

FACT SHEET ON THE CONTINUED CRISIS IN CHARITABLE CONFIDENCE

Paul C. Light
New York University
Brookings Institution

September 13, 2004

Three years after the terrorist attacks on New York City and Washington, D.C., confidence in charitable organizations continues to languish well below its pre-September 11 levels. Despite hopes that the confidence would rebound with the mere passage of time, the controversies surrounding disbursement of the September 11 relief funds and subsequent nationally-visible scandals surrounding the Nature Conservancy and several private foundations appear to have left a durable imprint that has yet to fade.

The number of Americans who express little or no confidence in charitable organizations increased significantly between July 2001 and May 2002, and remains virtually unchanged to this day. (See Tables 1 and 2 attached to this fact sheet.) As I argue in *Sustaining Nonprofit Performance: The Case for Capacity Building and the Evidence to Support It*, which is being released by the Brookings Press at the same time as this fact sheet, charitable organizations did not get any of the post-September 11 “rally” in confidence that boosted government and other civic institutions, but received all of the decline as America returned to a semblance of normalcy in 2002. As a result, confidence in charitable organizations stands roughly 10-15 percent lower today than it was in the summer of 2001.

Equally troubling, Americans continue to express serious doubts about the performance of charitable organizations in exercising their fiduciary responsibilities. Only 11 percent of Americans believe that charitable organizations do a very good job spending money wisely, for example, a figure that is almost two-thirds lower than the percentage who believe charities do a good job helping people. (See Table 3 for public assessments of charitable performance on four key tasks—spending money wisely, helping people, being fair in their decisions, and running their programs and services.)

Even Americans who express a great deal or fair amount of confidence in charitable organizations have doubts about how well these organizations perform in spending money wisely. Just 41 percent of Americans who expressed a great deal of confidence in charitable organizations said these organizations did a very good job spending money wisely, suggesting that even the sector's strongest supporters have come to expect some level of waste as part of helping people.

These findings coming from a random sample, telephone survey of 1,417 Americans interviewed by telephone by Princeton Survey Research in the first three weeks of August. Brief though it is, the following findings provide ample cause for continued concern regarding the state of charitable confidence:

1. Confidence has remained relatively fixed for more than two years now. It fell significantly in the wake of the controversies surrounding the September 11 relief effort, and has remained statistically unchanged since. With just 15 percent of Americans expressing a great deal of confidence, charitable organizations now find themselves just barely ahead of organized labor, television news, big business,

HMOs, and Congress, and well behind the military, the U.S. Supreme Court, and the church. To the extent organizations are known by the company they keep, charitable organizations have ample cause to worry.

2. Charitable organizations have not received any apparent benefit from the mere passage of time. Nor have they benefited from more aggressive efforts to tell success stories. As *Sustaining Nonprofit Performance* argues, Americans do not question whether charitable organizations have the right priorities. Rather, many increasingly wonder whether charitable organizations have the right organizations and fiduciary systems. Asked to identify the greater problem facing charitable organizations in my October 2003 survey, only 17 percent said these organizations had the wrong priorities, while 70 percent said they were inefficient.
3. Americans continue to have significant doubts about charitable performance in four key areas. Although 31 percent say charitable organizations do a very good job helping people, only 19 percent give them the same grade for running their programs and services, 17 percent for being fair in their decisions, and just 11 percent for spending money wisely. These figures are statistically unchanged since October 2003.
4. Spending money wisely continues to be the greatest deficit for charitable organizations. As of August 2004, 37 percent of Americans said charitable

organizations either did not do too good a job in this key area (19 percent), not at all good (7 percent), or simply did not know or refused to answer the question (12 percent). As one might expect, these ratings are lowest among Americans with the least confidence—only 6 percent of Americans with no confidence in charitable organizations at all said these organizations did a very good job spending money wisely, and only 10 percent of Americans with not too much confidence agreed. However, the ratings are also surprisingly low among more trusting Americans. As already noted, just 41 percent of Americans with a great deal of confidence said charitable organizations do a very good job spending money wisely, while just 38 percent of Americans with a fair amount of confidence agreed.

The warning embedded in these percentages is clear—even Americans who have a great deal of confidence in charitable organizations, and believe that these organizations do a very good job helping people have come to wonder about fiduciary and administrative performance, which in turn, affects discretionary giving and volunteering (meaning dollars and hours given to charities other than one’s religious institution or alma matter.)

These surveys also support the notion that confidence will not rebound without demonstrable action to improve actual performance, while refuting those who argue that the post-September 11 decline either never happened or would fade quickly from memory. The decline was not only real, but appears to be durable. The survey responses also suggest that donors and volunteers are increasingly strategic in their giving decisions—they are not saying “show me the cause,” but “show me the impact and accountability.”

The charitable sector will not pull itself out of the current crisis by telling more success stories, complaining about negative media coverage, or fretting about legislative change. Rather, they need to embrace the call for reform, invest in core operating improvements, and police its poor performers. The sector does not need to invest its scarce resources in convincing Americans that charities make miracles every day—Americans already believe it. Rather, philanthropies, donors, boards, and executive directors would be wise to invest in the core capacity needed to assure the highest level of organizational performance.

Table 1: Confidence in Charitable Organizations, 2001–02

Question: How much confidence do you have in charitable organizations: a lot, some, or none?

	<i>2001</i>		<i>2002</i>		
	<i>July</i>	<i>December</i>	<i>May</i>	<i>August</i>	<i>September</i>
A lot	25	24	18	19	18
Some	65	62	63	62	64
None	8	11	17	16	15
Sample size	4,216	519	1,737	487	1,063

Source: July 2001 survey conducted by Independent Sector; other surveys conducted by Princeton Survey Research Associates on behalf of the Center for Public Service

Table 2: Confidence in Charitable Organizations, 2002–04

Question: How much confidence do you have in charitable organizations: a great deal, fair amount, not too much, or none?

<i>Answer</i>	2002	2003		2004	
	<i>September</i>	<i>August</i>	<i>October</i>	<i>January</i>	<i>August</i>
A great deal	13	12	18	13	15
A fair amount	47	48	45	49	50
Not too much	26	27	27	25	25
None	11	10	7	9	7
Sample size	1,381	1,075	770	6,000	1,417

Source: Surveys conducted by Princeton Survey Research Associates on behalf of the Center for Public Service

Table 3: Assessments of Charitable Performance, 2003-2004

Question: How good a job do charitable organizations do at _____? Very good, somewhat good, not too good, or not good at all?

<i>Charitable task</i>	October 2003	August 2004
Spending money wisely		
Very good	14	11
Somewhat good	45	51
Not too good	22	19
Not good at all	6	7
Helping people		
Very good	34	31
Somewhat good	50	51
Not too good	9	8
Not good at all	3	2
Being fair in their decisions		
Very good	18	17
Somewhat good	52	56
Not too good	14	9
Not good at all	3	3
Running their programs and services		
Very good	21	19
Somewhat good	53	57
Not too good	15	11
Not good at all	3	2

Source: Surveys conducted by Princeton Survey Research Associates on behalf of the Center for Public Service