the years to come.

AAFRC TRUST FOR PHILANTHROPY

FACT SHEET
GIVING USA 2000

- **Total giving** increased from $174.36 billion to $190.16 billion between 1998 and 1999. This represents a 9.1% increase (6.7% in inflation-adjusted terms). Total giving represented 2.1% of gross domestic product in 1999 and 1.8% in 1989. The last time giving was at 2.1% of GDP was in 1971.

- **Giving by living individuals** increased from $134.08 billion to $143.71 billion between 1998 and 1999. This represents a 7.2% increase (4.9% in inflation-adjusted terms). Individual giving represents 75.6% of 1999 contributions. Personal giving represented 1.8% of personal income in 1999, the same percentage as in 1989. The last time giving was above 1.8% of personal income was in 1973, when it was at 1.9%.

- **Giving by bequest** increased from $13.62 billion to $15.61 billion between 1998 and 1999. This represents a 14.6% increase (12.1% in inflation-adjusted terms). Bequest giving represents 8.2% of 1999 contributions.

- **Giving by foundations** (not including corporate foundations) increased from $17.01 billion to $19.81 billion between 1998 and 1999, according to data released by the Foundation Center. This represents a 16.5% increase (13.9% in inflation-adjusted terms). Foundation giving represents 10.4% of 1999 contributions.

- **Giving by corporations and corporate foundations** increased from $9.65 billion to $11.02 billion between 1998 and 1999. This represents a 14.3% increase (11.8% in inflation-adjusted terms). Corporate giving represented 1.3% of corporate pre-tax income in 1999 and 1.5% in 1989. Historical comparisons of this nature are somewhat misleading, however, because modern corporate support of nonprofits is not limited to the sum of tax-deductible gifts and corporate grants that are reported in *Giving USA*.

- **Giving to religious congregations and denominations** increased from $77.49 billion to $81.78 billion between 1998 and 1999. This represents a 5.5% increase (3.3% in inflation-adjusted terms). Contributions to religious organizations account for 43.0% of 1999 giving and accounted for 48.5% in 1989.

- **Giving to education** organizations increased from $25.32 billion to $27.46 billion between 1998 and 1999. This represents an 8.5% increase (6.1% in inflation-adjusted terms). Contributions to education organizations account for 14.4% of total 1999 giving and accounted for 11.1% in 1989.

- **Giving to health** organizations increased from $16.89 billion to $17.95 billion between 1998 and 1999. This represents a 6.3% increase (4.0% in inflation-adjusted terms). Contributions to health organizations account for 9.4% of 1999 giving and accounted for 10.1% in 1989.

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- **Giving to human service** organizations increased from $16.08 billion to $17.36 billion between 1998 and 1999. This represents an 8.0% increase (5.6% in inflation-adjusted terms). Contributions to human service organizations account for 8.6% of 1999 giving and accounted for 11.6% in 1989.

- **Giving to arts, culture, and humanities** organizations increased from $10.53 billion to $11.07 billion between 1998 and 1999. This represents a 5.1% increase (2.8% in inflation-adjusted terms). Contributions to arts, culture, and humanities organizations account for 5.8% of 1999 giving and accounted for 7.6% in 1989.

- **Giving to public/society benefit** organizations increased from $10.86 billion to $10.94 billion between 1998 and 1999. This represents a 0.8% increase (-1.4% in inflation-adjusted terms). Contributions to public/society benefit organizations account for 5.8% of 1999 giving and accounted for 3.9% in 1989.

- **Giving to environment/wildlife** organizations increased from $5.25 billion to $5.83 billion between 1998 and 1999. This represents an 11.1% increase (8.7% in inflation-adjusted terms). Contributions to environment/wildlife organizations account for 3.1% of 1999 giving and accounted for 1.9% in 1989.

- **Giving to international affairs** organizations increased from $2.14 billion to $2.65 billion between 1998 and 1999. This represents a 23.6% increase (20.9% in inflation-adjusted terms). Contributions to international affairs organizations account for 1.4% of 1999 giving and accounted for 1.0% in 1989.

- **Gifts to non-corporate foundations** are included in the *Giving USA* estimate through 1998. Data for 1999 are not yet available, but do comprise some part of the $190.16 total giving figure. Many people made gifts to foundations or formed foundations in 1999. To derive the 1998 estimate of $19.24 billion, the AAFRC Trust for Philanthropy subtracts gifts to corporate foundations from the Foundation Center's estimate of all gifts to foundations. The Trust also commissions the Foundation Center to calculate the value of transfers of assets to healthcare foundations that result from nonprofit to for-profit conversions, which are not, technically speaking, charitable gifts, even though they are recorded by foundations as "gifts received." This figure is also subtracted from total gifts to foundations that the Foundation Center releases. Over the ten years 1988-1998 gifts to foundations increased from $3.93 billion to $19.24 billion, a substantial increase of 389%. For comparison, total giving over the same period increased by 98%. It is also interesting to note that contributions to the public/society benefit category of organizations, that includes other types of supporting organizations, such as federated giving programs and charitable gift funds at investment companies or banks, increased 238% over this period.

Contributions Received by Type of Organization 1969-1999 (in billions of inflation-adjusted dollars)

Year	Total	% Change	Religion	% Change	Educa-tion	% Change	Health	% Change	Human Services	% Change	Arts Culture	% Change	Public/ Society	% Change	Environ-ment	% Change	Int'l Affairs	% Change	Unal-located	Gifts to Fdns.
1969	$ 93.77	3.9%	$ 40.95	1.6%	$ 11.53	1.2%	$ 10.49	5.3%	$ 12.30	11.2%	$ 3.26	12.7%	$ 2.55	24.3%					$ 12.70	
1970	$ 90.33	-3.7%	$ 40.10	-2.1%	$ 11.16	-3.2%	$ 10.31	-1.7%	$ 12.54	1.9%	$ 2.85	-12.7%	$ 1.95	-23.3%					$ 11.42	
1971	$ 96.43	6.8%	$ 41.42	3.3%	$ 11.31	1.3%	$ 10.74	4.2%	$ 12.38	-1.2%	$ 4.15	45.9%	$ 2.81	44.0%					$ 13.60	
1972	$ 97.41	1.0%	$ 40.26	-2.8%	$ 11.88	5.0%	$ 11.16	3.9%	$ 12.59	1.7%	$ 4.38	5.5%	$ 3.27	16.2%					$ 13.87	
1973	$ 96.02	-1.4%	$ 39.51	-1.8%	$ 11.63	-2.1%	$ 11.63	4.2%	$ 11.52	-8.5%	$ 4.73	7.8%	$ 2.33	-28.8%					$ 14.67	
1974	$ 90.84	-5.4%	$ 40.01	1.3%	$ 10.31	-11.4%	$ 11.39	-2.1%	$ 10.21	-11.4%	$ 3.90	-17.6%	$ 2.26	-2.7%					$ 12.77	
1975	$ 88.45	-2.6%	$ 39.67	-0.9%	$ 8.76	-15.0%	$ 11.18	-1.8%	$ 9.10	-10.8%	$ 3.84	-1.5%	$ 2.45	8.0%					$ 13.45	
1976	$ 93.25	5.4%	$ 41.52	4.7%	$ 9.60	9.6%	$ 11.48	2.7%	$ 8.84	-2.9%	$ 4.04	5.3%	$ 3.02	23.3%					$ 14.75	
1977	$ 96.81	3.8%	$ 46.68	12.4%	$ 9.95	3.6%	$ 11.24	-2.0%	$ 9.81	11.0%	$ 6.38	57.8%	$ 3.35	11.2%					$ 9.38	
1978	$ 98.55	1.8%	$ 46.89	0.4%	$ 10.50	5.5%	$ 11.55	2.7%	$ 9.89	0.8%	$ 6.13	-3.9%	$ 2.76	-17.7%					$ 6.71	
1979	$ 98.92	0.4%	$ 46.29	-1.3%	$ 10.42	-0.8%	$ 11.34	-1.8%	$ 10.28	4.0%	$ 6.26	2.2%	$ 2.82	2.3%					$ 6.44	
1980	$ 98.32	-0.6%	$ 44.95	-2.9%	$ 10.03	-3.7%	$ 10.80	-4.8%	$ 9.93	-3.4%	$ 6.37	1.7%	$ 2.95	4.6%					$ 9.30	
1981	$101.32	3.0%	$ 45.91	2.1%	$ 10.58	5.5%	$ 10.61	-1.7%	$ 10.30	3.8%	$ 6.71	5.3%	$ 3.28	11.1%					$ 9.55	
1982	$102.05	0.7%	$ 48.44	5.5%	$ 10.36	-2.0%	$ 10.62	0.1%	$ 10.93	6.1%	$ 8.56	27.7%	$ 2.90	-11.6%					$ 3.33	
1983	$105.73	3.6%	$ 53.26	9.9%	$ 11.12	7.4%	$ 11.17	5.2%	$ 11.98	9.6%	$ 7.04	-17.8%	$ 3.16	9.0%					$ 3.47	
1984	$109.96	4.0%	$ 57.00	7.0%	$ 11.69	5.1%	$ 10.97	-1.8%	$ 12.64	5.5%	$ 7.22	2.5%	$ 3.11	-1.6%					$ 1.95	
1985	$111.00	0.9%	$ 59.16	3.8%	$ 12.65	8.2%	$ 11.95	9.0%	$ 13.16	4.2%	$ 7.87	9.0%	$ 3.44	10.5%					$ (4.55)	
1986	$126.55	14.0%	$ 63.36	7.1%	$ 14.27	12.8%	$ 12.83	7.3%	$ 13.88	5.5%	$ 8.86	12.7%	$ 3.72	8.3%					$ 2.08	
1987	$120.56	-4.7%	$ 63.81	0.7%	$ 14.43	1.1%	$ 13.52	5.4%	$ 14.43	4.0%	$ 9.25	4.4%	$ 4.21	13.0%	$ 2.92		$ 1.14		$(10.73)	
1988	$123.98	2.8%	$ 63.58	-0.4%	$ 14.41	-0.2%	$ 13.49	-0.2%	$ 14.77	2.4%	$ 9.56	3.3%	$ 4.52	7.4%	$ 3.12	6.9%	$ 1.21	5.6%	$ (6.22)	$ 5.54
1989	$132.24	6.7%	$ 64.18	0.9%	$ 14.71	2.1%	$ 13.34	-1.1%	$ 15.30	3.6%	$ 10.08	5.4%	$ 5.16	14.1%	$ 2.56	-18.0%	$ 1.35	11.8%	$ (0.36)	$ 5.93
1990	$129.21	-2.3%	$ 63.47	-1.1%	$ 15.82	7.5%	$ 12.62	-5.3%	$ 15.07	-1.5%	$ 10.06	-0.2%	$ 6.27	21.6%	$ 3.18	24.2%	$ 1.66	23.0%	$ (3.81)	$ 4.88
1991	$128.45	-0.6%	$ 61.16	-3.6%	$ 16.45	4.0%	$ 11.84	-6.2%	$ 13.59	-9.8%	$ 10.77	7.1%	$ 6.03	-3.8%	$ 3.38	6.3%	$ 1.86	11.7%	$ (2.08)	$ 5.46
1992	$131.10	2.1%	$ 65.21	6.6%	$ 16.97	3.1%	$ 12.16	2.7%	$ 13.74	1.1%	$ 11.07	2.8%	$ 6.00	-0.6%	$ 3.49	3.4%	$ 1.76	-5.0%	$ (5.24)	$ 5.94
1993	$134.36	2.5%	$ 64.90	-0.5%	$ 17.75	4.6%	$ 12.48	2.6%	$ 14.38	4.6%	$ 11.03	-0.4%	$ 6.27	4.6%	$ 3.46	-0.8%	$ 1.86	5.3%	$ (4.99)	$ 7.22
1994	$133.97	-0.3%	$ 67.68	4.3%	$ 18.67	5.2%	$ 12.96	3.8%	$ 13.17	-8.4%	$ 10.89	-1.3%	$ 6.80	8.5%	$ 3.75	8.2%	$ 2.15	15.9%	$ (9.21)	$ 7.11
1995	$135.56	1.2%	$ 72.43	7.0%	$ 19.25	3.1%	$ 13.76	6.2%	$ 12.79	-2.9%	$ 10.89	0.0%	$ 7.76	14.1%	$ 4.10	9.4%	$ 1.95	-9.2%	$(16.63)	$ 9.25
1996	$147.12	8.5%	$ 75.03	3.6%	$ 20.34	5.7%	$ 14.75	7.2%	$ 12.91	1.0%	$ 11.60	6.5%	$ 8.04	3.5%	$ 4.05	-1.4%	$ 1.81	-7.3%	$(14.82)	$ 13.41
1997	$159.61	8.5%	$ 75.46	0.6%	$ 22.83	12.3%	$ 14.56	-1.3%	$ 13.14	1.8%	$ 11.02	-4.9%	$ 8.70	8.3%	$ 4.25	4.9%	$ 2.04	12.4%	$ (6.88)	$ 14.49
1998	$178.21	11.7%	$ 79.20	5.0%	$ 25.88	13.3%	$ 17.26	18.6%	$ 16.44	25.1%	$ 10.77	-2.3%	$ 11.10	27.5%	$ 5.36	26.3%	$ 2.19	7.6%	$ (9.65)	$ 19.66
1999	$190.16	6.7%	$ 81.78	3.3%	$ 27.46	6.1%	$ 17.95	4.0%	$ 17.36	5.6%	$ 11.07	2.8%	$ 10.94	-1.4%	$ 5.83	8.7%	$ 2.65	20.9%	See note.	
Year	Total	% Change	Religion	% Change	Educa-tion	% Change	Health	% Change	Human Services	% Change	Arts Culture	% Change	Public/ Society	% Change	Environ-ment	% Change	Int'l Affairs	% Change	Unal-located	Gifts to

Giving USA uses the Consumer Price Index to adjust for inflation.

Note: Gifts to foundations from 1992-1998 represent total gifts reported to the Foundation Center, minus gifts to corporate foundations. The Foundation Center also provided data on the value of assets transferred to heath care foundations during that period. These are not charitable gifts, but transfers resulting from conversions of hospitals and other health care institutions from non-profit to for-profit status. These were subtracted. For 1999, there is no estimate for gifts to foundations, but some funds that were given to nonprofits but not reported by other uses are in this category, called "unallocated-gifts to foundations." The exact number will be released in 2001.

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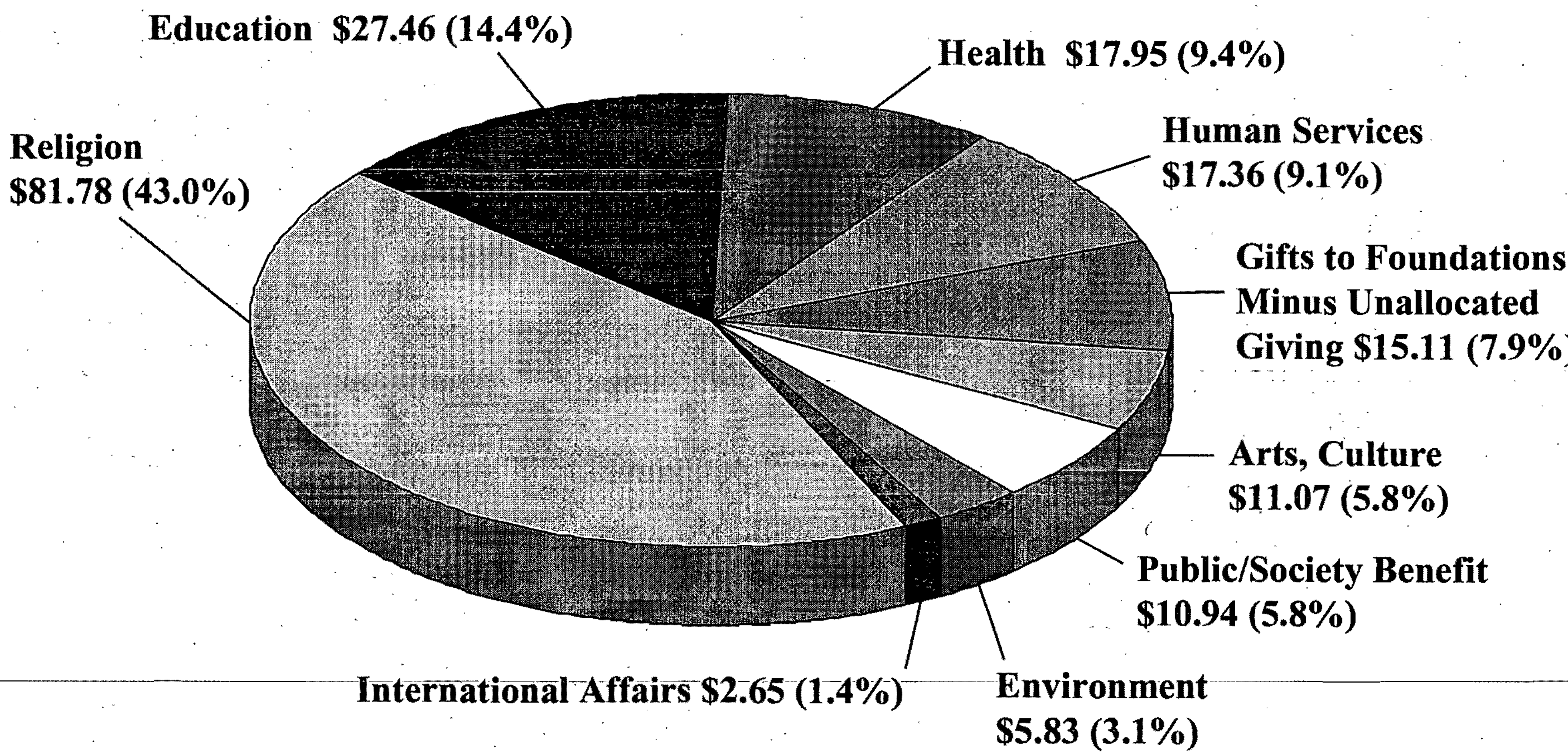
Giving as a Percentage of Gross Domestic Product 1969-1999

	Giving	GDP	of GDP	Labels	
1964	$ 13.60	$ 663.0	2.1%		1964
1965	$ 14.71	$ 719.1	2.0%		1965
1966	$ 15.79	$ 787.8	2.0%		1966
1967	$ 17.03	$ 833.6	2.0%		1967
1968	$ 18.85	$ 910.6	2.1%		1968
1969	$ 20.66	$ 982.2	2.1%	2.1%	1969
1970	$ 21.04	$ 1,035.6	2.0%		1970
1971	$ 23.44	$ 1,125.4	2.1%		1971
1972	$ 24.44	$ 1,237.3	2.0%		1972
1973	$ 25.59	$ 1,382.6	1.9%		1973
1974	$ 26.88	$ 1,496.9	1.8%	1.8%	1974
1975	$ 28.56	$ 1,630.6	1.8%		1975
1976	$ 31.85	$ 1,819.0	1.8%		1976
1977	$ 35.21	$ 2,026.9	1.7%		1977
1978	$ 38.57	$ 2,291.4	1.7%		1978
1979	$ 43.11	$ 2,557.5	1.7%	1.7%	1979
1980	$ 48.63	$ 2,784.2	1.7%		1980
1981	$ 55.28	$ 3,115.9	1.8%		1981
1982	$ 59.11	$ 3,242.1	1.8%		1982
1983	$ 63.21	$ 3,514.5	1.8%		1983
1984	$ 68.58	$ 3,902.4	1.8%	1.8%	1984
1985	$ 71.69	$ 4,180.7	1.7%		1985
1986	$ 83.25	$ 4,422.2	1.9%		1986
1987	$ 82.21	$ 4,692.3	1.8%		1987
1988	$ 88.04	$ 5,049.6	1.7%		1988
1989	$ 98.43	$ 5,438.7	1.8%	1.8%	1989
1990	$ 101.37	$ 5,803.2	1.7%		1990
1991	$ 105.01	$ 5,986.2	1.8%		1991
1992	$ 110.41	$ 6,318.9	1.7%		1992
1993	$ 116.54	$ 6,642.3	1.8%		1993
1994	$ 119.18	$ 7,054.3	1.7%	1.7%	1994
1995	$ 124.01	$ 7,400.5	1.7%		1995
1996	$ 138.55	$ 7,813.2	1.8%		1996
1997	$ 153.77	$ 8,300.8	1.9%		1997
1998	$ 174.36	$ 8,759.9	2.0%		1998
1999	$ 190.16	$9,256.1	2.1%	2.1%	1999

1999 CONTRIBUTIONS: $190.16 BILLION BY TYPE OF RECIPIENT ORGANIZATION



Source: *Giving USA 2000*/AAFRC Trust for Philanthropy

AAFRC TRUST FOR PHILANTHROPY

Comparison of 1999 Estimates to 1998 Estimates ($ in billions)

	Original 1998	Revised 1998	1999	% Change Current $	Change Adjusted for Inflation
Sources of Contributions					
Individuals	$134.84	$134.08	$143.71	7.2%	4.9%
Bequests	$13.62	$13.62	$15.61	14.6%	12.1%
Foundations	$17.09	$17.01	$19.81	16.5%	13.9%
Corporations	$8.97	$9.65	$11.02	14.3%	11.8%
	$174.52	$174.36	$190.16	9.1%	6.7%

	Original 1998	Revised 1998	1999	% Change Current $	Change Adjusted for Inflation
Uses of Contributions					
Religion	$76.06	$77.49	$81.78	5.5%	3.3%
Education	$24.56	$25.32	$27.46	8.5%	6.1%
Health	$16.89	$16.89	$17.95	6.3%	4.0%
Human Services	$16.08	$16.08	$17.36	8.0%	5.6%
Arts, Culture, & Humanities	$10.53	$10.53	$11.07	5.1%	2.8%
Public/Society Benefit	$10.86	$10.86	$10.94	0.8%	-1.4%
Environment/Wildlife	$5.25	$5.25	$5.83	11.1%	8.7%
International Affairs	$2.14	$2.14	$2.65	23.6%	20.9%
Gifts to Non-Corporate Foundations Minus Unallocated (1999)	$4.51	$9.79	$15.11		
Gifts to Non-Corporate Foundations (Revised 1998 Only)	N/A	$19.24	N/A		
Unallocated (Revised 1998 Only)	N/A	($9.45)	N/A		
	$174.52	$174.36	$190.16	9.1%	6.7%

Notes: Totals and percentage changes may not add up due to computer rounding. Revised figures reflect new data released by primary sources. Gifts to foundations for the 1999 year have not been officially estimated. Data for 1998 gifts to foundations are from the Foundation Center.

Source: AAFRC Trust for Philanthropy, *Giving USA 2000*

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Corporate Giving as a % of Pretax Income 1967-1999

Year	Income	Giving	Giving as %	
1967	$ 81.70	$ 0.82	1.0%	
1968	$ 88.50	$ 0.90	1.0%	
1969	$ 85.20	$ 0.93	1.1%	1969
1970	$ 74.00	$ 0.82	1.1%	1970
1971	$ 87.90	$ 0.85	1.0%	1971
1972	$ 100.70	$ 0.97	1.0%	1972
1973	$ 114.60	$ 1.06	0.9%	1973
1974	$ 108.50	$ 1.10	1.0%	1974
1975	$ 134.30	$ 1.15	0.9%	1975
1976	$ 164.50	$ 1.33	0.8%	1976
1977	$ 193.30	$ 1.54	0.8%	1977
1978	$ 221.20	$ 1.70	0.8%	1978
1979	$ 229.90	$ 2.05	0.9%	1979
1980	$ 209.30	$ 2.25	1.1%	1980
1981	$ 216.30	$ 2.64	1.2%	1981
1982	$ 188.00	$ 3.11	1.7%	1982
1983	$ 223.90	$ 3.67	1.6%	1983
1984	$ 262.00	$ 4.13	1.6%	1984
1985	$ 255.20	$ 4.63	1.8%	1985
1986	$ 250.50	$ 5.03	2.0%	1986
1987	$ 298.40	$ 5.21	1.7%	1987
1988	$ 359.80	$ 5.34	1.5%	1988
1989	$ 360.40	$ 5.46	1.5%	1989
1990	$ 388.60	$ 5.46	1.4%	1990
1991	$ 421.10	$ 5.25	1.2%	1991
1992	$ 448.80	$ 5.91	1.3%	1992
1993	$ 506.40	$ 6.47	1.3%	1993
1994	$ 561.00	$ 6.98	1.2%	1994
1995	$ 650.20	$ 7.32	1.1%	1995
1996	$ 729.40	$ 7.51	1.0%	1996
1997	$ 803.20	$ 8.62	1.1%	1997
1998	$ 802.80	$ 9.65	1.2%	1998
1999	$ 835.53	$ 11.02	1.3%	1999

Contributions Received by Type of Organization 1967-1997 (in billions of current dollars)

Year	Total	% Change	Religion	% Change	Education	% Change	Health	% Change	Human Services	% Change	Arts Culture	% Change	Public/ Society	% Change	Environment	% Change	Int'l Affairs	% Change	Unallocated	Gifts to Fdns.
1969	$ 20.66	9.6%	$ 9.02	7.1%	$ 2.54	6.7%	$ 2.31	11.1%	$ 2.71	17.3%	$ 0.72	18.9%	$ 0.56	31.1%					$ 2.80	
1970	$ 21.04	1.8%	$ 9.34	3.5%	$ 2.60	2.4%	$ 2.40	3.9%	$ 2.92	7.7%	$ 0.66	-7.7%	$ 0.46	-18.9%					$ 2.66	
1971	$ 23.44	11.4%	$ 10.07	7.8%	$ 2.75	5.8%	$ 2.61	8.8%	$ 3.01	3.1%	$ 1.01	52.3%	$ 0.68	50.3%					$ 3.31	
1972	$ 24.44	4.3%	$ 10.10	0.3%	$ 2.98	8.4%	$ 2.80	7.3%	$ 3.16	5.0%	$ 1.10	8.9%	$ 0.82	19.9%					$ 3.48	
1973	$ 25.59	4.7%	$ 10.53	4.3%	$ 3.10	4.0%	$ 3.10	10.7%	$ 3.07	-2.8%	$ 1.26	14.5%	$ 0.62	-24.4%					$ 3.91	
1974	$ 26.88	5.0%	$ 11.84	12.4%	$ 3.05	-1.6%	$ 3.37	8.7%	$ 3.02	-1.6%	$ 1.15	-8.5%	$ 0.67	8.1%					$ 3.78	
1975	$ 28.56	6.3%	$ 12.81	8.2%	$ 2.83	-7.2%	$ 3.61	7.1%	$ 2.94	-2.6%	$ 1.24	7.5%	$ 0.79	17.9%					$ 4.34	
1976	$ 31.85	11.5%	$ 14.18	10.7%	$ 3.28	15.9%	$ 3.92	8.6%	$ 3.02	2.7%	$ 1.38	11.4%	$ 1.03	30.4%					$ 5.04	
1977	$ 35.21	10.6%	$ 16.98	19.7%	$ 3.62	10.4%	$ 4.09	4.3%	$ 3.57	18.2%	$ 2.32	68.1%	$ 1.22	18.4%					$ 3.41	
1978	$ 38.57	9.5%	$ 18.35	8.1%	$ 4.11	13.5%	$ 4.52	10.5%	$ 3.87	8.4%	$ 2.40	3.4%	$ 1.08	-11.5%					$ 2.63	$ 1.61
1979	$ 43.11	11.8%	$ 20.17	9.9%	$ 4.54	10.5%	$ 4.94	9.3%	$ 4.48	15.8%	$ 2.73	13.8%	$ 1.23	13.9%					$ 2.81	$ 2.21
1980	$ 48.63	12.8%	$ 22.23	10.2%	$ 4.96	9.3%	$ 5.34	8.1%	$ 4.91	9.6%	$ 3.15	15.4%	$ 1.46	18.7%					$ 4.60	$ 1.98
1981	$ 55.28	13.7%	$ 25.05	12.7%	$ 5.77	16.3%	$ 5.79	8.4%	$ 5.62	14.5%	$ 3.66	16.2%	$ 1.79	22.6%					$ 5.21	$ 2.39
1982	$ 59.11	6.9%	$ 28.06	12.0%	$ 6.00	4.0%	$ 6.15	6.2%	$ 6.33	12.6%	$ 4.96	35.5%	$ 1.68	-6.1%					$ 1.93	$ 4.00
1983	$ 63.21	6.9%	$ 31.84	13.5%	$ 6.65	10.8%	$ 6.68	8.6%	$ 7.16	13.1%	$ 4.21	-15.1%	$ 1.89	12.5%					$ 2.07	$ 2.71
1984	$ 68.58	8.5%	$ 35.55	11.7%	$ 7.29	9.6%	$ 6.84	2.4%	$ 7.88	10.1%	$ 4.50	6.9%	$ 1.94	2.6%					$ 1.22	$ 3.36
1985	$ 71.69	4.5%	$ 38.21	7.5%	$ 8.17	12.1%	$ 7.72	12.9%	$ 8.50	7.9%	$ 5.08	12.9%	$ 2.22	14.4%					$ (2.94)	$ 4.73
1986	$ 83.25	16.1%	$ 41.68	9.1%	$ 9.39	14.9%	$ 8.44	9.3%	$ 9.13	7.4%	$ 5.83	14.8%	$ 2.45	10.4%					$ 1.37	$ 4.96
1987	$ 82.21	-1.3%	$ 43.51	4.4%	$ 9.84	4.8%	$ 9.22	9.2%	$ 9.84	7.8%	$ 6.31	8.2%	$ 2.87	17.1%	$ 1.99		$ 0.78		$ (7.31)	$ 5.16
1988	$ 88.04	7.1%	$ 45.15	3.8%	$ 10.23	4.0%	$ 9.58	3.9%	$ 10.49	6.6%	$ 6.79	7.6%	$ 3.21	11.8%	$ 2.22	11.4%	$ 0.86	10.0%	$ (4.42)	$ 3.93
1989	$ 98.43	11.8%	$ 47.77	5.8%	$ 10.95	7.0%	$ 9.93	3.6%	$ 11.39	8.6%	$ 7.50	10.5%	$ 3.84	19.6%	$ 1.91	-14.0%	$ 1.01	17.2%	$ (0.27)	$ 4.41
1990	$101.37	3.0%	$ 49.79	4.2%	$ 12.41	13.3%	$ 9.90	-0.2%	$ 11.82	3.8%	$ 7.89	5.2%	$ 4.92	28.1%	$ 2.49	30.9%	$ 1.30	29.7%	$ (2.99)	$ 3.83
1991	$105.01	3.6%	$ 50.00	0.4%	$ 13.45	8.4%	$ 9.68	-2.3%	$ 11.11	-6.0%	$ 8.81	11.6%	$ 4.93	0.2%	$ 2.76	10.7%	$ 1.52	16.4%	$ (1.70)	$ 4.46
1992	$110.41	5.1%	$ 54.91	1.2%	$ 14.29	6.2%	$ 10.24	5.8%	$ 11.57	4.2%	$ 9.32	5.9%	$ 5.05	2.4%	$ 2.94	6.5%	$ 1.49	-2.1%	$ (4.41)	$ 5.01
1993	$116.54	5.6%	$ 56.29	3.6%	$ 15.40	7.8%	$ 10.83	5.7%	$ 12.47	7.8%	$ 9.57	2.6%	$ 5.44	7.7%	$ 3.00	2.2%	$ 1.61	8.5%	$ (4.33)	$ 6.26
1994	$119.18	2.3%	$ 60.21	6.8%	$ 16.61	7.9%	$ 11.53	6.5%	$ 11.71	-6.1%	$ 9.68	1.2%	$ 6.05	11.3%	$ 3.33	11.0%	$ 1.91	18.8%	$ (8.19)	$ 6.33
1995	$124.01	4.1%	$ 66.26	2.3%	$ 17.61	6.0%	$ 12.59	9.2%	$ 11.70	-0.2%	$ 9.96	2.9%	$ 7.10	17.4%	$ 3.75	12.5%	$ 1.79	-6.6%	$ (15.22)	$ 8.46
1996	$138.55	11.7%	$ 70.66	6.6%	$ 19.16	8.8%	$ 13.89	10.4%	$ 12.16	4.0%	$ 10.92	9.6%	$ 7.57	6.6%	$ 3.81	1.6%	$ 1.71	-4.6%	$ (13.95)	$ 12.63
1997	$153.77	11.0%	$ 72.69	2.9%	$ 22.00	14.8%	$ 14.03	1.0%	$ 12.66	4.1%	$ 10.62	-2.8%	$ 8.38	10.8%	$ 4.09	7.4%	$ 1.96	15.0%	$ (6.63)	$ 13.96
1998	$174.36	13.4%	$ 77.49	6.6%	$ 25.32	15.1%	$ 16.89	20.4%	$ 16.08	27.0%	$ 10.53	-0.8%	$ 10.86	29.5%	$ 5.25	28.3%	$ 2.14	9.3%	$ (9.45)	$ 19.24
~~1999~~	~~$190.16~~	~~9.1%~~	~~$ 81.78~~	~~5.5%~~	~~$ 27.46~~	~~8.5%~~	~~$ 17.95~~	~~6.3%~~	~~$ 17.36~~	~~8.0%~~	~~$ 11.07~~	~~5.1%~~	~~$ 10.94~~	~~0.8%~~	~~$ 5.83~~	~~11.1%~~	~~$ 2.65~~	~~23.6%~~	See note.	
Year	Total	% Change	Religion	% Change	Education	% Change	Health	% Change	Human Services	% Change	Arts Culture	% Change	Public/ Society	% Change	Environment	% Change	Int'l Affairs	% Change	Unallocated	Gifts to Fdns.

Note: Gifts to foundations from 1992-1998 represent total gifts reported to the Foundation Center, minus gifts to corporate foundations. The Foundation Center also provided data on the value of assets transferred to heath care foundations during that period. These are not charitable gifts, but transfers resulting from conversions of hospitals and other health care institutions from non-profit to for-profit status. These were subtracted. For 1999, there is no estimate for gifts to foundations, but some funds that were given to nonprofts but not reported by other uses, called "unallocated" when subtracted from "gifts to foundations" equal $15.11 billion for 1999. The exact number for each category will be available in 2001.

AAFRC TRUST FOR PHILANTHROPY

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Giving USA 2000
The Advisory Council on Methodology

Ann E. Kaplan
Editor, *Giving USA*
Research Director, AAFRC Trust for Philanthropy

Ann E. Kaplan is the editor of *Giving USA* and directs research for its annual estimates. She has been editor since 1991, and was also the director of research and media relations manager for the AAFRC Trust for Philanthropy

Ms. Kaplan serves on Independent Sector's advisory committee for the *Giving and Volunteering* surveys and the advisory committee for the development of the National Taxonomy of Exempt Entities (NTEE). Ms. Kaplan has evaluated proposals for philanthropic research grants and has served as a peer reviewer for nonprofit sector research projects. She also assisted in preparing research materials for the 1999 Millennial Conference on Philanthropy held at the White House and she participated in the follow-up meeting on research objectives at the Treasury Department.

Ms. Kaplan wrote, "What We Know About Women as Donors," published in *New Directions for Philanthropic Fund Raising*. In 1998 and 1999, Ms. Kaplan was listed in the *NonProfit Times* Power and Influence Top 50. She has also spoken on trends in giving at several national and regional conferences on philanthropy. In 1999, Ms. Kaplan was the project director for the trust's first regional study, *Giving USA East North Central Region.*

Before her work on *Giving USA*, Ms. Kaplan served as a policy analyst for the New York State Senate Subcommittee on Privatization and prepared its report on New York City's Off-Track Betting Corporations. Between 1980 and 1990, Ms. Kaplan was director of admissions and placement at Manhattan Country School, a private elementary school with a public mission focused on financial, racial, and ethnic diversity. In 1979, Ms. Kaplan worked for the Tax Reform Research Group, a lobbying and research group under the Public Citizen umbrella. In addition, Ms. Kaplan apprenticed to The Performance Group in New York City and the Bread and Puppet Theater Company in Vermont, and she was a teaching apprentice in the theater department at Wesleyan University in 1979.

Ms. Kaplan holds a bachelor of arts degree in psychology from Wesleyan University and a master's degree in public administration from Baruch College at the City University of New York.

AAFRC TRUST FOR PHILANTHROPY

George C. Ruotolo Jr., CFRE
Chair, AAFRC Trust for Philanthropy
President and CEO, Ruotolo Associates Inc.

George C. Ruotolo Jr., CFRE, counselor to non-profit organizations and institutions, has been a professional fund-raising and public relations executive since 1973. Prior to establishing Ruotolo Associates Inc., headquartered in Cresskill, NJ, he served as vice president of a major public relations fund-raising firm and worked in investment banking. In 1979, sensing the need for a more contemporary approach to the challenges of present day fund raising, Mr. Ruotolo founded the firm which bears his name and his personal hallmark: the commitment to high-level, hands-on professional service.

His expertise encompasses annual development, capital campaigns, planned giving, marketing, and public relations programs for dioceses, churches, colleges, schools, hospitals, and social services organizations on local, regional, and national levels. He has worked closely with religious, corporate, and civic leadership, administrators, board members, volunteers, and development officers in guiding them through successful fund-raising programs.

Mr. Ruotolo has often been designated as a media spokesperson on key philanthropic issues impacting our society and has appeared on *CNBC Money Talk* to discuss the state of philanthropy and to address questions from call-in viewers. Recognized as an effective communicator and seminar leader, Mr. Ruotolo has addressed audiences on such timely issues as leadership, fund raising, development, marketing, and public relations. Mr. Ruotolo has made presentations to the International Conference of the National Society of Fund Raising Executives, the National Catholic Development Conference, the National Catholic Educational Association, and the Fund Raising Fundamentals Course held at Seton Hall University.

Ruotolo Associates Inc. is a member firm of the American Association of Fund-Raising Counsel, Inc. (AAFRC), the hallmark of ethical fund raising. Mr. Ruotolo serves on the board of directors of the AAFRC, and is chair of the board of directors of the AAFRC Trust for Philanthropy, which publishes *Giving USA*. In addition, he serves on the board of directors of the American Red Cross - Bergen Crossroads Chapter, Ridgewood, New Jersey, and he was a founding member of the Ridgewood Educational Foundation. Mr. Ruotolo is a member of the New Jersey Chapter of the National Society of Fund Raising Executives, and is a Certified Fund Raising Executive (CFRE).

His undergraduate degree is in political science and communications, and he has advanced training through professional institutes. He resides in Ridgewood, New Jersey, with his wife, Joanne, who is a nurse practitioner, and their three children.

Russell G. Weigand, CFRE
Chair, American Association of Fund-Raising Counsel, Inc.
Co-President, Campbell & Company

Russ Weigand, CFRE, brings over 34 years of fund-raising experience to his position as co-president and planned giving counsel for Campbell & Company, headquartered in Chicago, IL. He has consulted on capital, annual, and planned giving programs for a broad spectrum of institutions including education, healthcare, culture, and social services organizations. His previous development experience includes serving as director of development at Elmhurst College, Illinois; director of foundation relations, Northwestern University; and assistant to the president of Berea College, Kentucky.

His current and former clients include institutions such as Hope College, Macalester College, Illinois State University, and Garrett-Evangelical Theological Seminary in the education area; Roswell Park Cancer Institute and Butterworth Hospital in healthcare; the Arizona Museum of Science and Technology and the Chicago Historical Society in the arts and humanities; and social service organizations such as Bensenville Home Society and Hull House Association.

He received his bachelor of arts degree from Elmhurst College and his masters degree in business administration from Indiana University. Mr. Weigand is a frequent lecturer on planned giving and tax aspects of charitable giving. He is chair of the American Association of Fund-Raising Counsel, and is a member of the National Society of Fund Raising Executives, Chicago Chapter and the National Advisory Committee on Planned Giving for the United Church of Christ. He also serves on the boards of trustees of the AAFRC Trust for Philanthropy and of Elmhurst College.

Philanthropy

THE WHITE HOUSE

WASHINGTON

Statement of Bruce Reed
Assistant to the President for Domestic Policy
May 24, 2000

On behalf of the Clinton Administration, I want to congratulate the American people and America's thriving nonprofit sector for ushering in a new golden age of philanthropy in America.

Let me commend the AAFRC Trust for Philanthropy for providing this annual report, which has become an invaluable yardstick. The new figures are remarkable: Over the past seven years, individuals, businesses, and foundations have now given a record one trillion dollars to charity. In fact, in real terms, charitable giving increased as much in the past five years as it had in the previous 25 years.

This unprecedented level of giving is a tribute to the hard work and generous spirit of the American people. We're in the midst of the longest economic expansion in history, with the lowest unemployment rate since 1970. Now we're in the midst of what may be the greatest philanthropic expansion as well, with the highest level of charitable giving as a percentage of GDP since 1971. Clearly, America is in a charity boom.

This explosion of giving is also a tribute to the decency and determination of the nonprofit sector. The extraordinary growth of nonprofits is one of the great untold success stories of the 1990s. All over the country, charities, foundations, religious organizations and service groups are helping solve problems that government could never solve on its own.

We recognized long ago that the nonprofit sector offered a third way – alongside the public and private sectors – to solve America's problems. The Clinton Administration has worked hard to expand resources available to the nonprofit world: We launched AmeriCorps, which has now given 150,000 young Americans the chance to give something back to their country while earning help for college. We created a national network of community development financial institutions to spur lending in poor areas. Last October, the President and First Lady convened the first-ever White House Conference on Philanthropy, which brought leaders from around the country together to look for new ways to preserve and expand the great American tradition of giving in this new era.

But even with the great progress and good news we see in the numbers announced here today, there is much more we can do to tap our nation's generous spirit. We still face great challenges together – to make sure no American is left behind in this new economy, to make sure every child starts school ready to learn and graduates ready to succeed, to give every citizen the chance to give something back to their community and be part of something larger than themselves.

To realize those dreams, all Americans will have to do their part, and an even stronger tradition of charitable giving will make a big difference. That is why the Clinton Administration has proposed a series of targeted tax credits to promote philanthropy and expand the universe of people who give.

First, we have proposed a ten-year, $13 billion tax credit that will give the vast majority of Americans who don't itemize their income taxes a chance to deduct charitable contributions, just as individuals who itemize their taxes already can. Second, we want to make it easier for individuals to give to charities and foundations by increasing the limit on deductions for charitable donations of appreciated assets. Finally, we have proposed a tax simplification plan to provide private foundations every incentive to keep increasing what they give away each year.

Together, this package of tax credits is affordable, targeted, fully paid for as part of the President's balanced budget, and designed to help us make the most of this new era in philanthropy. Congress should do its part by passing our plan, and give Americans a chance to set even more remarkable records for charitable giving in the years to come.

TO: Bruce - Let me know if you need more info.

Philanthropy

President Clinton's New Tax Incentives To Promote Philanthropy for All Americans

Today, in His State of the Union Address, President Clinton Will Unveil a Package of New Tax Proposals to Encourage Philanthropy. First, he will propose allowing nonitemizers to take a tax deduction for charitable giving. Second, he will propose new rules to make it easier for charitable foundations to make gifts in times of need. Third, he will propose making it easier for individuals to donate appreciated assets like securities and real property. Last October, the President and First Lady convened the first-ever White House Conference on Philanthropy. The conference highlighted the unique American tradition of charitable giving, and emphasized that at a moment of great prosperity, we must preserve and expand this tradition. Today's proposals, which cost $14 billion over 10 years, will help do just that.

Enabling Nonitemizers to Take a Tax Deduction for Charitable Contributions. Currently, 70 percent of taxpayers do not itemize and as a result, they cannot get the tax incentive for charitable giving that higher-income itemizers can claim. The President's budget will allow these taxpayers to claim a 50 percent deduction for charitable contributions above $500 a year when fully phased in. This proposal will boost contributions to charitable organizations, particularly community and faith-based groups, and improve tax fairness by giving nonitemizers the same opportunity to deduct contributions as itemizers.

Making it Easier for Foundations to Give in Times of Need. The President's budget will allow more funds to reach those in need by simplifying and reducing the excise tax on foundations. Foundations currently face a two-tier excise tax: first, a 1 percent tax on investment income; second, an additional 1 percent tax for foundations that do not maintain their rate of giving over a five-year average. This mechanism is unduly complicated and can reduce giving in certain cases, since boosting gifts in times of need exposes foundations to higher taxes if, after the need has passed, their rate of giving drops back to earlier levels. The President's new proposal will eliminate the two-tier system and set the excise tax rate at 1.25 percent. The result of this simplification will be to remove a disincentive to foundation giving and to make available more gifts to community organizations in times of need.

Allow Greater Contributions of Appreciated Property to Charities. The President's budget will also make it easier for individuals to donate appreciated assets like stocks, art and real estate. Under existing law, individuals donating appreciated assets can take a tax deduction that is limited to 30 percent of adjusted gross income (AGI); for gifts made to private foundations, the deduction is capped at an even more stringent 20 percent AGI. These multiple limitations are complex and can place burdens on individuals who choose to give substantial portions of their incomes to charity. The President's budget simplifies and eases these limitations by increasing the AGI limit on appreciated property from 30 to 50 percent, and the limit for donations of appreciated property to private foundations from 20 to 30 percent. This change will create greater incentives for such gifts.

Allowing Nonitemizers to Deduct Charitable Contributions

DRAFT – January 26, 2000

The President's budget will include a proposal to allow nonitemizers to deduct 50 percent of their charitable contributions above $500 (Between FY01-05, the floor is $1,000 indvidual/$2,000 joint, FY06-10, the floor drops to $500 indivdual/$1,000 joint). Under current law, nonitemizers receive a standard deduction while only taxpayers who itemize their deductions receive a direct tax incentive to give to charities. The deduction for nonitemizing taxpayers will encourage more people to support the charities that are important to them. This proposal will cost $3.9 billion over five years and $13 billion over the FY2001-FY2010 period.

Key facts:

- Two-thirds (67%) of all taxpayers are nontitemizers (84 million nonitemizers vs. 34 million itemizers). The average contribution from households who do not itemize is $465, according to a national study by Independent Sector. Nonitemizers tend to have lower incomes than itemizers and we also know that giving by lower-income households tends to be concentrated with social welfare organizations and religious charities. Independent Sector estimates are that the average household income for nonitemizers who made charitable contributions was $33,775. Treasury estimates that the breakeven point (where more than half of tax filers itemize) is approximately $50,000 in annual income. Strong determinants of itemizing or nonitemizing including homeownership (a majority of homeowners itemize) and age (elderly individuals are less likely to itemize because they have already paid off their house and Social Security payments are nontaxable).

- Not only the rich give. When measured as a percentage of total household income, households at either end of the income scale were the most generous. Contributing households earning under $10,000 gave 5.2 percent of total household income and contributing households with incomes over $100,000 gave 2.2 percent. However, many of those with incomes under $10,000 were retired with little regular income and gave from their accumulated wealth.

- There is broad support for this type of proposal which comes from the majority of traditional charities, community foundations and the nonprofit sector. Independent Sector has the support of over three hundred groups for a similar proposal, which includes the American Cancer Society, the American Library Association, the American Red Cross, Environmental Defense Fund, March of Dimes, National Organization of Women Foundation, the Salvation Army and Catholic Charities USA. Groups not benefiting from the proposal would include private foundations and corporate contributors.

- Governor Bush has proposed a deduction to nonitemizers for charitable contributions but has not specifically articulated the parameters of such a proposal.

Likely Criticisms of the proposal include:

The standard deduction theoretically includes an allowance for charitable giving. Therefore, non-itemizers should not be allowed to claim both the standard deduction and an above-the-line deduction.

- **Response** – There is no estimate as to what amount is built into the standard deduction to compensate for charitable giving. A floor set at a limit above the average annual non-itemizer charitable contribution addresses the issue by rewarding only above average giving. Although any proposal to allow such a deduction for non-itemizers would add complexity and administrative burden, the use of a threshold amount would at least reduce the possibility that taxpayers would claim a deduction for charitable contributions that they cannot substantiate.

Extending the charitable contribution deduction to nonitemizers is likely to cost Treasury more than the added actual giving to charities – that is, a dollar of tax deductions produced less than a dollar of additional giving.

- **Response** – There is no conclusive evidence to suggest that this is true. As a matter of fact, we know that giving is highly price elastic – implying that the deduction stimulates more in giving than it costs Treasury in terms of tax revenue. Only a few studies have addressed the issue of whether non-itemizer giving is less elastic than itemizer giving and the issue currently remains unsettled.

<u>Reasons to Extend the Tax Deduction to Itemizers</u>

Improves Tax Fairness for Nonitemizers
It improves tax fairness by giving nonitemizers the opportunity to deduct charitable contributions on their tax returns. It gives lower and moderate income families the same opportunity to deduct charitable contributions as higher income itemizers.

Encourages Charity Through a Unique Deduction
The deduction for charitable giving is different from most other tax breaks because it rewards people for helping others and is based on generosity. From a public policy perspective it's worthwhile to recognize and encourage generosity and social participation.

Bipartisan Support
Proposals similar to this approach have been widely supported by Congress. "The Charitable Giving Tax Relief Act", (H.R. 1310) sponsored by Reps. Crane (R-IL) and Coyne (D-PA), currently has 106 bipartisan cosponsors, including a majority of the House Ways and Means Committee.

Web Fund-Raiser Helps Candidates Who Challenge Impeachment's Backers

By ROBERT CWIKLIK
Staff Reporter of THE WALL STREET JOURNAL

Jean Elliott Brown's congressional campaign is unique, and not just because her Web site features an audio file of the candidate singing a torch song.

The campaign by the 48-year-old former actress and public-relations executive is a breed apart because it owes its existence to cyberspace. Seed money for her effort in Florida's 16th Congressional district came from e-mail solicitations by MoveOn.org, a Web-based political-action committee spawned by the passions surrounding President Clinton's impeachment. As a MoveOn volunteer, Ms. Brown, a Democrat, got her first exposure to politics, and her inspiration to run. "I was born of the Internet," she said.

MoveOn surprised campaign strategists last winter when its appeals via the Internet quickly attracted $13 million in pledges to support candidates running against impeachment backers. Last June, it set records for online fund raising by collecting more than $250,000 in just five days, mostly in donations under $50.

Political pros were dazzled by MoveOn's demonstration of the Internet's potential to magnify the electoral clout of donors with small purses. But as Ms. Brown—one of five candidates MoveOn has so far chosen to support—gears up to face a well-financed Republican incumbent in the pivotal 2000 congressional elections, both she and MoveOn must prove they can continue to tap the waning passions following the impeachment.

After keeping a relatively low profile for months, MoveOn plans this month to call upon those who had pledged support to deliver cash for its slate of congressional challengers. "It's 2000," said Wesley Boyd, a Berkeley, Calif., software entrepreneur and one of MoveOn's founders. "It's time to go."

So far, the organization has collected $456,000 for its five candidates. Before votes are cast this fall, MoveOn hopes to raise millions more for as many as 40 candidates across the country, and to deploy thousands of volunteers for their campaigns. MoveOn's strategy is to target competitive races where its involvement could make a difference.

If MoveOn were to achieve its ambitious goals, it might have a big impact on this year's struggle to control Congress, especially the House. Republicans hold a five-vote majority there, and the outcome will "likely be determined in no more than three dozen congressional districts," said Thomas Mann, director of governmental studies at the Brookings Institution, a Washington think tank.

One big target: House impeachment manager James Rogan, of California, is facing a challenge from Democratic state Sen. Adam Schiff, for whom MoveOn to date has raised $106,000, Mr. Boyd said.

But as the first anniversary approaches of Mr. Clinton's acquittal by the Senate, some say the anti-impeachment outrage that fueled MoveOn's early successes has cooled.

"How much more mileage can you get out of this issue, even among committed Republican haters?" asks Amy Walter, an editor for the Cook Political Report, a newsletter that specializes in sizing up congressional campaigns.

Mike Fraioli, a Washington-based fund-raiser for Democratic candidates, said MoveOn's performance has been "tremendous" considering its minimal overhead compared with direct-mail fund raising. But he questions the durability of the group's anti-impeachment appeal. He says MoveOn might have been better off trying harder to collect on its pledges sooner. "Never let your pledges hang out there," he said. "Things change, the world changes. All the emotion that existed a year ago no longer exists today."

Rather than moving more aggressively to capture its pledges, MoveOn decided to cultivate what it saw as its most important resource: a networked community of supporters. Aside from a pair of seed-money solicitations last June and a third in December, Mr. Boyd said MoveOn chose to leave its supporters in peace until closer to electoral crunch time.

Mr. Boyd said he expects MoveOn to collect "millions and millions" of dollars for its candidates in the 2000 race. But its main strategy is to maximize the power of small donors in an era when big money tends to dominate politics.

With an average contribution to MoveOn around $37, Mr. Boyd said such small contributions aren't a high priority for candidates, who go after bigger checks from richer donors and PACs. But while a conventional PAC might give a $1,000 check to each of hundreds of candidates to garner legislative influence, Mr. Boyd said MoveOn seeks to channel thousands of small donations to far fewer individuals, but to exercise a much bigger impact on the outcome of their campaigns.

MoveOn was launched in September 1998 as a protest site called "Censure and Move On" following the release of the Starr Report, independent counsel Kenneth Starr's lurid brief against Mr. Clinton. The site displayed a petition instructing Congress to officially scold the president and move on to other issues. The document drew 500,000 electronic "signatures" and left MoveOn with an equally large e-mail list of supporters.

When the House impeached Mr. Clinton in December 1998, MoveOn launched its "We Will Remember" campaign, asking supporters to pledge money to help defeat impeachment proponents in 2000. In a little more than a month, Mr. Boyd said more than $13 million was pledged by 25,000 people.

Mr. Boyd, 39, and his wife, Joan Blades, 43, who co-founded MoveOn, recorded the pledges, planning to remind donors of them as the 2000 campaign approached. Their Web site is designed to make the process of selecting a candidate and making a contribution "as simple as a few mouse clicks." The pair founded Berkeley Systems, a software company that made the After Dark PC screensaver—famous for its flying toaster images and the computer game "You Don't Know Jack."

The couple sold the company in 1997 and now works full time for MoveOn, which they have registered as a PAC with the Federal Election Commission. MoveOn is a "bundler" of campaign money similar to Emily's List, which supports campaigns by Democratic women. MoveOn doesn't amass a war chest of funds to dole out, but simply relays contributions directly to the candidates that donors have picked from the MoveOn slate.

Ms. Walter, of the Cook Report, says MoveOn's impact on this year's election could be significant even if it were limited to the political seed money it has already dispensed. "You can't underestimate the power of that," she says.

Ms. Brown's candidacy may not have gotten very far without such start-up cash. Her opponent, GOP Rep. Mark Foley, has more than $1.1 million in his re-election fund. In 1996, he trounced a challenger who had raised only $77,000, and in 1998 he ran unopposed. But while Ms. Brown has so far raised $90,000 through MoveOn, and $250,000 overall, Ms. Walter still considers her candidacy "a long shot."

It remains to be seen whether MoveOn can continue to boost campaigns such as Ms. Brown's as memories of the impeachment recede. "It was a nice little engine and it got some people going," Mr. Fraioli said. "But I can't imagine that level of emotion is going to carry anyone's campaign across the finish line."

Clinton to Seek More Funds To Monitor Safety of Drugs

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON – The Clinton administration is likely to seek more funds to address what it says is a growing problem of serious side effects and medical errors affecting people taking prescription medications.

While not laying out specifics, Janet Woodcock, the Food and Drug Administration's director of the Center for Drug Evaluation and Research, told a Senate panel that the agency did need more money to "really perfect our current system" of monitoring the safety of drugs once they are on the market.

The president's budget will "aggressively deal with the issue of medical errors and adverse events," she said in her written testimony.

Congressional Democrats said the administration's budget request next week is likely to include an extra $12 million a year for the monitoring systems.

Serious side effects and medical errors are "not a new problem," Dr. Woodcock said. "It's been recognized for three decades, although it may be getting worse." In 1999, for example, the number of serious unexpected drug reactions topped 80,000 by Nov. 10, compared with 69,402 for all of 1998 and 53,879 for 1997.

Philanthropy

A1

Tax Report

A Special Summary and Forecast Of Federal and State Tax Developments

SUPPORT GROWS for allowing more people to deduct charitable gifts.

Under current law, only those who itemize their deductions may deduct charitable contributions on their federal returns. But about 70% of taxpayers don't itemize; instead, they take the standard deduction. President Clinton, joining with some Republican leaders, backs legislation to allow nonitemizers to deduct some contributions. Advocates say this would promote fairness and increase charitable giving.

Here's how the Clinton plan would work: Each year from 2001 through 2005, married couples filing jointly who don't itemize could deduct 50% of charitable gifts exceeding $2,000, a Treasury official says. For singles, the threshold would be $1,000. After 2005, the thresholds would drop to $1,000 for married couples, $500 for singles. The Treasury estimates these changes would cost about $13 billion over 10 years.

Texas Gov. George W. Bush also favors the idea of allowing people who don't itemize to deduct their gifts.

CHARITIES CHEER Clinton plans to boost philanthropy.

Another administration proposal would encourage donors to increase gifts of appreciated stocks, art, real estate and other assets to charity. Under existing law, taxpayers making such gifts can't deduct an amount greater than 30% of their adjusted gross income, or AGI. For gifts to many private foundations, the limit is 20%. Clinton proposes raising the 30% AGI limit on gifts of appreciated property to 50%, and proposes boosting the 20% limit to 30%.

The president also supports simplifying and reducing an excise tax on foundations' net investment income. Clinton's proposals represent "the most comprehensive and significant package I've seen for promoting charitable giving," says Dorothy S. Ridings of the Council on Foundations.

EXCHANGE FUNDS, a popular tax-saving tool, may face new assaults soon.

Clinton administration officials are considering new proposals to curb these funds, which are enjoying rapid growth. Also known as swap funds, they appeal to wealthy investors with large holdings in a single stock who want to diversify without getting hit by capital-gains taxes. In a typical example, investors swap their holdings of a specific stock for units of a diversified pool of stocks, in a tax-free transaction.

These funds are set up as highly specialized types of fixed investment pools, typically limited partnerships or limited-liability companies, says Bruce D. Haims of the Debevoise & Plimpton law firm in New York. They also have key restrictions, such as early-redemption penalties and very high minimum-investment requirements. In one fund, the minimum investment was $500,000 of stock. Other funds have even higher minimums.

Among the firms long active in this field are Eaton Vance, Goldman Sachs and Salomon Smith Barney.

MORE TAX LAWYERS at major law firms jump ship to join Big Five accounting firms. KPMG is expected to announce soon that it has hired seven Weil, Gotshal & Manges international-tax lawyers, including Steven Lainoff, a former IRS official. This group "will allow KPMG to take a leap forward in the international tax arena," says John Lanning of KPMG.

PRESIDENT CLINTON nominates former Treasury official Nancy Killefer, now at McKinsey & Co., to serve on an IRS oversight board created by a law the president signed in 1998. The Senate Finance Committee plans a hearing tomorrow on all the president's nominees.

BUDGET BLISS: Treasury Secretary Summers says the proposed fiscal 2001 budget, to be released soon, will "end the shrinkage" of the IRS work force that "has in recent years only added to its challenges." The IRS says it has about 97,800 "full-time equivalent" posts, down from 116,600 in 1992.

HALL OF SHAME: New York City names 19 businesses owing taxes.

This week, the city's finance department began posting the names in cyberspace: www.nyclink.org/finance. "Our goal is not to embarrass these businesses, but to get them to talk to us about resolving their debts in a reasonable manner," says Andrew S. Eristoff, the city's finance commissioner. "However, we are willing to use the pressure of public disclosure to force the most recalcitrant to pay attention."

The list is limited to delinquent businesses for which a tax judgment has been filed in court. Only a few state and local governments disclose the names of delinquent individuals or businesses, says the General Accounting Office, a congressional investigative arm. Among these is Connecticut, which since 1997 has been releasing the names of the 100 taxpayers with the largest tax debts to the state.

A Connecticut official says "cybershame" has helped the state collect millions in overdue taxes, penalties and interest.

BRIEFS: Moving on: Marcus S. Owens, who headed the IRS's exempt-organizations division for 10 years, says in an interview he will join the Washington law firm of Caplin & Drysdale later this month, where he will specialize in tax-exempt organizations. . . . Biting sound bites: The morning after Clinton's marathon Thursday night speech, a research report from ISI Group asks: "State of the Union—Is It Over Yet?"

—Tom Herman

THE WALL STREET JOURNAL
WEDNESDAY, FEBRUARY 2, 2000

Essay

WILLIAM SAFIRE

The Gore Comeback

WASHINGTON

Today's essay is being written six weeks early. In the political punditry dodge, you have to stay ahead of the contrarian pack.

Right now, Bill Bradley is on a roll. The towering former basketball star is jumping higher than Al Gore in New Hampshire polls. The studious Senate retiree is less-dull-than-expected in television interviews. The once-lonely challenger from left field is on the cover of Time Warner: "The Man Who Could Beat Gore."

Bradley's central appeal to Democrats is that he is Not Associated With Clinton. That's why, in a recent speech, he stole a slogan from Thomas E. Dewey: "It's time for a change." Through Senator Pat Moynihan, Bradley last week hung a sign around the neck of Gore that trumps the political loyalty card, the sort that sank the national aspirations of famous figures from Henry Clay to Robert Taft: *Gore Can't Win.*

New York, which will hold its primary early next year, is crucial to a Democrat, and in the Empire State Bradley is overtaking Gore. Why? Because Democratic politicians lumbered with Hillary Clinton's candidacy for the Senate are desperate to get right with voters on the left and in the center profoundly afflicted with "Clinton fatigue."

Their solution: dump the second half of Clinton-Gore. Sorry, Al, they sigh; we have all the Clinton we can handle with Hillary — without you at the top of the ticket symbolizing no end to the tiresome era. In the face of this need for a new face; in light of a media and audience need for a lively primary battle; and considering the tendency of many Democrats to root for an underdog gaining momentum against the establishment choice — what chance does a poor, loyal, Vice President have?

Better, I submit, than it now appears. It will get worse for Gore before it gets better, as early polls support the "can't win" theme and much is made of high-profile defections to his challenger, but come November it is likely to get better. Here's why:

1. *He will cut himself loose from the albatross around his neck.* At the almost-joint appearance before the D.N.C. last weekend, Gore made his first speech in seven years devoid of reverent mention of the name Clinton. It was like an epiphany. Look for growing degrees of separation.

2. *Reporters will get bored with the Bradley Surge and look for the next development: the Gore Comeback.* In political coverage, it's always time for a change. At that two-contestant D.N.C. beauty parade, after Bradley dutifully read a prepared speech, Gore spoke with some passion without notes. He paced the stage with all appropriate zeal, which placed him as far as he could get from the Vice-Presidential seal on the lectern.

Gore, pandering expertly to organized teachers who dominate the Democratic convention, subtly zinged Bradley on his long-ago willingness to experiment with education vouchers. Only in horse racing do front-runners stay clean; as the track muddies, Bradley can expect principled excoriation for his inexpert pandering on Iowa ethanol.

After the Bradley surge.

3. *Bush's ratings will come down out of the stratosphere as people realize he is the son, and as Republicans consider John McCain, the best-selling alternative.* The difference in the advantage of Bush over Bradley versus Bush over Gore will inexorably narrow, blunting the Bradley campaign's "Gore can't win" attack.

4. *Any McCain rise in New Hampshire will help Gore.* Independents there can vote in either primary; now they're going for Bradley, but as McCain gets traction he'll attract more of them over to the Republican primary. George Bush's choice of politics over principle in begging Buchanan to stay was bad politics, and gave McCain another character-defining issue attractive to independents.

5. *Gore will take the fight to the challenger by calling for a series of debates.* Gore favors NATO expansion and Bradley seems to oppose it; though that issue is a yawner to most, it has resonance in states with voters whose ethnic roots are in Eastern Europe. Gore is a tough debater, as Ross Perot and Jack Kemp learned to their rue, and Democrats will then ask themselves: Who would do better against Bush or McCain?

After the coming Gore Comeback, watch this space for early analysis of the Bradley Resurgence. □

The New York Times

MONDAY, SEPTEMBER 27, 1999

Philanthropy

Philanthropy The Smart Way

By Ron Chernow

In his celebrated 1889 essay "Wealth," Andrew Carnegie admonished fellow grandees of the Gilded Age that "the man who dies thus rich dies disgraced." Carnegie devoutly believed that businessmen should repay their debt to society, applying their skills to philanthropic enterprise. He wanted active involvement, not just a fistful of checks.

If necessary, Carnegie favored stiff inheritance taxes that would force the rich to disgorge their money to society rather than leave it to pampered heirs. True to his beliefs, Carnegie, by his death in 1919, had divested more than 95 percent of his fortune.

Bill Gates has now transferred $17 billion to the Bill and Melinda Gates Foundation, including a gift of $1 billion for college scholarships to minority students, suggesting that our software king may have heeded Carnegie's message. Skeptics may discern an attempt by Mr. Gates to burnish his image or deflect attention from the Microsoft antitrust trial. But whatever his motives, he has begun a metamorphosis from businessman to philanthropist, something far too few of his business peers have made a serious effort to do. He ought to be be widely emulated, lest history castigate ours as an age of oversized egos, self-indulgence and hubris about our technological supremacy.

> Today's rich can learn from the robber barons.

We are quick to revile the so-called robber barons of the Gilded Age, perhaps to assert our own moral superiority. We denounce their rapacious monopolies and brutal labor practices, their flagrant contempt for public opinion. And our image of their social life is a gaudy cartoon of private railroad cars, sybaritic balls in Newport cottages and luxurious steam yachts.

While the stereotype contains much truth, it overlooks a redeeming aspect of that opulent time: our harshest industrial overlords proved our most enlightened philanthropists. The lives of John D. Rockefeller and Andrew Carnegie, tough men from hardscrabble backgrounds who lacked college education, furnish rich lessons for would-be benefactors. They transcended the sentiment and haphazard methods of Victorian charity, substituting the rigor of modern philanthropy. Instead of sponsoring another hospital or museum wing, Carnegie and Rockefeller promoted ideas.

Rockefeller, for example, bankrolled the campus for Spelman College in Atlanta, dedicated to educating black women, and the University of Chicago. He provided backing for many medical triumphs: a treatment for meningitis, a campaign that cured 500,000 cases of hookworm in the South and a vaccine against yellow fever.

Gilded Age moguls operated in a poisonous atmosphere of suspicion since their fortunes and industrial empires seemed menacing to a public reared in a more innocent, pastoral America. By forcing them to exercise extreme care in their charitable priorities, the truculent mood of the day may actually have had a salutary effect on Rockefeller and Carnegie. Both saw philanthrophy as something embedded deep in belief systems that viewed money-making, in isolation, as harmful to society.

As conservative businessmen, Rockefeller and Carnegie frowned on projects that might breed passivity. Carnegie's promise to build a splendid library building for any town came with a catch: municipal authorities had to provide a central site, stock the building with books and guarantee maintenance money. In exchange for coveted Carnegie pensions for professors, universities needed to satisfy strict standards of educational excellence. Both Rockefeller and Carnegie enshrined a momentous principle: the philanthropist should serve as catalyst, not owner, of his creations.

Bolstered by vast endowments and broad charters, the Carnegie Corporation (1911) and the Rockefeller Foundation (1913) gradually acquired a large measure of autonomy from their founders. While huge, multi-purpose foundations are today rife with problems, ranging from bureaucratic rigidity to lack of focus to political faddishness, they remain part of an implicit social contract that stipulates that wealth, beyond a certain point, should revert to society.

It is strange, then, that the American public has been so tolerant of the huge agglomerations of money in the 1980's and 90's. We have a generation of young businessmen accorded the adulation due to folk heroes because they have created "shareholder value" — a euphemism for higher stock prices. Nearly 20 years of high employment, low inflation, steady growth and a booming stock market (the great American antidote to class conflict) have dulled demands for inventive, large-scale philanthropy.

Surely one can applaud the business accomplishments of our titans in high technology, biotechnology and finance without imagining that they have thereby exhausted their obligations to society. But the political pressure that prompted Carnegie and Rockefeller to creative breakthroughs has been conspicuously missing.

On paper, anyway, it would appear that Americans in recent years haven't stinted on charity — last year they boosted their annual giving to a record $175 billion. Still, cynics cannot be blamed for wondering about the motives behind it all, as the ambitious jockey for seats on prestigious nonprofit boards and tables at charity balls. Our era has seen plenty of old-fashioned gifts to cultural, medical and educational institutions, with the donors' names prominently gracing doorways. Yes, we should doubtless be grateful that such gifts keep alive many an artistic group or drug abuse program that might otherwise wither. The real problem is the absence of adventurous initiatives that seek social change in a manner beyond the capacity of government.

For that reason, one fervently hopes that the Gateses' largesse — along with commitments made in recent years by George Soros, Ted Turner and other super-rich business figures — will stimulate many laggards to follow suit. When a Warren Buffett, the nation's second richest man, elects to defer major donations until after his death, he deprives us not just of his money but of his acumen.

An age of business innovation should be counterbalanced by analogous ingenuity in good works. One is heartened by the small-scale "venture philanthropy" undertaken by some Silicon Valley denizens who have shown business savvy, a hands-on style and a quest for measurable results in their giving. And several businessmen — including Theodore J. Forstmann, the Wall Street financier, and Eli Broad, the chairman of Sun America — have showered huge sums on education in the form of scholarships, vouchers, awards and training grants, to provoke overdue reform.

The brains and abundant resources now exist for the greatest flowering of philanthropy in American history. Let us hope that the acquisitive streak in our culture will be matched by a new altruism. Otherwise, history may stigmatize us as a second Gilded Age, but one devoid of the audacious giving that proved the saving grace of the first. □

Ron Chernow is the author of "Titan: The Life of John D. Rockefeller Sr." He is currently working on a biography of Alexander Hamilton.

The New York Times
MONDAY, SEPTEMBER 27, 1999

THE NEW YORK TIMES, WEDNESDAY, MARCH 29, 2000

DNA Tests Cast Doubt on Link Between Neanderthals and Modern Man

By NICHOLAS WADE

Did modern humans wipe out the Neanderthal people who inhabited Europe until 28,000 years ago, or did the two populations merge through interbreeding? New DNA evidence, extracted from the ribs of a Neanderthal infant, one of the last of its kind, supports the thesis that these hardy, beetle-browed people left little or no genetic legacy in today's populations.

Even though Neanderthals perished long ago, the surprising retrieval of intact DNA, the second such sample to be recovered, has set biologists speculating that with further finds the genetics of this extinct human species could become quite well understood.

The two DNA retrievals, both suggesting that Neanderthals were a separate human species, were separated in time by a startlingly contradictory finding made last June. After studying the remains of a thick-set boy recovered from a cliff-side grave in Portugal, considered a final holdout of the Neanderthals, paleoanthropologists said that the human child had strong Neanderthal features, and that this "refuted" the idea that modern humans had exterminated the Neanderthals without interbreeding.

Neanderthals and their forebears occupied modern Europe from around 300,000 years ago. They were adapted to the cold conditions of the ice age and had stocky bodies, thick bones and enormous strength. Though their stone tools seem similar to those of modern humans who started to enter Europe from Asia around 35,000 years ago, they ceased to flourish and abruptly disappeared throughout their home range around 28,000 years ago, leaving no clues in the archaeological record as to the reason for their extinction.

Neanderthal DNA was first isolated three years ago, from the original bones first found in the Feldhofer Cave in the Neander Valley near Düsseldorf in 1856. The finding was startling because no human DNA of such antiquity — at least 30,000 years old — had been recovered and because it showed a pattern of DNA that was quite different from that of modern humans.

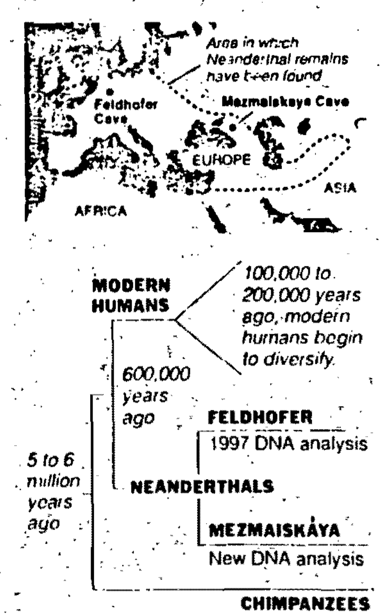
Though the Feldhofer DNA was extracted with elaborate precautions, the finding was greeted with some reservation because it was a single result. Confirmation has now come from a second Neanderthal.

The remains were recovered by a Russian expedition from the Moscow Institute of Archaeology to the Mezmaiskaya Cave in the Caucasus, to the northeast of the Black Sea. They belonged to a Neanderthal infant less than 2 months old, too young for the sex to be determined from the bones. The bones were dated by the carbon isotope method to 29,000 years ago, making the infant among the last generations of the Neanderthals.

A sample of the infant's ribs was made available by the Russian researchers to Dr. William Goodwin of the Human Identification Center at the University of Glasgow. Dr. Goodwin works on paternity cases and plane-crash victim identification, and studies ancient DNA as a sideline.

Neanderthal DNA

Recent DNA analysis of a Neanderthal found in the Mezmaiskaya Cave suggests they were a separate species from modern humans.



Source: Dr. William Goodwin

The New York Times

Dr. Goodwin and his Russian and Swedish colleagues report in this week's issue of Nature that the DNA sequence from the Mezmaiskaya Cave is 3.5 percent different from that of the Feldhofer Cave Neanderthal, suggesting a considerable genetic diversity within the Neanderthal population.

But the two Neanderthal DNA sequences are very different from those of modern humans, Dr. Goodwin and his colleagues say.

Based on the rate at which DNA changes over time in living organisms, Dr. Goodwin calculated that the two Neanderthals last shared a common ancestor at least 150,000 years ago, a date that matches the first fully Neanderthal remains, and that the Neanderthal and modern human lineages split some 600,000 years ago.

Two paleoanthropologists who favor the Neanderthal-human assimilation theory, Dr. Fred Smith of Northern Illinois University and Dr. Erik Trinkaus of Washington University in St. Louis, said they did not dispute the new DNA analysis but noted that it did not completely rule out the possibility of some interbreeding. Dr. Smith said the new DNA data was "incredibly important and significant" and "certainly strengthens the fact that there is quite a gap between Neanderthals and recent humans in terms of mitochondrial DNA."

Mitochondrial DNA, inherited from the egg cell alone and thus through the maternal line, is far more plentiful and likely to survive than the DNA of the nucleus; both Neanderthal samples were of the mitochondrial type.

But Dr. Smith and Dr. Trinkaus, who are experts on the Neanderthals, believe that there was some interbreeding on the evidence of the Portuguese boy with Neanderthal affinities. Other anthropologists think the boy was just a "chunky" human lad who in any case lived far too many generations after the last Neanderthal had died for any evident influences to be expected.

"It's got one feature that is arguably Neanderthal — the shortness of length between the knee and ankle — and even that is not striking," said Dr. Richard Klein, an archaeologist at Stanford University.

Dr. Smith and Dr. Trinkaus say that even though Neanderthal DNA differs from that of modern people, it might be more similar to that of their human contemporaries, the Cro-Magnons. Curiously, no DNA has yet been recovered from very ancient Homo sapiens fossils. Dr. Klein agreed that new efforts should be made to retrieve Cro-Magnon DNA, though he said he expected it would prove similar to that of modern humans, sewing up the case that the Neanderthals were replaced.

The factors that allow DNA to be preserved for thousands of years are not well understood. "Even with two bodies in the same grave, the level of preservation can vary considerably," Dr. Goodwin said. He thinks that something about the limestone cave may have favored the durability of the Caucasus Neanderthal DNA.

If the reasons for preservation were better understood, DNA experts would know which precious museum specimens were wort[h] sampling and which to leave alon[e].

Philanthropy

Foundation Giving Is at $23 Billion High

Soaring Stocks and Major Gifts Bring Surge of Ambitious Projects

By REED ABELSON

Flush with ballooning endowments and new money from wealthy individuals and corporations, the nation's foundations set a record by giving away an estimated $22.8 billion in grants in 1999, according to a study to be released today.

Forced by law to give away larger and larger sums, many foundations are increasing the size of their donations, sometimes giving away tens of millions of dollars to a single charity. With greater resources, many are financing sweeping, ambitious programs in areas like education and health care rather than making what were often scattered and short-term grants in those fields.

Giving by every type of foundation has increased, according to the Foundation Center, the New York group that tracks foundation giving and conducted the study. The $22.8 billion in grants to nonprofit groups in 1999 compares with $19.5 billion in 1998. A decade ago, foundation giving was $8.7 billion.

"The increase in assets provides an incredible opportunity for the whole field," said Sara Engelhardt, president of the Foundation Center. The largest foundations may be able to accomplish goals on a scale not seen since the Carnegies and Rockefellers created their foundations earlier in the last century, she said.

The Bill and Melinda Gates Foundation, for example, is tackling disease in developing countries by providing $750 million over five years to vaccinate children. "Scale is helpful when you can cause a bigger system change," said Patty Stonesifer, the co-chairwoman and president of the Gates Foundation, which is expected to give away about $1 billion in grants this year.

The foundation is also able to take a long view, supporting projects for as long as 20 years, in the case of its $1 billion scholarship program. By making a long-term commitment, the foundation can relieve the burden of many nonprofit groups, which "are always scrambling for resources," said Ms. Stonesifer.

Over all, the number of grants of $5 million or more is climbing sharply, according to a sample taken by the Foundation Center. While the number of such grants was under 50 for much of the early 1990's, it reached 147 in 1998.

The David and Lucile Packard Foundation, among the largest in the nation, spent $50 million over the last two years toward the purchase of 271,000 acres in California — the rough equivalent of all of Los Angeles — as part of its conservation efforts. The foundation hopes to preserve another 500,000 acres in the next few years.

Even much smaller community foundations are benefiting from a significant increase in resources, the result of the surging stock market and the largess of individual donors. "Every foundation that has invested in the equity market has had 10 years of galloping growth, especially in recent years," said Jack Shakely, president of the California Community Foundation, which has $525 million in assets.

The foundation, based in Los Angeles, now finances projects over several years instead of committing a single year at a time. Excited about the prospect of a new project to give books to children as a way to encourage reading, for example, the foundation was able to pledge $1.5 million over three years.

In Ohio, foundations including the Cleveland Foundation, whose assets have climbed by more than 50 percent over the last five years, have committed $10 million toward a $40 million initiative by Cuyahoga County to provide health care and child care for very young children.

Much of the rise in giving nationwide is a result of the soaring value of foundation endowments, which reached $385 billion at the end of 1998, the latest figure available, according to the center. By law, most foundations are required to give away at least 5 percent of their assets each year or run afoul of the Internal Revenue Service.

But large donations to foundations and the formation of new foundations are also fueling the increase, according to the center. The number of foundations has more than doubled since 1980 to nearly 47,000, and newly active foundations were responsible for one-fifth of the rise in foundation giving from 1997 to 1998.

Corporate foundations increased the amount they made in grants by a record 22 percent to an estimated $3 billion last year, according to the center. Many of them are also making larger gifts. The Bank of America Foundation, for example, is giving $50 million over five years to United Way of America to help children learn to read and get vaccinations.

"We don't want the margarine approach," said Caroline Boitano, executive director for the Bank of America Foundation, referring to giving that is spread out thinly among numerous causes.

The surge in the amount of money available for giving causes some concerns for foundations. The Packard foundation, for example, gave away about $400 million in grants in 1999, more than double the amount it gave away just two years ago. "It is a challenge for any organization to go through the kind of growth we have," acknowledged Richard Schlosberg III, president of the foundation, which increased its staff last year by about 25 percent to 150 people and expects a similar increase this year.

The Lilly Endowment also saw its giving climb steeply, by about two-thirds from the previous year to $425 million in 1998. The foundation now routinely gives away amounts like $50 million to the Hispanic Scholarship Fund and $30 million to the American Indian College Fund, compared with five years ago when its largest grant was about $6 million. Lilly has also significantly increased its giving to community foundations in Indiana, where it is based.

The tendency to give larger grants, often to large charities with national agendas, gives some cause for concern. "It can be counter to what people see as strategic grant making," said Ms. Engelhardt of the Foundation Center. Foundations may "look for more of the sure bets," established charities, rather than fostering experiments or creativity by financing small nonprofit organizations.

The rise in assets has also caused some individuals to call on foundations to give away more than the minimum required by law. The California Community Foundation, for example, gives away what it calls a "community dividend" with some of the money its investments have generated in recent years.

"I think foundations have a responsibility to get that money out and get it percolated," Mr. Shakely said.

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Philanthropy

Some Foundations Choose to Curb Donations and Pay More Taxes

By REED ABELSON

Imagine actually choosing to pay taxes at a higher rate.

That is what some foundations do. Last year, for example, faced with the decision whether to maintain its historical level of giving or pay twice as much in taxes, the Carnegie Corporation of New York, paid a total of $2.6 million to the federal government. The foundation, one of the nation's largest, was under new leadership and undergoing a review of its priorities, so it slowed its giving and therefore no longer qualified for a lower tax rate.

"Clearly, we are driven by our programmatic ideas," said D. Ellen Shuman, Carnegie's chief investment officer, who argued that a foundation's emphasis should be on making grants, not on lowering its tax bill. Otherwise, "honestly, it would be the tail wagging the dog," she said.

Foundations have long complained about the two-tier federal excise tax, which is set at 1 percent of a foundation's annual investment income for a foundation that maintains or increases its level of giving, or 2 percent for those that do not. They say the tax is poorly designed and overly complicated, requiring too much paperwork and discouraging large increases in giving by threatening foundations with the higher tax if they subsequently reduce how much they give to charity. By law, foundations must give away at least 5 percent of their assets each year to retain their nonprofit status.

While many of the nation's largest private foundations say that they usually try to give away enough each year to meet the criteria for the lower tax rate, many do not.

Though only a tiny slice of their billions in assets, the taxes represent millions of dollars flowing to the federal government rather than to charity. When the Lilly Endowment paid the higher tax rate in 1998, for example, the additional amount was nearly $6 million. The foundation declined to comment on its decision to pay the higher tax rate.

Now, a little-noticed provision in the Clinton 2001 budget proposal aims to simplify the tax, replacing the two tiers with a flat 1.25 percent tax. The proposal is intended to allow foundations to focus on making grants without regard to the tax impact of those decisions, according to a Treasury official.

But some charity advocates say the provision will also eliminate the only incentive that now exists to encourage more giving. Largely as a result of the bull market in stocks, foundation assets have soared in recent years. Assets reached $330 billion at the end of 1997, the most recent data available, according to the Foundation Center, a New York research group. Grants totaled slightly under $16 billion, or 4.8 percent of assets, suggesting that foundations, on average, are hewing to the minimum.

The Clinton proposal does "nothing to ensure more money gets into the hands of advocates and service providers," according to the National Committee for Responsive Philanthropy, a Washington group that recommends linking any cut in the excise tax to an increase in the amount foundations must give away.

The group advocates raising the so-called payout, the minimum percentage of assets foundations must give away, to 6 percent and requiring foundations to include only actual grants in their calculations. Many foundations now include administrative costs and their excise taxes.

Foundations pay an estimated $430 million in excise taxes a year, according to the Council on Foundations, a Washington association of foundations and corporate-giving programs. The council supports the Clinton proposal, saying that the current structure is a disincentive to giving. The council is considering pushing for a 1 percent tax to prevent some of its members from paying more in taxes. Though no one tracks the number of foundations that pay the lower tax, the proposal is generally expected to result in less tax revenue, suggesting that a greater number of foundations pay the higher rate.

Under the current rules, foundations face a series of hurdles before qualifying for the lower tax rate. In addition to giving away 5 percent or more of their assets, foundations must maintain their average level of giving as a percentage of their assets, based on the last five years. The rules also require that foundations give away to charity an amount equal to the tax savings reaped by paying at the 1 percent rather than the 2 percent rate.

While many small foundations simply pay the higher tax rather than do the complex bookkeeping necessary, most large foundations have learned to finesse the timing of their grant-making based in part on the tax ramifications. But since these foundations also do not want to give away so much that they shrink their assets over the years, many are careful not to maintain what they view as too high a level of giving and will decrease what they give away from time to time to lower their average level.

"There is inevitably a year when you decrease" the amount you give away, said George Vera, the chief financial officer for the David and Lucile Packard Foundation, one of the very largest foundations, with about $13 billion at the end of 1999.

Many of the large foundations also say that the surging stock market and the resulting huge growth in the value of their assets has made it hard to give away enough in well-thought-out grants. Packard, for example, "would prefer not to pay any taxes," according to Mr. Vera, but expects to pay the higher tax in 1999 because of the rise in the value of its endowment. "How fast can you ramp up programs?" he asked, noting that the foundation has focused on building the necessary infrastructure to handle the higher volume of grants.

The Clinton proposal would make the task of managing the grant-making less arduous, he said, adding, "I think it is an issue of simplicity and predictability."

Critics of the current tax structure say it may make some foundations more reluctant to share the wealth for a year or so or to undertake large programs that require significant spending in any year for fear of raising their average giving levels. "Why should the government be interfering in the spending policies of foundations?" asked John Edie, the general counsel of the Council on Foundations.

The change has the support of some foundations that will probably pay more under the current proposal because it raises the tax they pay by a quarter of a percentage point. The W. K. Kellogg Foundation, for example, usually meets the criteria for the lower tax but is in favor of the 1.25 percent flat tax. "It would end this cumbersome process," explained Mike Van Buren, a spokesman for the foundation.

The debate over the tax leaves some watchdog groups with the impression that foundations are more concerned about protecting the continuing growth of their portfolios than about their primary mission.

"It seems to be more about the banking side of things than the grant-making side of things," said Terry Odendahl, a co-director of the National Network of Grantmakers, an organization of foundations that is also trying to persuade foundations to increase voluntarily the amount they give away, to at least 6 percent. "Wouldn't they want to make bigger grants?"

The New York Times

THURSDAY, FEBRUARY 24, 2000

Colombia's Aid to Paramilitary Reported to Persist

By The New York Times

WASHINGTON, Feb. 23 — Units of the Colombian Army continue to work closely with right-wing paramilitary forces that are involved in killings of civilians and threats against government human rights investigators, according to a report made public today.

The report, by the New York-based Human Rights Watch, says that army brigades in Colombia's three largest cities, including the capital, Bogotá, have continued to sponsor and collaborate with the outlaw paramilitaries in the last three years, even as military leaders have made some progress in curbing abuses by their own troops.

The problem remains so intractable, Human Rights Watch officials said, that only by putting new human rights conditions on its aid to Colombia is the United States government likely to bring significant reform.

The report was made public as the Clinton administration is intensifying its push in Congress for $1.3 billion in new aid for Colombia over the next year and a half. Most of the aid would go to the Colombian security forces to help them push into remote areas of the country where drug production is thriving and leftist guerrillas generally hold sway.

In a statment tonight, Colombia's vice president, Gustavo Bell Lemus, denied any institutional tie between government forces and the paramilitaries, and asserted that Human Rights Watch was seeking to obstruct the approval of American aid.

Clinton administration officials say they are aware of the human rights problems, but they argue that President Andrés Pastrana is determined to curb abuses and that American aid will help him do so.

Long History of Intercepting Key Words

By ELIZABETH BECKER

WASHINGTON, Feb. 23 — The Echelon system was developed in the 1970's. It links computers in at least seven sites around the world to receive, analyze and sort information captured from satellite communications, newly declassified information shows.

The computers watch and listen for key words in telephone, fax and Internet communications and route intercepted messages on a topic requested by a country, the descendant of a decades-old electronic eavesdropping network set up by the United States with Australia, Britain, Canada and New Zealand.

Although an Echelon system exists, it is not controlled by the National Security Agency to provide American corporations with stolen industrial intelligence, according to Jeffrey Richelson, a senior fellow at the National Security Archive. Mr. Richelson retrieved documents about Echelon through requests under the Freedom of Information Act.

This network is an outgrowth of an agreement between London and Washington in 1948 to gather and share communications intelligence. "Countries throughout the world — not just these five — engage in widespread satellite intercepts," Mr. Richelson said. "It is a legitimate question whether people minding their own business are having their conversations picked up by any of these systems."

But many of the most extravagant claims about Echelon make little sense, because the National Security Agency is overwhelmed by the proliferation of information over the Internet, Mr. Richelson said. "Its ability to collect and process information is not nearly as immense as some of these accounts make it out to be," he said. "This agency is not doing all that well against the new information technology."

The Clinton administration denied accusations today by the European Parliament that the security agency was involved in illegally collecting intelligence for commercial use through satellite interceptions. "U.S. intelligence agencies are not tasked to engage in industrial espionage or obtain trade secrets for the benefit of any U.S. company or companies," said a spokesman for the State Department, James P. Rubin.

But those denials, along with the routine refusals of the security agency to discuss the issue, will most likely not halt Congressional hearings planned for the spring.

Representative Bob Barr, Republican of Georgia, who called for the hearings into the project, conceded that he was uncertain what Echelon actually does. "The charges are serious that the government indiscriminately scoops up millions upon millions of conversations daily over the Internet and the telephone," he said in an interview. "But the first question I have is what is being collected on Echelon and how is it being used. I don't know."

Mr. Barr, who once worked for the Central Intelligence Agency, said he first heard of Echelon when he was researching privacy last year for a speech to the American Civil Liberties Union.

On the Internet, Echelon has achieved a mythical status as a spying arm of the American government. A "Jam Echelon Day" was declared in October, and people around the world sent a huge volume of communications over the Internet and on the telephone using words like "terrorism" that they presumed were key words and would overload the system.

U.S. Rejects Loans to Iran

WASHINGTON, Feb. 23 (AP) — The Clinton administration said today that despite electoral gains by Iran's reformers, it still opposes any World Bank loans for the country.

James P. Rubin, the State Department spokesman, said Iran had yet to make progress in abandoning support for terrorism — arming the militant Islamic group Hezbollah in southern Lebanon, for instance — and in economic reform. Federal law requires the United States to oppose loans by the World Bank to countries listed by the State Department as sponsors of terrorism. Iran is one of seven countries so designated.

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THE WALL STREET JOURNAL
THURSDAY, JULY 13, 2000

Social Entrepreneurs: Compassionate and Tough-Minded

Politics & People

By Albert R. Hunt

Vanessa Kirsch, who thinks a lot about improving social and economic conditions in America, is convinced that two decades got it wrong: "The '60s, when government was viewed as the answer, and the '80s, when it was seen as the problem."

Ms. Kirsch, 34 years old, was barely out of diapers in the '60s but she makes a compelling case for "creating a new synthesis"—an entrepreneurial, largely non-profit sector working in partnership with government and the private sector. These "social entrepreneurs," she is convinced, are the wave of the future.

As founder of New Profits Inc., a new $11 million fund for the non-profit sector that seeks to apply venture capital practices to philanthropy, she is in the vanguard of this movement. She visited recently with eight other young "social entrepreneurs" for a lively discussion of new ways to address social ills, ranging from education and job training to pension and health benefits.

Social entrepreneurs have existed for ages, but the movement is gaining momentum. British Prime Minister Tony Blair calls himself an apostle of social entrepreneurship, courses in the subject are offered at leading business schools, and young men and women like Ms. Kirsch are pressing to put it on the political agenda. The Gore and Bush campaigns both give lip-service support, but it's chiefly self-styled New Democrats, like Rep. Tim Roemer (D., Ind.) who are enthusiastic supporters.

The social entrepreneurs are do-gooders who demand accountability and performance standards—and increasingly look for profitable spinoffs—creating, "a blurring of sector boundaries," says J. Gregory Dees, a Stanford Business School professor. Social entrepreneurship, he says, "combines the passion of a social mission with an image of business-like discipline, innovation and determination." Programs dominated by the government are too often bureaucratic and inefficient, say the social entrepreneurs, and markets, for all their attractiveness, have limits in valuing social goals. Volunteerism, they say, is only a Band-Aid when what is really needed is systemic change.

This should be an attractive alternative for both sides of the political spectrum, argues Wendy Kopp: "For conservatives we're bringing private-sector and entrepreneurial approaches to public problems. For liberals we're all about social change and improving the welfare of the least privileged people."

Eleven years ago Ms. Kopp founded Teach For America, which attracts top college graduates to make a two-year commitment to teach in poor urban and rural areas. Although criticized by some of the educational establishment, TFA has placed more than 5,000 Teacher Corps members in 13 cities around the country and draws high praise from participating communities. These bright young men and women are bringing a vitality and a commitment to disadvantaged children that too often are lacking. Ms. Kopp wants to triple her $9 million annual budget over the next four years to hire 4,000 Teacher Corps members annually.

Jon Schnur, a former Clinton administration official, along with a team of Harvard Business School and education school students, is trying to start a similar program—New Leaders for New Schools—to recruit, train and place first-class principals in disadvantaged school districts, which would pay a placement fee. First he needs to raise $2.5 million to develop his curriculum and initial pilot program; an early backer is Ms. Kirsch: "I'd rather have Jon Schnur selecting bright young principals than some government bureaucrat."

It's not, these social activists say, that government ought to play a smaller role; the role should be more creative, less intrusive. "Too many government investments mirror traditional philanthropy—too many grants spread out with an eye toward propping up things that are not working very well," says Eric Schwarz, who has launched Citizen Schools, a program in Boston for after-school activities. "More effective investments would be in powerful ideas and organizations that are likely to leverage broader change."


Vanessa Kirsch

Government should not only provide seed money but then, if they meet market-based tests, help take them to scale. A good example is City Year, an urban Peace Corps that attracts young Americans to offer a year of community service. This has grown into a $25 million annual venture, but, says founder Alan Khazei, that wouldn't have been possible without support from the Bush administration and, particularly, from the Clinton administration's Americorps, which contributes about 40% of its budget today.

Mr. Khazei and others stress these ventures shouldn't become overreliant on any single source of support. Five years ago, Sara Horowitz founded Working Today to fashion a private-sector model for developing benefits—principally health and retirement—for more transient workers: temporaries, part-time workers, freelancers and independent contractors. Success, she believes, will depend on a "new benefit delivery system that is financially self-sustaining."

Ms. Kirsch and her allies have two overarching goals for the next few years: to put social entrepreneurialism more on the political agenda and, with all the wealth that has been created over this decade, to attract more socially-conscious, results-oriented investors.

Both presidential candidates, they say, have promise, but also limitations. They fear that the vice president may be too indebted to entrenched bureaucracies. They worry that Gov. Bush, based on his Texas record, talks about armies of compassion but doesn't follow it up with sufficient public resources. And while these young idealists are attracted to the faith-based efforts that both the Texas governor and the vice president advocate, they fear this could become political. "Imagine the right trying to cut off evangelical churches from funding because they didn't hit their numbers," worries Jamie Daves, who now attends Stanford Business School and is an adviser to a number of new Silicon Valley nonprofits.

Despite the tremendous wealth creation over the past decade, support for these ventures is uneven. (One reason activists cite is the lack of attention they receive in the business press, including The Wall Street Journal.) But Ms. Kirsch says more and more new millionaires are looking for philanthropic investments that "make a difference." She's confident of doubling the size of New Profits over the next four years, by which time she believes "these social entrepreneurs will be leading a real revolution in how we address social problems in America."

Philanthropy

THE WALL STREET JOURNAL
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Gore's Risky Social Security Scheme

By Lawrence B. Lindsey

After spending what his advisers called "a fortune" on polling, Vice President Al Gore decided he had to come up with a retirement saving proposal to counter Gov. George W. Bush's. Sadly, it would do nothing to help save or strengthen the Social Security system. Indeed, not only did Mr. Gore promise to leave Social Security, with its unfunded liability of $8.8 trillion, unchanged; he promised during the spring to increase benefits. According to the Social Security Administration and even some of Mr. Gore's supporters, these additional promises appear to increase the actuarial deficit by 30%, meaning Social Security will go broke sooner.

Now the vice president offers yet another unfunded entitlement program called "Retirement Savings Plus" on top of the existing plans. Mr. Gore has labeled his new entitlement as a "tax cut for hard-working Americans." As with all Gore tax cuts, there is a catch. In order to get it, you have to do with your own money what Mr. Gore tells you to do. And how much of a tax cut is it, anyway? It is useful to compare what Mr. Gore and Mr. Bush are really doing in the tax and retirement savings area for a variety of hard-working Americans.

The Case of Bob

Take the hypothetical case of Bob, who works on the loading dock of a factory. Out of his $8 an hour he pays 66 cents in federal income taxes, 61 cents in payroll taxes for Social Security and Medicare, and 40 cents in state taxes, taking home $12,660 a year. Mr. Bush would cut Bob's federal income taxes by $300 and move at least another $320 of his payroll taxes into a personal account.

Al Gore

By contrast, Mr. Gore promises no reduction in Bob's tax liability. Under his plan, Bob would get a $1,000 government contribution to his retirement savings if he comes up with $1,000 on his own. As Bob takes home barely $1,000 a month, he might well ask the vice president which month of the year he should skip his rent payment, give up eating and forgo all other spending in order to come up with the $1,000.

Charlene is a registered nurse supporting two children on $35,000 a year. She now pays $2,022 a year in federal income taxes, $2,678 in payroll taxes and $1,750 in state taxes. This leaves her just under $2,400 a month to support her family. Mr. Bush would cut her federal income taxes by 74%, or $1,500. In addition, she would have at least $700 of her Social Security taxes put into a personal account. Mr. Gore offers Charlene the same deal he offered Bob: Come up with $1,000 on your own and I'll match it in a personal account. Again, with two children, it's tough to see where she would come up with the money.

Finally, consider Sam and Doris, a schoolteacher couple making $48,000 apiece. They support three children and own their own home, giving them $15,000 a year in mortgage-interest and property-tax deductions. They pay $11,560 in federal income taxes and $7,344 in payroll taxes. Mr. Bush proposes cutting their income taxes by $3,190 and allowing them to put $1,920 in personal accounts. Mr. Gore proposes to give them $1,000 in matching contributions if they can come up with $3,000 on their own. Their budget has enough leeway to finance this saving. But that's this year. Next year, after Sam and Doris get the 6% raise the school district just negotiated, they will be among the "rich" and thus ineligible for Mr. Gore's matching grant.

As with so many government promises, the generosity of Mr. Gore's matching grant is more apparent than real. It is very difficult to save on low to moderate incomes given the current level of taxation. The statistics show, for example, that only one family in 40 with an income below $30,000 has an individual retirement account. Mr. Gore himself says in an interview in a recent issue of Money magazine: "A young couple with bills to pay and children arriving will naturally find it difficult to set aside money for their retirement years. Indeed, they're going into debt during those years, typically."

On the other hand, people like Sam and Doris who can afford the contribution are disqualified because Mr. Gore labels them "rich." The cynical calculus behind this shows up in the Gore campaign's own estimate of the revenue cost of the proposal. They estimate that it will cost $200 billion over 10 years. That's $20 billion a year. At an average subsidy of $1,000 a worker, that means that Mr. Gore himself expects that less than one worker in six will take advantage of his "retirement security plus" scheme.

Al Gore claims to have 'saved Social Security until 2054.' But his plan will result in higher taxes, because it does nothing to stave off the system's bankruptcy.

But the real tragedy of the Gore plan comes 40 years from now when Bob, Charlene, Sam and Doris are all in retirement or nearing it. Mr. Bush's Social Security framework, along with every major bipartisan reform proposal in Congress, endorses personal accounts as the only way to avoid severe benefit cuts or punitive tax increases in the future.

Mr. Gore's retirement accounts, however, are simply added on top of the existing system. He also requires putting ever-increasing amounts of federal bonds into the Social Security trust fund. As the Clinton-Gore administration acknowledged in its 2000 budget: "These balances are available to finance future benefit payments . . . but only in a bookkeeping sense. They do not consist of real economic assets that can be drawn down in the future to provide benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits."

Mr. Gore claims to have "saved Social Security until 2054." The government's watchdog agencies say otherwise. The General Accounting Office said about a virtually identical plan: "Although the trust funds will appear to have more resources as a result of the proposal, nothing about the program has changed." The Congressional Budget Office wrote that this "does nothing to ensure that the necessary economic resources will be there to support the programs; it simply shifts money from one government pocket to another." Sen. Fritz Hollings (D., S.C.) said that this approach "amounts to nothing more than a modern day Ponzi scheme."

In effect, it is the children of Charlene, Sam, and Doris who will be paying the bill. The Social Security actuaries estimate an annual shortfall under current law of $400 billion 40 years hence, rising to $700 billion by 2050 and exploding after that. Mr. Gore's surrogates have said that "general revenues" will pay for this. If true, each of the 175 million workers working then will be forced to pay $2,300 in extra income taxes just to cover this shortfall in 2040 alone. That extra tax burden will be doubling every 12 years thereafter.

No Guarantee

In short, while Mr. Gore speaks of the "guarantee" of Social Security, the reality is that the guarantee is a political one. Congress reluctantly voted to cut Social Security benefits in 1977, 1983 and 1993, on two of those occasions with Mr. Gore's support.

For the past eight years American public policy has been governed by polls and focus groups. During that time the unfunded liability of the Social Security system rose $1.4 trillion even as the government claimed that Social Security "surpluses" improved the fiscal health of the nation. Until recently the vice president was merely promising more of the same. Now he has decided that he has to change his game to double or nothing. If he wins, the losers will be future generations and maybe the Social Security system itself.

Mr. Lindsey, a former governor of the Federal Reserve, is a resident scholar at the American Enterprise Institute and an adviser to George W. Bush's presidential campaign.