
Assessing the Post-9/11 Funding Environment: Grantmakers' Perspectives

by Loren Renz, Vice President for Research

Introduction

The outpouring of charitable support that followed the September 11, 2001, terrorist attacks prompted the Foundation Center to launch a multi-year project to track relief and recovery funding by foundations, corporations, and other institutional donors. Our goal is to provide a complete and accurate record of their response to these tragic events and to assess the impact of relief and recovery support on overall giving patterns.

As one part of this data-gathering project, the Center conducted a survey of 9/11 donors and of a broad sample of grantmakers from March 1 to April 30, 2002. The principal goals of this qualitative survey were to learn more about the sources and purposes of 9/11 pledges and to assess the relative impact of the 9/11 response versus the stock market decline on foundation and corporate giving. Specifically, the survey sought to measure the extent and nature of changes in grantmaking priorities and practices resulting from 9/11; to distinguish changes prompted by 9/11 from those brought on by decreased asset values; and to help forecast changes in levels of giving in 2001 and 2002. The results of the survey are presented below in two principal sections.

9/11 Response: Impact on Giving and Grantmaking Practice

Sources of 9/11 Funds

In the months following the 9/11 terrorist attacks, nonprofits and the media voiced concern that the unprecedented giving by foundations and corporations in response to the attacks would seriously reduce the funds available for other programs. The survey sought to shed light on the sources of foundation and corporate funds, both to respond to questions of future capacity and to understand grantmaker behavior in crisis funding. Specifically, the survey asked to what extent 9/11 contributions were made from existing budgets; and to what extent they were funded from other sources.

More than half (56.7 percent) of the 240 respondents that reported 9/11 giving made at least a portion of these gifts from their annual contributions budgets (Figure 1 and Table 1). Approximately one-third (31.7 percent) drew 9/11 funds from special discretionary or reserve funds over and above their contributions budget. Among independent foundations, seven-tenths (69.2 percent) drew from their contributions budgets, while slightly over one-fourth (26.5 percent) used discretionary funds. (Yet, significantly, the top independent foundation 9/11 donors were most apt to tap discretionary funds for their exceptionally large 9/11 gifts.)

Corporate donors (whose gifts on average were larger than foundations' relative to their annual giving) were most likely to report multiple sources of funds, and specifically to use discretionary and employee matching gift funds. Three out of five respondents (60.4 percent) drew on discretionary funds for at least a portion of their giving, while just over half (54 percent) used their contributions budgets. In addition, 37.5 percent of corporate donors matched employee contributions through existing employee gift programs, while nearly 15 percent were prompted to create new matching gift programs in response to the crisis.

Community foundations were least likely to dip into their contributions budgets for 9/11 gifts. Just three out of ten (29.8 percent) drew from that source. Instead, many community foundations reported giving from donor-advised funds (33.3 percent) and tapped discretionary funds (22.8 percent). Others raised funds from members of their communities (17.5 percent).

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This report can be accessed at no charge at www.fdncenter.org.

Survey Sample Information

To learn more about the sources and purposes of 9/11 giving and its impact on grantmaking programs overall, the questionnaire was targeted to the approximately 850 foundation and corporate donors of all sizes included in the Foundation Center's 9/11 response database as of late February 2002. Two hundred forty 9/11 donors provided usable surveys, yielding a 28 percent response rate.

In addition, the survey was mailed to more than 1,000 medium- to large-size private and community foundations not included in the 9/11 database, both to stimulate reporting of unrecorded 9/11 gifts and to assess more broadly the impact of the 9/11 crisis and the deepening stock market decline on grantmaking. Ninety-three of these responded, raising the total number of usable responses to 333.

The sample reflects the range of donor types included in the 9/11 database (Table A). More than one-half of the 333 survey respondents (54 percent) were independent foundations, which also include family foundations. Community foundations represented the second largest category of respondents (22 percent), followed by corporate donors (15 percent) and public foundations (8 percent). Compared with the original sample, community and other public foundations are over-represented due to an above-average response rate, while corporate donors are underrepresented.

Survey respondents included large and small funders (Table B). Of the 333 respondents, nearly one-third awarded total grants of less than \$1 million in the latest year reported (2001 for most, 2000 for the others), while the largest share (37 percent) gave between \$1 million and \$5 million. One-fourth of respondents gave more than \$5 million in the latest year, including 20 funders that gave more than \$25 million. Annual giving figures were not available for a small number of corporate and public foundation respondents.

Funders in the sample reported grants totaling \$2.57 billion in the latest fiscal year.¹ The 20 largest funders by giving awarded \$1.49 billion, or 58 percent of the total. Seventeen of the 20 largest funders reported 9/11 contributions.

The 240 9/11 donors in the sample contributed more than \$330 million for relief and recovery efforts, which represented approximately 36 percent of all foundation and corporate gifts recorded in the Center's 9/11 response database as of April 15, 2002.²

Consistent with distribution patterns of 9/11 donors, a breakdown of the survey sample by region reveals a bias toward the Northeast, especially the Mid-Atlantic states (Table C). Two-fifths of the 333 respondents are located in the Northeast. The Midwest provided the second largest share of respondents (one-fourth), followed by the South (one-fifth) and the West (one-seventh). Forty-four states are represented in the sample. The top five states by number of respondents include New York (80), California (29), New Jersey (20), Michigan (18), and Pennsylvania (16).

1. Figures drawn from the Foundation Center's grantmaker database as of June, 2002. For most grantmakers, the latest fiscal year reported was 2001.
2. Foundations and corporations had pledged \$854.5 million as of January 2001, according to *Giving in the Aftermath of 9/11: Foundations and Corporations Respond* (Foundation Center, February 2002). Contributions recorded in the Center's 9/11 response database had increased to more than \$920 million in late April, when this survey was concluded.

TABLE A. Survey Respondents by Grantmaker Type*

| Type of Grantmaker | All Funders | | 9/11 Funders | |
|---|-------------|--------------|--------------|--------------|
| | No. | % | No. | % |
| Independent and Family Foundations | 180 | 54.1 | 117 | 48.8 |
| Corporations/Corporate Foundations | 50 | 15.0 | 48 | 20.0 |
| Community Foundations | 74 | 22.2 | 57 | 23.8 |
| Public Foundations/ Other | 29 | 8.7 | 18 | 7.5 |
| Total | 333 | 100.0 | 240 | 100.0 |

Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.

*Excludes 9/11 relief/conduit funds that received donations from institutional donors for regranting purposes; due to rounding figures may exceed 100 percent.

TABLE B. Survey Respondents by Range of All Giving*

| Total Giving Range | No. | % |
|--|-----------|--------------|
| \$25 million + | 20 | 6.0 |
| \$10 million–under \$25 million | 29 | 8.7 |
| \$5 million–under \$10 million | 36 | 10.8 |
| \$1 million–under \$5 million | 124 | 37.2 |
| \$200,000–under \$1 million | 63 | 18.9 |
| Under \$200,000 | 43 | 12.9 |
| Unknown | 18 | 5.4 |
| Total | 61 | 100.0 |

Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.

*Based on total giving figure for latest fiscal year reported (2001 for most grantmakers, 2000 for others); due to rounding, figures may exceed 100 percent.

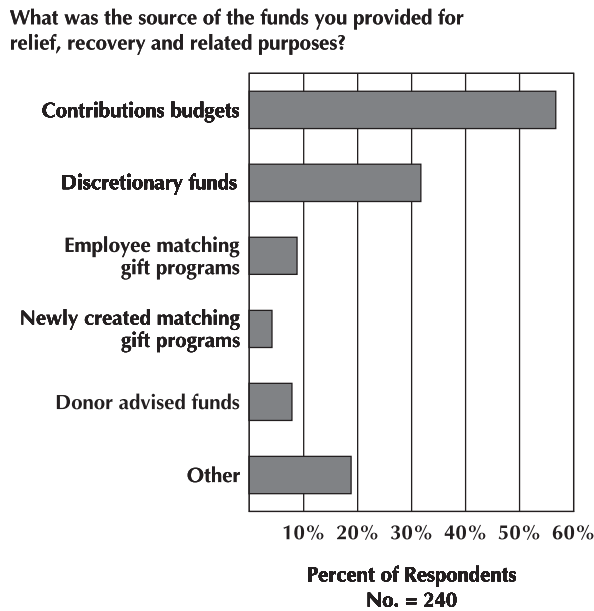
TABLE C. Survey Respondents by Region*

| Region | All Funders | | 9/11 Funders | |
|------------------|-------------|--------------|--------------|--------------|
| | No. | % | No. | % |
| Northeast | 134 | 40.2 | 89 | 37.1 |
| Midwest | 80 | 24.0 | 61 | 25.4 |
| South | 70 | 21.0 | 53 | 22.1 |
| West | 49 | 14.7 | 37 | 15.4 |
| Total | 333 | 100.0 | 240 | 100.0 |

Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.

*Due to rounding, figures may exceed 100 percent.

FIGURE 1. Sources of 9/11 Contributions*



Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.

*Some donors reported multiple funding sources; therefore, percentages exceed 100 percent.

Impact of 9/11 Pledges on Funding

Even though contributions budgets were a source of 9/11 pledges for more than half of respondents, relief and recovery support did not undercut funding for other programs, according to most respondents. Only 38 of the 240 9/11 donors (15.8 percent) reduced their support for other programs as a result of contributing to 9/11 causes (Figure 2). The impact was greater for corporate and public foundation donors: one out of five of these donors reduced funding for other programs. Not surprisingly, community foundations, which were least likely to draw their 9/11 support from contributions budgets, experienced the least impact. Only 5 percent of community foundation respondents said that 9/11 funding undercut support for other programs.

Similarly, grantmakers' pledges to 9/11 relief and recovery efforts decidedly did not prompt reductions

in 2001 year-end giving. Only 22 of the 240 respondents who made 9/11 gifts (9.2 percent) cut back on their year-end giving (Figure 3). In fact, excluding public foundations, fewer than one-in-fifteen respondents reduced fourth-quarter giving levels after making 9/11 pledges. The share was smallest for community foundations (less than 2 percent), higher for corporate donors (12.5 percent), and highest for public foundations (38.9 percent), which were also least likely among funder types to use discretionary funds as a source of giving. Among independent and family foundations, which account for the majority of respondents, only 6 percent cut back on year-end giving.

Purposes of 9/11 Funding

The most prominent early criticism of 9/11 funding focused on the question of donor intent and the uses of funding: Did donors intend their contributions—especially those to relief/conduit funds—to exclusively aid victims and their families, or did they give for broader or more long-term recovery efforts? While it may be difficult in retrospect to gauge the intentions of individuals at the time they made their pledges, the Center's survey of foundation and corporate donors provided an opportunity to ask them about the purposes of their gifts, including gifts made through the September 11th Fund, American Red Cross Liberty Fund, and other relief funds.¹

Overwhelmingly, foundations and corporations supported a broad, multi-purpose, long-term approach to their 9/11 crisis response. While a large majority of grantmakers intended that their donations be used in part for direct aid to victims and their families, a substantial number were also concerned about the immediate and long-term recovery needs of affected communities, the economic impact on displaced workers, loss of income to local nonprofits, disaster preparedness, and various social and political issues related to the 9/11 attacks, such as the loss of civil liberties in certain ethnic communities and international security.

1. Once coding of all grants and recipient organizations in the 9/11 response database has been completed, the Foundation Center will be able to begin to map the precise purposes and uses of 9/11 contributions.

TABLE 1. Sources of 9/11 Contributions by Grantmaker Type*

| Sources | All Funders n = 240 | | Independent Foundations n = 117 | | Corporations/ Corporate Foundations n = 48 | | Community Foundations n = 57 | | Public Foundations n = 18 | |
|--------------------------------------|------------------------|------|------------------------------------|------|--|------|---------------------------------|------|------------------------------|------|
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Contributions budgets | 136 | 56.7 | 81 | 69.2 | 26 | 54.1 | 17 | 29.8 | 12 | 66.7 |
| Discretionary funds | 76 | 31.7 | 31 | 26.5 | 29 | 60.4 | 13 | 22.8 | 3 | 16.7 |
| Employee matching gift programs | 21 | 8.8 | 1 | 0.9 | 18 | 37.5 | 1 | 1.8 | 3 | 16.7 |
| Newly created matching gift programs | 10 | 4.2 | 2 | 1.7 | 7 | 14.6 | — | — | 1 | 5.6 |
| Donor advised funds | 19 | 7.9 | — | — | — | — | 19 | 33.3 | — | — |
| Other | 45 | 18.8 | 10 | 8.5 | 6 | 12.5 | 21 | 36.8 | 6 | 33.3 |

Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.

*Some donors reported multiple funding sources; therefore, percentages exceed 100 percent.

Among specific findings (Figure 4), more than three-fourths of the 240 9/11 donor respondents (77.3 percent) funded relief for victims and their families, while more than two-fifths (44.2 percent) supported recovery and rebuilding efforts for affected communities. (Related also to families, six donors supported the long-term educational needs of victims' children.) The third largest group of donors (34.2 percent) supported relief for workers who lost their jobs due to 9/11-related causes, while the fourth largest group (21.3 percent) assisted local nonprofits that were displaced or suffered loss of revenue in the aftermath of the crisis. Smaller shares of funders supported local safety or disaster preparedness initiatives (15.0 percent) and various issues related to the terrorist attacks and their aftermath (14.6 percent), such as aid to Afghanistan, religious and cultural tolerance, international security, and understanding the root causes of terrorism. In addition, five foundations and one corporation specifically funded anti-bias efforts. Within the "other" category, four donors supported mental health services for affected communities, families, and children; three supported aid to animals affected by the disaster; and two funded the needs of special populations, such as the disabled.

Among the principal grantmaker types, independent and public foundations in the sample reported the most diversified funding purposes (Table 2). In addition to supporting direct relief funds and long-term scholarship aid, independent foundations funded relief efforts for workers, aided local affected nonprofits, supported disaster preparedness, and accounted for a large majority of the donors funding anti-bias programs, international aid, and mental health initiatives.

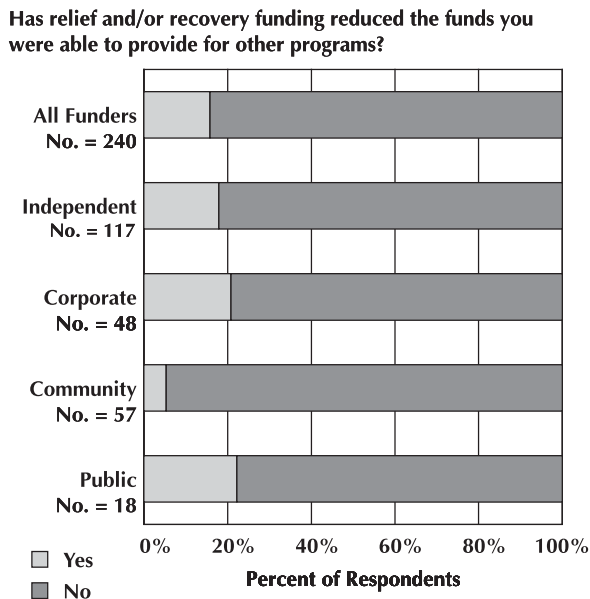
Corporate donors targeted support mainly in the areas of relief and recovery, aid to workers and nonprofits, and disaster preparedness. Community foundation donors (many of which had established local "September 11th funds") focused mainly on relief and recovery efforts but also supported aid to workers and nonprofits.

Impact of 9/11 on Grantmakers' Priorities and Strategies

In addition to fearing cuts in giving by 9/11 donors, nonprofits were concerned that the events and issues related to the 9/11 tragedy would trigger sudden shifts in the programmatic interests of foundations and corporations. Others in the philanthropic community were interested in the ways that donors were streamlining or changing their grantmaking practices and procedures in the aftermath of the catastrophe, either to ease the burden on grantees or as a result of resource constraints brought on by shrinking assets. The survey asked grantmakers separately about changes in their funding priorities and their strategies, but respondents did not always distinguish clearly between the two. All respondents were invited to answer these questions.

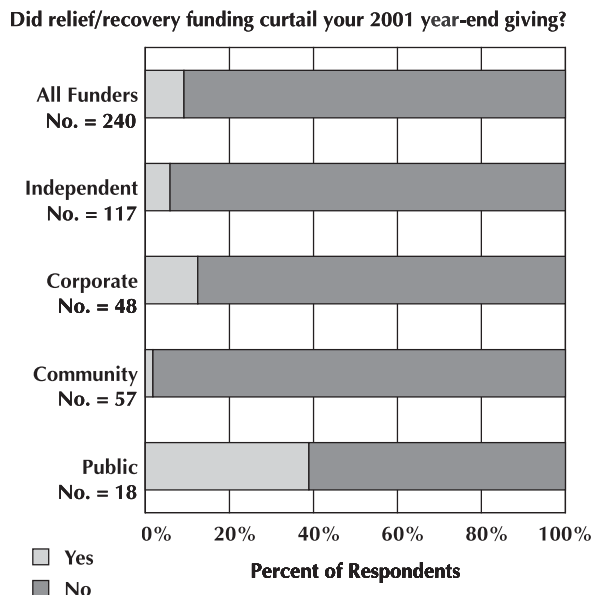
Program focus. Overwhelmingly, grantmakers did not shift their giving priorities after 9/11 or create new programs. Of the 333 respondents, roughly 95 percent indicated no change in programmatic focus (Figure 5). Independent foundations, which include the majority of large endowed donors in the sample, were least likely to cite programmatic change (2 percent), while public foundations were most likely (25 percent).

FIGURE 2. Impact of 9/11 Funding on Grantmakers' Other Programs*



Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.
*Includes respondents reporting 9/11-related contributions only.

FIGURE 3. Impact of 9/11 Funding on Grantmakers' Year-End Giving*



Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.
*Includes respondents reporting 9/11-related contributions only.

Among the 18 donors who cited a change in programmatic focus, the changes varied widely: the Petco Foundation (CA) created a veterinarian's subsidy for search and rescue dogs; the San Diego Foundation (CA) created a "Disaster Philanthropy Task Force"; the Pasadena Foundation (CA) started a "Great Idea Fund" to meet community needs; the Waterbury Foundation (CT) will provide additional grants to "organizations that provide basic services"; and the Axe-Houghton Foundation (NY) will narrow its focus in 2002 to New York City grantees, especially those most affected by the aftermath of 9/11.

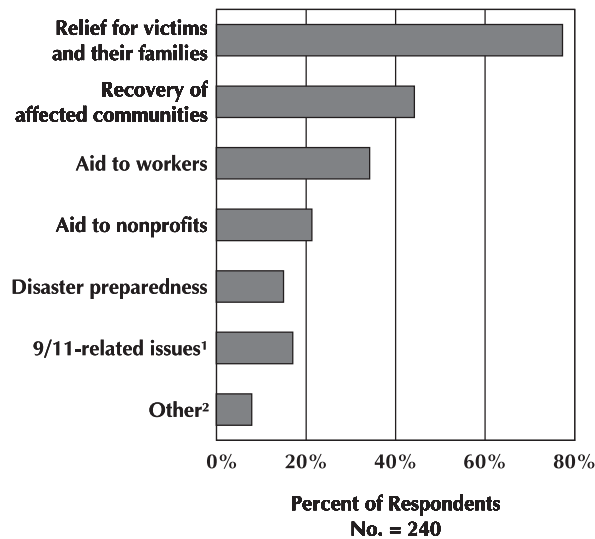
Several grantmakers responded pointedly that they were *not* changing their priorities. On the contrary, they believed that their support for their grantees was more needed than ever in these "challenging economic times." In fact, half of the 95 funders who offered comments said that they were more focused on existing program priorities and giving areas as a result of the economic downturn. Many of them expressed deep concern about the overall health of the nonprofit sector.

Grantmaking strategies. Similarly, more than nine out of ten respondents (91 percent) did not change their grantmaking policies and practices in the aftermath of 9/11 (Figure 6). Corporate donors were least likely to change their strategies—only 2 percent indicated a change, while community foundations were the most likely to change (13.5 percent).

Among the 30 respondents citing changes in practice, some were responding to the needs of nonprofits in the uncertain post-9/11 environment, while many were reacting to the constraints caused by shrinking endowments. In the former category, Alliance Healthcare Foundation (CA) provided operating funding to local organizations impacted by a decrease in contributions after 9/11. Similarly, the Western Lane Community Foundation (OR) released more discretionary funds to make up for shortfalls in local donations to nonprofits, and the Pasadena Foundation (CA) will distribute "a larger percentage of our discretionary funds this year, since many of our nonprofit agencies are struggling." The John Edward Fowler Memorial Foundation (DC) is focusing more on nonprofit agencies "that directly benefit the working poor, including employees who lost jobs in the DC metro area as a result of the steep downturn in tourism after 9/11." The National Association of Chain Drug Stores (NACDS) Charitable Foundation (VA) will focus more on community service activities. The McNerny Foundation (HI) is focusing more on direct services and has set aside a portion of its current bud-

FIGURE 4. Purposes of 9/11 Contributions

Which categories of post-9/11 aid best describe your organization's support?



Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.

¹Includes issues such as civil liberties, aid to Afghanistan, and international security.

²Includes long-term aid, such as scholarships and mental health counseling.

TABLE 2. Purposes of 9/11 Contributions by Grantmaker Type*

| Purposes | Which categories of post-9/11 aid best describe your organization's support? | | | | | | | | | |
|---------------------------------------|--|------|------------------------------------|------|--|------|---------------------------------|------|------------------------------|------|
| | All Funders n = 240 | | Independent Foundations n = 117 | | Corporations/ Corporate Foundations n = 48 | | Community Foundations n = 57 | | Public Foundations n = 18 | |
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Relief for victims and their families | 176 | 77.3 | 81 | 69.2 | 42 | 87.5 | 45 | 78.9 | 8 | 44.4 |
| Recovery of affected communities | 106 | 44.2 | 35 | 29.9 | 29 | 60.4 | 37 | 64.9 | 5 | 27.8 |
| Aid to workers | 82 | 34.2 | 34 | 29.1 | 16 | 33.3 | 27 | 47.4 | 5 | 27.8 |
| Aid to nonprofits | 51 | 21.3 | 25 | 21.4 | 12 | 25.0 | 12 | 21.0 | 2 | 11.1 |
| Disaster preparedness | 36 | 15.0 | 20 | 17.1 | 9 | 18.8 | 5 | 8.8 | 2 | 11.1 |
| 9/11-related issues ¹ | 35 | 14.6 | 23 | 19.7 | 3 | 6.3 | 3 | 5.3 | 6 | 33.3 |
| Anti-bias activities | 6 | 2.5 | 4 | 3.5 | 1 | 2.1 | — | — | 1 | 5.6 |
| Scholarships for victim's children | 6 | 2.5 | 3 | 2.6 | 1 | 2.1 | 1 | 1.8 | 1 | 5.6 |
| Other ² | 13 | 5.4 | 8 | 6.8 | — | — | 2 | 3.5 | 3 | 16.7 |

Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.

*Includes only those respondents reporting 9/11-related contributions; most donors reported multiple giving purposes; therefore, percentages exceed 100 percent.

¹Includes issues such as civil liberties, aid to Afghanistan, and international security.

²Includes long-term aid such as mental health counseling.

get for an emergency relief fund to be used for local organizations in Hawaii. Similarly, the New York Foundation's board approved a special allocation to be used in emergency situations, should they arise.

Changes in practice prompted by the deepening stock market decline took many forms. For example, the Ford Family Foundation (OR) will be more cautious about making multi-year grants due to impacts on their endowment. The foundation is also reducing its administrative expenses in line with having to reduce grant funding. The Charles A. Frueauff Foundation (AR) will be unable to consider most new agencies for funding in 2002. The Rosenberg Foundation (CA) has increased its focus on outcomes. The Jessie Ball duPont Fund (FL) is analyzing nonprofits' financial health more carefully before funding the startup of new programs: "If institutional stabilization is their greatest need, that's what we will fund." The Camphill Foundation (PA) is focusing more on recipient accountability and more on programmatic versus capital support.

Among cost-cutting tactics, a few donors mentioned that they were scaling back on particular programs in 2002 or 2003 or giving fewer grants. Other donors reported that they were reviewing policies and procedures as part of an effort to "tighten up" grantmaking and reduce administrative costs.

Over and over again in their comments, grantmakers stressed that it was the stock market slide (starting well in advance of September 2001) and not the 9/11 crisis that was driving changes in grantmaking behavior and clouding prospects for giving. Still, for some, 9/11 was the tipping point that led them to re-examine policies and strategies.

Impact of Stock Market Decline on Giving Levels

One of the chief purposes of the survey was to help the Foundation Center assess the climate for foundation and corporate giving after 9/11. Specifically, did the steep drop in the market immediately following the crisis cause funders to make cuts in year-end spending, and had losses in the stock market starting in 2000 affected the growth of giving in 2001 and the prospects for giving in 2002 and beyond?

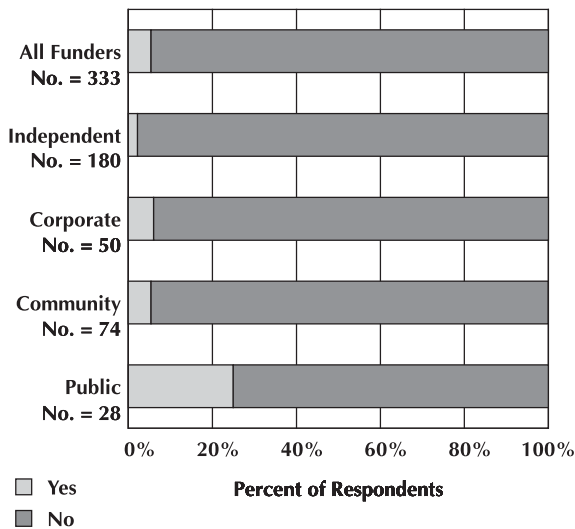
Impact on Year-End Giving

Despite the substantial asset losses incurred in September by most of the 333 respondents, only one-fourth (24.3 percent) were prompted to reduce their giving in the fourth quarter of 2001 (Figure 7). The impact of the post-9/11 economic downturn was more severe for community foundations and other public foundations, which rely on support from the public. More than one-third of community foundation respondents and nearly one-third of other public foundation respondents reduced their year-end giving. Surprisingly, corporate donors, who were among the hardest hit by the economic downturn, and who contributed disproportionately more to 9/11 causes relative to their annual giving, reported the least impact. Only 12 percent of corporate respondents reduced year-end giving after 9/11 (see also related findings below).²

2. One possible explanation for this finding was that corporations had begun to trim their giving budgets much earlier, prompted by decreases in earnings starting in mid-2000.

FIGURE 5. Changes in Funding Priorities After 9/11*

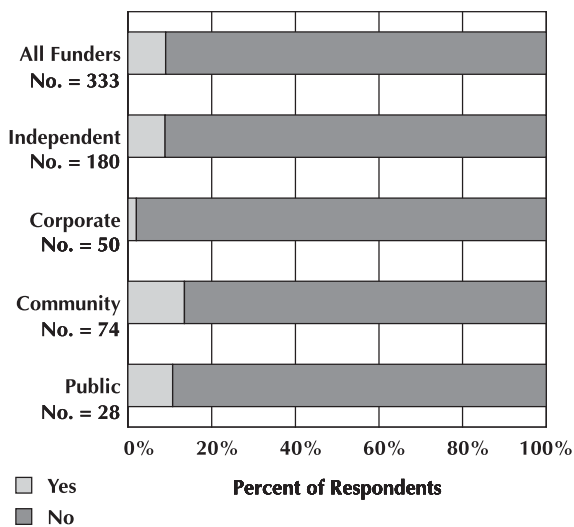
In the aftermath of 9/11, has your programmatic focus shifted or have you created a new program?



Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.
*Includes all survey respondents.

FIGURE 6. Changes in Grantmaking Strategies After 9/11*

In the aftermath of 9/11, has your grantmaking strategy (e.g., policies and procedures) changed?



Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.
*Includes all survey respondents.

Impact on 2001 Giving Levels

Two consecutive years of losses in the stock market took a toll on grantmakers' resources. Still, according to Foundation Center estimates released earlier this year, the impact on 2001 foundation giving was less severe than some in the philanthropic field had predicted.³ This survey produced a consistent finding based on questions asking grantmakers whether their 2001 giving had increased, decreased, or stayed the same compared with 2000. Those reporting a change were asked to estimate the rate of increase or decrease.

Compared with their giving levels in 2000, nearly 38 percent of respondents *increased* giving in 2001 while another 31 percent held even (Figure 8). Only 28.4 percent reduced giving. With the exception of independent foundations, findings varied considerably by grantmaker type and yielded a few surprises. For example, in contrast with some national forecasts of corporate giving, nearly half of all corporate respondents (43.6 percent) said that they increased their giving in 2001—compared with 35 percent of independents—while fewer than 13 percent reduced support.⁴ Another 41 percent of corporate donors gave at a consistent level. Since nearly all corporate survey respondents were also 9/11 donors, the increase in their 2001 support may represent exceptional giving related to 9/11.

3. In its annual *Foundation Growth and Giving Estimates* report, the Foundation Center forecasted a 5 percent rise in giving in 2001, or 2.2 percent after inflation.
 4. Among the principal national sources of corporate giving trends data, *Giving USA* forecasted a 12.1 percent drop in giving in 2001, while the Conference Board predicted that giving would be flat. In its latest *Foundation Growth and Giving Estimates* report, the Foundation Center estimated that corporate foundation giving would rise 2.6 percent.

Similar to corporate donors, more than 40 percent of community foundation respondents raised giving levels in 2001, yet an almost equal proportion (35 percent) said that funding dropped compared with 2000. A smaller 21 percent reported that giving remained level.

Among public foundations, the share of respondents that increased giving levels in 2001 (40.9 percent) was also above average, while the share that reduced funding (22.7 percent) was below average. Nearly one-third of public foundations maintained a steady level of giving.

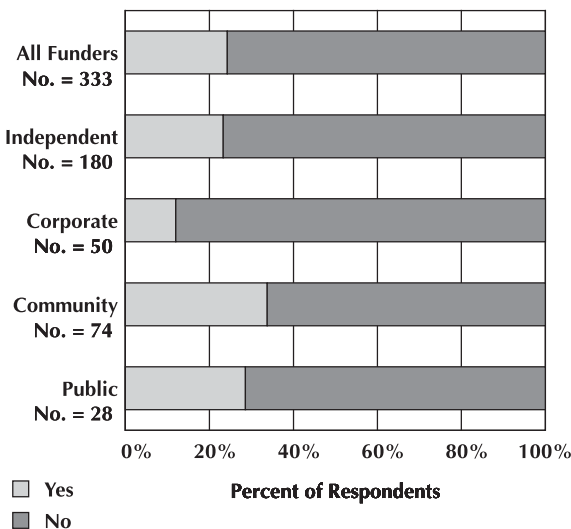
In explaining why their funding increased in 2001, several private foundations attributed the rise to their spending policies. "Our distribution requirement was locked in, regardless of a catastrophic event," commented one West Coast foundation. Another foundation based in the Midwest put it this way: "Due to the way we calculate our payout, the decrease in the stock market will not affect our spending until next year." Still a third foundation, located in the Northeast, cited a longer time horizon: "Our payout depends on a five-year total-return figure, so the decrease from the market will be spread over several years."⁵

Other reasons cited for increases in giving included fulfilling multi-year pledges, releasing discretionary funds to help out struggling nonprofits, paying out a bequest that came due (at a community foundation), receiving a substantial bequest, funding a one-time 9/11 corporate relief fund, and for a few start-up foundations, holding to budgeted increases.

5. Typically, private foundation payout is calculated based on the average value of assets over the past few years. Since asset values rose through early 2000, giving levels continued to rise at least through 2001.

FIGURE 7. Impact of the Post-9/11 Stock Market Decline on Year-End Giving*

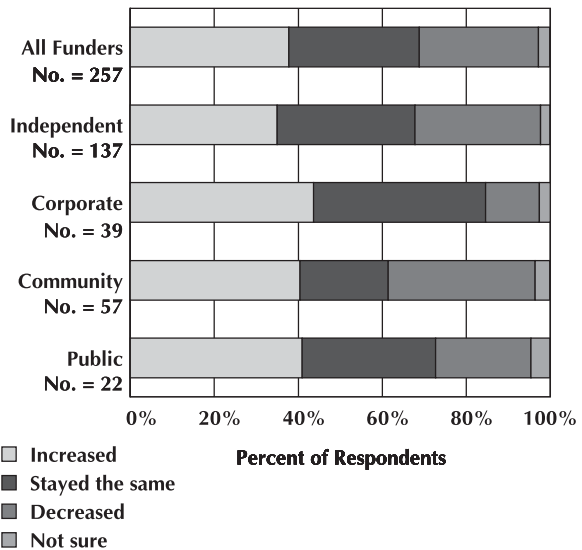
Did the stock market drop after 9/11 cause you to reduce your 2001 year-end spending?



Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.
 *Includes all survey respondents.

FIGURE 8. Changes in Levels of Giving in 2001 by Grantmaker Type*

Compared with 2000, did your contributions in 2001 increase, decrease, or remain about the same?



Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.
 *Excludes 76 respondents who did not answer this question.

Rates of Change in 2001 Giving. For the 97 respondents reporting higher giving levels in 2001, the most typical rates of increase were 1 to 10 percent (37.1 percent) and 11 to 20 percent (25.8 percent), followed by 21 to 30 percent (15.5 percent). Still, a solid one-fifth of those reporting increases raised giving levels by more than 30 percent. For the 73 respondents reporting a *drop* in giving in 2001, the most typical rates of change were, similarly, 1 to 10 percent (39.7 percent) and 11 to 20 percent (32.9 percent), followed by 21 to 30 percent (15.1 percent). Only a handful of those indicating decreased support reduced giving by more than 30 percent. Interestingly, rates of change were fairly consistent across foundation types.

Prospects for Giving in 2002

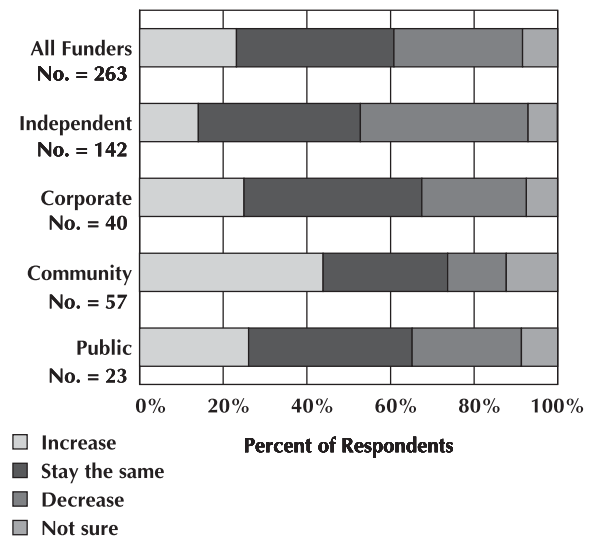
In contrast with 2001, the outlook for giving in 2002 reflected grantmakers' pessimism about the economy and fears about their shrinking endowments. Still, despite the bleak economic picture, respondents seemed determined to keep an even keel through 2002, or at least limit the size of reductions. On the positive side, for various reasons, some will continue to increase giving.

By far the largest share of respondents (37.6 percent) expect giving to remain the same compared with last year, while the second largest share (30.8 percent) expect it to drop (Figure 9). Still, 23 percent of respondents will award more in 2002 than they did in 2001. Interestingly, while the proportions of funders expecting to increase or decrease support in 2002 varied widely by funder type, the "holding steady" share of respondents was fairly similar (ranging from 30 percent of community foundations to 43 percent of corporate donors). In general, community foundations were more optimistic about increases in giving, while independent foundations were more likely to expect reductions. Corporate funders were evenly split between those expecting to increase and those expecting to decrease funding (25 percent each).

In their comments, many grantmakers expressed concern about the economic climate, their shrinking asset base, and their ability to fund programs adequately. Most respondents who offered positive comments about 2001 were less optimistic about 2002 and beyond. "Payout will be impacted in 2002, not 2001," cautioned one Northeast grantmaker, echoing the comments of many. Nevertheless, several commentators expected giving to stay even or do slightly better through 2002, but worried about 2003. "Although our portfolio has moved lower this year [2002], our investment policy has allowed us to maintain consistent distributions," explained a foundation in the Southwest. "Grants will increase modestly in 2001 and 2002; in 2003 our grants budget will decline to reflect

FIGURE 9. Prospects for Giving in 2002 by Grantmaker Type *

Compared with 2001, will your contributions in 2002 increase, decrease, or remain about the same?



Source: The Foundation Center, *Assessing the Post-9/11 Funding Environment*, 2002.

*Excludes 70 respondents who did not answer this question.

decreased asset values," observed a Midwest foundation. There is some evidence that grantmakers are under pressure to raise funding to meet the needs of nonprofits, despite falling endowments. One funder noted: "We are struggling to meet grant requests; we look for modest increases in 2002." There is also evidence that projected increases in giving may be scaled back if endowment values continue to drop. Another grantmaker stated: "We are budgeting an increase in grants and scholarships for 2002, but the amount can be modified depending on current economic and market conditions."

Rates of Change in 2002 Giving. For the 81 donors who will reduce giving in 2002, by far the most typical rate of change reported was 1 to 10 percent (50.6 percent), followed by 11 to 20 percent (28.4 percent). Similarly, among the 61 grantmakers who plan to *increase* giving levels this year, by far the most common rate of change was 1 to 10 percent (52.5 percent), followed by 11 to 20 percent (24.6 percent). At the extremes, 11 respondents expect giving to fall by more than 30 percent, while six predict an increase in giving above 30 percent.

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