Planned Giving in Community College Development Efforts: Plans, Strategies, and Luck

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Community colleges increasingly use fundraising as a strategy to fortify their financial situations, and one strategy that has been used less frequently for community colleges is planned giving. Planned giving encompasses a variety of giving options that result in a deferred realization of funds. The current study described the types of planned gifts currently used by community colleges, their organization, and the reliance placed upon them. With a sample of 150 community college development officers, findings identified that planned giving plays an important role and is utilized by colleges, but their use is largely unintentional and not viewed as strategic.

INTRODUCTION

Funding for all of higher education is facing a barrage of challenges that call into question both its sustainability and access. Faced with competing public interests, state legislatures are having to balance programs that serve a wide cross section of the population, ranging from prisons and Medicare/Medicaid to roads and public schools. The result is a limited and shrinking availability of funds for higher education. And within the higher education sector, there is significant competition between different types of institutions, as state flagships attempt to secure the largest portion of state funds, and regional universities and community colleges have to work harder to access funding. For the community college sector, a sector driven by service to the poor, first-generation, non-politically influential population, access to state funds is particularly challenging. Additionally, with shifting public priorities and a refusal to increase tax rates, community colleges have been forced to explore alternative options for revenue, including aggressive fundraising programs.

Fundraising programs for community colleges are not new, but have increased in importance. For example, as Boggs (2016) noted, the ability to fund programs that improve student success have become highly effective, but they are also very expensive to operate. Other programs that are reliant on high-cost technology and increased benefits expenditures for faculty also increase costs to the college. Boggs also noted that effective fundraising programs take long periods of time to develop, and that the ultimate goal is to create feelings of ownership among stakeholders who can support the college.

Boggs notion that fundraising takes time is consistent with the discussion of how giving occurs in the non-profit sector in general, but in higher education in particular. Most fundraising programs begin with introductory giving opportunities, generally coordinated through alumni associations or annual giving programs. These small, annual gifts are typically used for immediate needs and spending by the institution, and are also used to help identify who supports the institution with their own private resources. These annual gifts are courted and donors are stewarded to the extent that larger gifts can be solicited, and with these solicitations, the donors are engaged in more meaningful activities within the institution. From these major gifts, donors are cultivated to the extent that they can leverage their personal resources to make even larger, transformational gifts to the institution using one of a variety of planned giving tools (Bila, 1999). The historically most common planned giving tool was a will or estate gift of significant size, allowing the institution to build critical endowment resources and assure a financially stable future.

As community colleges have come slowing into the world of higher education fundraising, studies have begun to examine how they structure alumni giving (Skari, 2014) and associations, capital campaigns (Smith, Miller, & Gearhart, 2017), along with other development activities (Gyllin, 2013). This body of research has not explored planned giving in particular, and with the critical nature of planned gifts assuring a future financially stable institution, such research is critical. Therefore, the purpose for conducting the study was to catalog, describe, and explain how planned giving has been used for institutional advancement in contemporary community colleges.

BACKGROUND OF THE STUDY

The seminal text on institutional advancement edited by A. Westley Rowland (1977) offered only one chapter on what is considered planned giving. In the chapter authored by Bucklin (1977), he focused exclusively on deferred giving, noting that "…deferred giving is appropriately named because it usually is deferred – and often ignored" (p. 217). He went on to note that "…because there often is a substantial period between the discovery of a prospect and the consummation of a deferred gift, progress is difficult to measure" (pp. 234-235).

Drawing on his professional practice and exposure, Bila (1999) identified that planned gifts were at the 'top of the pyramid,' meaning that cultivation, stewardship, and years of smaller gifts and ultimately major planned gifts. In this depiction, he identified six types of gifts, including irregular gifts, regular gifts, larger gifts, leadership gifts, major gifts and planned/deferred gifts. These planned and major gifts were the result of a lifetime of commitment to an institution, and represented a "touchstone of quality" (p. 167) and "sense of power [for] institutional ideals" (p. 167). His implication with this progressive approach to fundraising is that planned gifts are the ultimate contribution of an individual that is the result of a long period of commitment and effort to help the institution.

Fundraising for community colleges is a practice that has only recently grown substantially. With a strengthened ability to demonstrate the need for development-related activities, community college leaders have begun to take on fundraising activities with a greater level of intensity. These fundraising activities, however, are often placed at a disadvantage due to poor historical infrastructures and record keeping, forcing institutions to rely on business and industry as their primary donors (Gyllin, 2013).

A common practice in the scholarship of understanding community college fundraising has been to try and use institutional variables to predict fundraising performance. The Patterson, Justice, and Scott (2012) study is typical of these research projects, as they surveyed senior development officers using a national sample. They found that variables such as the college's size, geographic location, and endowment resources were all positively correlated to fundraising success, but there was no indication as to how the college raised funds. Noting a need for strong presidential leadership, they reiterated that development activities are most strongly correlated to effort; the more effort placed in fundraising activities, the greater likelihood of a positive return.

By focusing on business and industry to support community college education and training related programs, they often fail to capture the potential of individuals who have a capacity to give. Skari (2014), using a multi-state data base of community college alumni, found that the donor profile for community colleges mirrors that of their four-year college alumni counterparts. Specifically, she found correlations between experience, wealth, giving to other organizations, and age as predictors to giving. Additionally, she found that those holding a two-year degree were more likely than those holding a four-year degree to give to their alma mater.

Perhaps the most common types of planned gifts used in higher education are the reservation of a life estate, IRA rollover, will or living trust, bargain sale, and charitable remainder trust. Reserving a life estate is particularly popular for agriculture college alumni who might have a farm in their estate. IRA rollover is also frequently used for donors 70 ½ and older. Planned giving offices across the country use this device to appeal to senior alumni around the holidays. Of course, including an institution of higher education in one's estate plans through a will or trust continues to be a highly used mechanism to benefit one's alma mater. Capital campaigns use these type planned gifts to appeal to donors to make stretch gifts that can be counted in campaign totals (see Table 1).

TABLE 1
TYPES OF PLANNED GIFTS

Type of Gift	Definition
Bargain Sale	gift of asset for less than fair market value
Life Estate Reserved	gift of farm or personal residence with retained life estate
Donor Advised Fund (DAF)	current gift to charitable fund with later designation to specific charity
Charitable IRA Rollover (QCD)	gift of up to $100,000 per year directly from IRA to charity for donors age 70½ or older
Will/Revocable or "Living" Trust	testamentary gift through standard estate planning documents
Retirement Funds/IRA	testamentary gift through beneficiary designation
Insurance	testamentary gift through beneficiary designation or current gift by transfer of ownership of policy to charity
Charitable Gift Annuity	guaranteed, fixed payments for one or two lives with remainder to charity
Charitable Remainder Trust	varying or fixed payments for life, or term of years (up to 20), with remainder to charity
Charitable Lead Trust	varying or fixed payments to charity, typically followed by return of remainder to children or grandchildren

Often alumni want to make a gift of property but also reap the benefits of the property at the same time. Bargain sales continue to be a popular way a benefiting both the institution and the individual. Finally, the CRT, particularly the unitrust trust, is widely used as a way to provide senior alumni with resources and receive major tax advantages all at the same time (Dove, 2001; Sargeant & Shang, 2010; Temple, Seiler, & Aldrich, 2011).

Patterson, Justice, and Scott (2012) noted that as community colleges are more effective with their fundraising, they are also the subject of a growing amount of research. They argued that "variables found to increase foundation revenue a decade ago may no longer be effective, while those determined to have been statistically insignificant at the time may have a much greater impact on today's community college foundations" (p. 128-129).

RESEARCH METHODS

The primary method of data collection was through a research-team designed survey that sought to identify how planned giving was structured in community colleges. The survey questions were based on literature reviewed, and the survey was pilot tested with a small group of community college administrators. Following revisions to the survey, the final survey included eight descriptive questions and was distributed electronically in the summer of 2017.

The sample for the study were 150 identified resource development officers, fundraising officials, or similarly titled community college administrators. These individuals were first identified by institution using a professional association's listing of community colleges. These colleges were selected using a table of random numbers, with numeric identifiers being assigned to each college. Following institutional selection, websites were reviewed and studied to identify the individual with the most consistent professional job title associated with fundraising for the college. The contact information for these individuals were then used to create a database for the sample.

Individuals first received an email indicating that they had been identified to participate in the study. Six emails were returned with individuals indicating that they did not want to participate in the study, and these institutions were replaced using the random number assignment and web identification process, and pre-survey emails were then sent to the six new participants. One week after the pre-survey email messages were sent, the survey was sent asking for responses within five working days. At the conclusion of five working days, an email reminder was sent, again with a link to the survey and a requested response within another five working days. At the end of the second time response request period, a third and final reminder was sent to the non-respondents asking for their participation. At the end of the survey period, a time span that included approximately three weeks, 66 respondents (44%) had completed at least some of the survey. Of these respondents, four community college administrators did not complete the entire survey and their responses were removed from the data to be analyzed, resulting in a total survey response of 62. This 41% response rate was deemed acceptable for several reasons including the descriptive nature of the research study and the comparative high rate of response when compared to other online survey distributions.

FINDINGS

The first step in analysis was to identify how common planned gifts were in community colleges. Using data on charitable gifts over $1 million reported by the *Chronicle of Philanthropy*, the past decade, 2016-2006, was included in analysis. As shown in Table 2, planned gifts accounted for 17 of the 60 $1+ million gifts during this period of time (28% of all $1 million or greater gifts). The 60 gifts were for $184,255,250 over the ten year period, and of that dollar amount, $48,430,000 were from planned gifts (26% of the total dollars raised) with an average planned gift size of $2,848,823.

TABLE 2
GIFTS OVER $1 MILLION TO COMMUNITY COLLEGES, 2006-2016

	Gift Type, Number of			
Year	Planned	Outright	Pledge	Total
2016	2	5	2	9
2015	2	2	0	4
2014	4	2	1	7
2013	1	3	1	5
2012	4	3	0	7
2011	1	2	1	4
2010	0	0	1	1
2009	0	1	0	1
2008	1	3	3	7
2007	1	5	2	8
2006	1	4	2	7
Total # of gifts	17	30	13	60
Value of gifts[1]	$48.430$74.225	$61.600	$184,255	

[1]in millions.

Survey participants were first asked if their institution had a planned giving program, to which 34% (n=21; see Table 3) indicated that they did, 55% indicated that they did not, and another 11% indicated that they did not have a formal program, but that they had literature, publications, and a process for managing these types of gifts but that it might not have been a formalized structure. Nearly all of the respondents indicated that they did not have a full-time planned giving officer (85%; n=53), and two-thirds of the respondents (76%) indicated that they averaged about one planned gift per year.

The size of received planned gifts varied among respondents, with 16 institutions reporting that they averaged less than $1 million per year in planned gifts for the past five years, and 7 institutional respondents indicating that they averaged over $5 million per year over the last five years. Similarly, a third of the institutional responses (*n*=19; 31%) averaged less than 10% of their total giving, and a combined 95% of the respondents reported less than 25% of their average total fundraising dollars coming from planned gifts during the past five years.

The most commonly identified type of planned gift to a college was identified as insurance (*n*=13; 21%), although over half of the respondents reported not knowing what their most common type of planned gift was (*n*=35; 56%). Despite that lack of knowledge, the majority of community college administrators reported that they would describe their approach to planned giving as "strategic" (*n*=25; 40%) and a quarter indicated their approach was "transformational" (*n*=17; 27%). Overall, nearly half of the respondents indicated that planned giving was "very important" to their institution (*n*=28; 45%), with under 10 respondents (n=8; 13%) indicating that planned giving was "unimportant" to their institution. The mean for the rating of importance was 4.01, indicating a response of "important" to "very important."

TABLE 3
SURVEY RESPONSES BY SENIOR COMMUNITY COLLEGE ADVANCEMENT OFFICERS
N=62

Survey Item	n	%
Do you have a planned giving program?		
Yes	21	34%
No	34	55
Not formal	7	11
Do you employee a full-time planned giving professional?		
Yes	9	14
No	53	85
Approximately how many planned gifts has your institution received or received a pledge for during the past five years?		
0	11	18
1-5	47	76
6-10	4	6
More than 10	0	0
Total amount your institution has 'fundraised,' per year, *on average*, during the past five years?		
Less than $1 million per year	16	26
$1 to $3 million per year	33	53
$3 to $5 million per year	6	10
$5 million or more per year	7	11
What percentage of your total fundraising dollars received comes from planned giving, *on average*, during the past five years?		
0-10% of the total	19	31
11-25% of the total	40	64
26-50% of the total	2	3
51-75% of the total	1	2
76% or more of the total	0	0

TABLE 3 (CONTINUED)

Survey Item	n	%
What is the most common type of planned gift your institution has received during the past five years?		
Bargain Sale	0	0
Life Estate Reserved	1	2
Donor Advised Fund	3	5
Charitable IRA Rollover	0	0
Will/Revocable or “Living” Trust	6	10
Retirement Funds/IRA	0	0
Insurance	13	21
Charitable Gift Annuity	3	5
Charitable Remainder Trust	0	0
Charitable Lead Trust	0	0
Have not received any	1	2
Don’t know	35	56
How would you describe your approach to your planned giving program?		
Transformational	17	27
Strategic	10	16
Operational	10	16
Strategic	25	40
How important do you perceive your planned giving program to your institution’s overall development activities?		
Very Important	28	45
Important	15	24
Neither important or not important	11	18
Unimportant	8	13
Very unimportant	0	0

DISCUSSION

Study findings identified that planned gifts to community colleges were typically small and unintentional. Only a third of the community colleges participating in the study indicated that they had a formal planned giving program, and only a third of the development officers indicated that planned giving programs at their institutions were transformational, yet, almost half of them reported that they perceived planned giving programs as very important. These survey findings were consistent with the planned gift reporting that showed that planned gifts comprised about a quarter of community college gifts over $1 million, and an average planned gift size of $2.8 million.

The findings of the study indicated that planned giving is indeed important for community colleges, but that these programs are not well structured or particularly emphasized by their development staffs. The result for the colleges is, then, that planned gifts are not well relied upon, opening an important discussion that planned giving programs can evolve to be more strategic in their operation. The lack of reliance upon planned giving is not particularly surprising, as community colleges have typically relied upon business and industry to subsidize their programming. By not investing long term in stakeholders, a role alumni have filled in four-year institutions, community colleges are not well situated to grow donors from entry level annual donors to long-term, planned giving prospects.

One particular challenge community colleges have in working with planned gifts is that they do not have as well of a defined constituent base that four-year colleges have relied upon. These four-year institutions build upon the traditions and residential experiences of their students to seed a mentality of institutional support long after graduation. Community colleges have begun to develop their own traditions and many have developed residential experiences, providing them a tremendous opportunity to begin using planned gifts more strategically. Such a strategy would require the immediate investment of resources to make a planned giving program successful, intending for current expenses to realize a long-term return.

The realization of planned gifts that community colleges currently experience can be used as an example that this giving strategy can have on an institution. With the beginning of this precedence, institutions can begin to work with potential and current donors more intentionally to increase their personal responsibility in the institution and the development process. These are different skills than many current community college presidents have honed, and to be successful in development, these leaders must begin to consider long-term investments and donor relations more strategically for the ultimate benefit of the institution.

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