

Digging into Crowding Out and Warm Glow .. the impact of government funded new charity initiatives on private giving and charity fundraising

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Much of the research on the crowd-out or warm-glow effect from grants to charities on private giving has focused on capturing overall government funding to charities. This overall funding is a hodgepodge of support to a given charity, including: day-to-day operations, contracted service provision, as well as new programs. In addition, the requirements of the funding can include lump-sum as well as matching grant opportunities. Andreoni, Payne, and Smith (2014) was innovative in its ability to focus on a specific granting program's short and longer term effects on overall charity revenues and the variation in these effects across different sized charities. We extend this literature by studying the impact of 14 years of funding applications for new initiatives by charities on private giving and charity fundraising. The richness of our data permits us to explore three types of charities: those that receive funding, those that apply but do not receive funding, and those that do not apply for funding. We are able to measure short and long term responses, and to study differential impacts based on charity size and mission. We use a variety of estimation techniques to develop estimates of a causal effect of the government funding.

The funding program we are studying is one that is operated by a government agency and captures 14 years of funding. Charities may submit applications to the agency several times a year. The agency has several regional based committees that evaluate the applications and award funding based on merit, priorities, and a fixed budget. We have matched details on the grant applications and funding committees to charity financial information, community characteristics, and a classification system of service provision that is used in North America. These data allow use to use a variety of matching and machine learning techniques to use a series of empirical techniques to tease out a causal relationship between the effects of the grant program on charity financials. We focus on charity financials that focus on different types of private support (tax-receipted giving, revenues from fundraising, and revenues from other charities) as well as on the fundraising efforts of the charities.