

Strategic Communications**Memorandum**

TO: **Jeff Eshelman, IPAA**

FROM: **FTI Consulting, Inc.**

DATE: **12/01/2015**

RE: **Survey of Major College Donors on Issue of Fossil-Fuel Divestment**

This memo presents the results of an online survey conducted by FTI Consulting, Inc. over the period of November 10 to 15, 2015, and separately, a series of telephone interviews conducted by our staff over the period of October 13 - 21, 2015. This research was undertaken for the purpose of acquiring a better understanding of the views and impressions of major college donors with respect to the issue of fossil-fuel divestment in general, and how and whether these views change when presented with a scenario in which their own schools, or ones to which they sent money, were actively considering the adoption of such a policy.

The poll was conducted among N=275 major college donors, defined as individuals who donated \$5,000 or more to U.S. colleges in the past five years. More than half of our respondents donated \$10,000 or more over the past five years, while three in 10 donated \$20,000 or more.

The list of college donors from which the survey respondent pool was eventually produced was provided by ResearchNow, a global online sampling and data collection firm. All potential participants received a unique and protected link via email with which to complete the survey, which was hosted on a Qualtrics platform. In addition, FTI conducted a total of seven telephone interviews with individual major college donors. These interviews were conducted to probe deeper into the issue and provide us with some additional qualitative guidance with respect to how this issue is perceived by the major-college donor community.

Summary of Findings

As one might expect from a respondent pool comprised entirely of individuals who donate thousands of dollars each year to colleges and universities, survey participants self-identified as an educated lot, and a group very much aware of the ways in which their resources are being invested by the institutions they support.

A strong majority (54 percent) told us they were familiar with the specific investment strategies that endowment managers followed at their respective recipient schools. Nearly three in four respondents indicated they were aware of the size of the endowment, and tracked how well it has performed in recent years. And nearly 60 percent said they were generally happy with how these recipient schools' endowments have been historically managed.

Perhaps surprising to some, donors are not inherently hostile to the idea of their school choosing to divest itself of stocks based on a moral or political calculus, with 50 percent of respondents saying they could be supportive of such a move under the right circumstances, and only 24 percent saying they'd oppose it out-of-hand.

But for these donors, the circumstances driving the decision to divest matter quite a lot. Divesting from companies that did business in South Africa during Apartheid is one thing; folks can support that. But divesting from companies on the basis of the fact that they produce oil and natural gas? The majority of college donors we polled at the start of the survey (62 percent) told us they would oppose that, and that level of opposition to divestment only continued to grow as the survey went on, and as our respondents were provided with additional information and data points related to the current debate.

Respondents' strong opposition to fossil-fuel divestment appears to be driven by several different but related factors and phenomena. For starters, greater than three quarters of donors we polled (76 percent) told us that endowment managers should be using donors' money to maximize returns, not to make political statements – striking considering that, only a few questions before, 50 percent indicated they could support generic divestment under the right circumstances. But once “generic” divestment became “fossil-fuel” divestment, support for the concept begins to evaporate immediately.

Respondents also were not convinced that divestment would produce a cost-benefit outcome that benefits the divested school. A full 80 percent of respondents said they'd expect fossil-fuel divestment to adversely impact the financial returns of the investment accounts from which oil-and-gas related stocks were removed, while 71 percent said that divestment would have absolutely no impact on the companies being targeted by the divestment campaign.

Separately, 79 percent of respondents said they believe that divestment would have “no tangible impact” on the environment and climate change. And only four percent of respondents said they strongly agreed that “widespread divestment of oil and gas related securities would have a tangible impact on climate change.” Only 20 percent said they even slightly agreed with that contention.

With the position of college donors on the issue of fossil-fuel divestment now pretty firmly established, we wanted to probe deeper to see whether opposition to divestment could potentially spur these donors into additional action. If they were told that a college in which they've invested significant resources had decided to sell energy-related stocks for purposes other than maximizing returns, would they be angry? Would they reconsider sending those schools money? Would they pull their resources out entirely?

Nearly two-thirds of respondents (66 percent) indicated to us that they would be less likely to invest their money in a college or university that had decided to divest itself of oil-and-gas related stocks. When asked which specific actions they would consider taking in response to a school's decision to divest, a solid majority said they would either talk directly to a college administrator about the policy, spread the word to other donors that the school had decided to divest, or completely cut-off funding from that institution. Only 44 percent of respondents said they would do none of these things.

Individual Key Findings

- The majority of donors are familiar with the size of the endowment of the college to which they primarily donate, and many are also familiar with the investment approach followed by the the college's endowment managers.
 - 74 percent are familiar with the size of the endowment, including 31 percent who are very familiar.
 - Just over half (54 percent) are familiar with the investment approach and strategy of the endowment.
 - Nearly six-in-ten (59 percent) approve of the way the college manages its endowment.
- The energy industry as a whole is viewed as a critical component of the broader economy.
 - 74 percent believe the sector is inextricably linked to other industrial sectors.
 - 62 percent view the sector as a cornerstone of the U.S. and global economy.
 - 56 percent view the sector as essential element of a balanced, diversified portfolio.
 - Only 19 percent believe its significance to the U.S. economy is overstated. This is consistent across party lines – 18 percent of Republicans, 18 percent of Independents, and 22 percent of Democrats agree.
- At the outset of the survey, exactly half of the donors say they support colleges divesting their endowments of certain stocks for political or moral reasons, such as selling off assets linked to companies that did business in South Africa during Apartheid, while about one-quarter (24 percent) oppose divestment.

- 58 percent of donors are familiar with efforts by activists to force colleges to divest their endowments of oil and natural gas companies, while about one-in-ten (9 percent) indicated they are not at all familiar with the topic.
 - Larger donors are more familiar with oil and gas divestment than those who have donated smaller amounts (71 percent of those who donated more than \$20,000 are familiar compared with 56 percent of those who donated \$5,000-\$10,000).
 - When asked from which sources they heard of oil and gas divestment, mainstream media (53 percent), financial media (35 percent) and friends/family (16 percent) are the most common sources.
 - Donors believe those advocating for oil and gas divestment are motivated by a desire to address climate change (52 percent), stigmatize the oil and gas industry (37 percent), create favorable conditions for new carbon-restricting policies (31 percent), and attract media attention (29 percent).
- When first asked if they support or oppose **divestment**, donors emphatically say that they support schools efforts to push back against divestment proponents.
 - Nearly two-thirds (62 percent) support colleges’ decision to reject divestment, while only 12 percent oppose. Nearly four-in-ten (39 percent) strongly support colleges’ decision to reject divestment.
 - This was largely consistent across gender (65 percent of males and 58 percent of females support rejecting divestment) and age (65 percent of respondents aged 18-54 and 60 percent of those aged 55+ support rejecting divestment).
- After reading an argument used by opponents of divestment, stating that divestment deprives funds of diversification while doing nothing to impact the companies being targeted, the overwhelming majority of donors were more likely to support colleges’ decision to reject divestment.
 - Greater than three-quarters (76 percent) of donors said they were more likely to support colleges’ decision to reject divestment.
 - The anti-divestment messaging was impactful across party lines, as 84 percent of Republicans, 74 percent of Independents, and 68 percent of Democrats all became more likely to oppose divestment.
- Pro-divestment messaging doesn’t resonate with donors one bit. After reading an argument used by supporters of divestment, suggesting that divestment would bring more attention to climate change and spur the development of sustainable technologies, the majority of donors were actually less supportive of divestment than they were before they heard the message.
 - Nearly three-quarters (71 percent) of donors said they were still more likely to support colleges’ decision to reject divestment.
 - *“I don’t think it [divestment] will have that much effect on developing new technologies. I think it’s just taking a political angle that is being pushed out there and will not benefit new technologies because the money isn’t put in that direction.” – S.K., donated ~\$20,000 in the past five years*
 - *“These college institutions are going to hold such a small portion of an oil or gas companies’ stock that their divestment is going to be a blip on the radar screen and the stock will be snapped up by somebody else who thinks differently than they do. As a result it’s not going to change anything that particular company does. It’s not going to change any carbon emissions.” – E.D., donated ~\$7,000 in the past five years*
- Recent studies which demonstrate the potential negative financial impact of divestment on college endowments carry weight with donors.
 - Eight-in-ten (80 percent) donors said they were more likely to support colleges’ decision to reject divestment after reading about a University of Chicago study which found that investment portfolios divested of oil and gas performed about 70 basis points worse each year.

- Similarly, after reading about a recent Caltech study which found that the endowments of five leading universities would lose more than \$195 million per year if they divested, 76 percent of donors said they were more likely to support colleges’ decision to reject divestment.
- Nearly six-in-ten (59 percent) donors believe that oil and gas divestment is a costly strategy with the potential to dramatically lower returns due to the importance and size of the energy sector.
- Donors are clearly influenced by comments recently made by several prestigious schools that have rejected divestment.
 - Nearly eight-in-ten (79 percent) donors said they were more likely to support colleges’ decision to reject divestment after learning that Harvard president Drew Faust spoke out against it.
 - 81 percent stated they were more likely to support colleges’ decision to reject divestment after reading the anti-divestment comments from MIT president Rafael Reif from October 2015.
 - *“I agree with the universities. I think it is hypocritical and overly politically correct.” – R.D., donated ~\$10,000 in the past five years*
 - *“Yes, it would [influence my opinion]. Specifically because you’ve named some top universities. I would think they have done some due diligence and taken a stand for a specific reason.” – E.D., donated ~\$7,000 in the past five years*
- **All cost and no gain:** There is widespread agreement among donors that fossil fuel divestment would have little to no impact on the environment or on the bottom line of the targeted companies, while decreasing the value of colleges’ endowments.
 - 80 percent believe that their alma mater divesting of oil and gas companies would decrease the value of the endowment. This is consistent across party lines: 83 percent of Republicans, 77 percent of Independents, and 79 percent of Democrats agree.
 - *“The whole purpose of diversification is to improve returns by having a broad portfolio and anything which limits that portfolio almost has to have a negative impact on diversity.”– R.D., donated ~\$10,000 in the past five years*
 - 79 percent believe that their alma mater divesting of oil and gas companies would have no tangible impact on the environment.
 - Additionally, only 20 percent of respondents believe that widespread divestment of oil and gas related securities would have a tangible impact on climate change.
 - 71 percent believe that their alma mater divesting of oil and gas companies would have no impact on the bottom lines of oil and gas companies. This is consistent across party lines: 78 percent of Republicans, 68 percent of Independents, and 67 percent of Democrats agree.
 - *“It’s not going to punish them [oil and gas companies]. All it’s doing is hurting their portfolio.”– J.S., donated ~\$25,000 in the past five years*
- Donors are in broad agreement regarding the overriding purpose of an endowment: 76 percent believe colleges should only use their donated money in a way that increases financial returns, helps finance worthwhile programs on campus, and/or supports student aid.
 - This finding was consistency across party lines, as 82 percent of Republicans, 76 percent of Independents, and 70 of Democrats agree that endowments should be entirely focused on increasing financial returns and supporting campus programs.
 - *“I think they could be interested in the politics of our country, but I don’t think they should use my monetary funds to further their political agenda.” – SK, donated nearly \$20,000 in the past five years*
 - *“If you truly don’t believe that the administration is doing a good job or the endowment is doing a good job, why would you give? Especially if they change their behavior based on*

those political pressure. I don't know if that's the right thing to do. An endowment should not be a political organization." W.H., donated \$50,000 in the past five years

- Nearly three-quarters (73 percent) say divestment would decrease the value of their alma mater's endowment while having no tangible impact on the environment or energy-related companies.
- **Colleges should take notice:** Two-thirds (66 percent) of donors indicated that they would be less likely to donate to their college if they found out it divested its endowment of oil and gas companies.
 - Nearly half (49 percent) believe it's hypocritical for colleges to divest of oil and gas companies while they continue to be major consumers of oil and natural gas.
 - *"I think it's a mistake for them to divest. For me to give more money as a result of their bad decision would not make sense. So I would not increase my contributions. I probably would consider not contributing if they were to do that because I think it's a poor choice." – E.W., donated \$7,000 in the past five years*

Appendices attached:

- Complete list of questions included on the survey, along with full answers provided and percentage-breakdowns attached to each response