

# THE SOCIAL AND ECONOMIC VALUE OF PRIVATE AND COMMUNITY FOUNDATIONS

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December 2008

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# THE SOCIAL AND ECONOMIC VALUE OF PRIVATE AND COMMUNITY FOUNDATIONS<sup>1</sup>

Robert J. Shapiro, Ph.D. and Aparna Mathur, Ph.D.

## I. INTRODUCTION

In a period often called a “new golden age of philanthropy,” public interest has increased about the social and economic effectiveness of philanthropic activities. This study analyzes and estimates the general economic or welfare benefits generated by the work of these foundations and is, to our knowledge, the first such broad analysis and estimate conducted in the United States. This analysis finds that the grants and other operations of foundations generate very large economic returns. While the benefits vary in size across various grant areas, on average, each dollar that private and community foundations provided in grants and support in 2007 produced an estimated average return of \$8.58 in direct, economic welfare benefits. As a result, the \$42.9 billion in grants and other support provided by private and community foundations in 2007 produced some \$367.9 billion in direct, social and economic benefits.

Over the last decade, the dimensions and consequent impact of philanthropic activities have increased sharply. From 1997 to 2007, foundation giving soared from \$16.0 billion to \$42.9 billion (\$33.2 billion in constant, 1997 dollars), while total foundation assets grew from \$329.9 billion to \$669.5 billion (\$518.2 in constant 1997 dollars).<sup>2</sup> By 2007, the assets of U.S. private and community foundations were equal in value to all of the fixed assets of the American agriculture, mining, and utility industries; and foundation giving in that year exceeded the GDP of 110 of the 180 countries tracked by the International Monetary Fund and the World Bank.<sup>3</sup>

Given the large financial resources of U.S. private and community foundations and the tax preferences which foundations can claim, the finding that their grants and activities are closely linked to large social and economic benefits should be a matter of significance. While the organizations which use foundation contributions have other sources of financial support and in-kind resources that also contribute to these returns, foundations are the predominant source of the support that generates

these high returns. Each dollar of a foundation grant also produces indirect economic benefits by boosting employment and incomes for the beneficiaries of these private and community foundation activities, and new government revenues based on this additional income. While these indirect benefits also vary substantially across grant areas, we find that the \$42.9 billion in foundation support extended in 2007 helped to generate nearly \$512 billion in additional household income and some \$145 billion in additional government revenues.

These estimated returns or economic welfare benefits of some \$367.9 billion were distributed across 11 broad, grant areas:

- \$5.2 billion in private and community foundation support for arts and culture programs in 2007 helped produce an estimated \$51 billion in direct, economic benefits.
- \$9.7 billion in foundation grants and support for education-related programs helped produce an estimated \$49 billion in such direct benefits.

<sup>1</sup> This study was conducted with support from The Philanthropic Collaborative. The views and analyses are solely those of the authors.

<sup>2</sup> Lawrence, Steven, Algernon Austin, and Reina Mukai. “Foundation Growth and Giving Estimates: Current Outlook.” Foundation Center, 2007, <http://foundationcenter.org/gainknowledge/research/pdf/fgge07.pdf>.

<sup>3</sup> Bureau of Economic Analysis. “Table 3.1E: Current-Cost Net Stock of Private Equipment and Software by Industry,” [www.bea.gov/national/FA2004/TableView.asp?SelectedTable=21&FirstYear=2002&LastYear=2007&Freq=Year](http://www.bea.gov/national/FA2004/TableView.asp?SelectedTable=21&FirstYear=2002&LastYear=2007&Freq=Year).

- \$2.6 billion in foundation grants and support for environment and animal/wildlife-related programs helped produce estimated benefits of \$17.3 billion.
- \$9.9 billion in foundation grants and support for health-related programs helped produce an estimated \$74.9 billion in benefits.
- \$5.9 billion in foundation grants and support for human-service programs helped produce estimated benefits of \$64.7 billion.
- \$4.6 billion in foundation grants and support for public affairs/society benefit-related programs helped produce an estimated \$101 billion in benefits.
- \$1.2 billion in foundation grants and support for science and technology-related programs helped produce estimated benefits of \$6.1 billion.
- In four other categories of foundation support, there are no sound metrics for estimating their social and economic benefits. These areas cover programs focused on promoting international peace and human rights, religious faith, social science analysis, and “other” areas. While we believe there may well be very substantial benefits arising from these unquantifiable areas of foundation activity, for this analysis we attribute benefits in each of these categories equivalent to their support and grants:
  - Private and community foundation support produced benefits of at least \$2.3 billion from programs in international affairs, peace, and human rights;
  - Private and community foundation support produced benefits of at least \$926.4 million from religion-related programs;
  - Foundation support produced benefits of at least \$581.2 million from social science-related programs;
  - Foundation support produced benefits of at least \$37.9 million in other, miscellaneous areas.

Such large-scale support and benefits also produce substantial indirect economic and social benefits. For example, foundation support will generally help generate new jobs in particular communities, which in turn produces

While the benefits vary in size across various grant areas, on average, each dollar that private and community foundations provided in grants and support in 2007 produced an estimated average return of \$8.58 in direct, economic welfare benefits.

higher household incomes; and this expansion in incomes has what economists call a “multiplier effect” as spending by those who have gained jobs and additional income stimulates additional job creation and income for those who produce and provide the goods and services consumed by the initial beneficiaries. In addition, much of this additional economic activity generates tax revenues for the federal, state and local governments. Previous research has found, for example, that every dollar spent by arts and culture nonprofits generated \$1.65 in additional, direct household income and 45-cents in additional, direct federal, state and local revenues.<sup>4</sup> To estimate these indirect economic effects linked to foundation support, we use employment by nonprofit, 501c(3) charities as a proxy for employment by the organizations and entities receiving foundation support. Using other studies analyzing indirect income effects from additional employment as well as our data on private foundation activity, we estimate that in 2007, the activities of private foundations substantially accounted for:

- 9,226,000 jobs in 501c(3) entities linked to the activities of private and community foundations;
- \$511.9 billion in household income in 2007 that can be traced to these activities and the associated employment; and
- \$145.4 billion in total revenues in 2007 that can be traced to the additional income and the jobs that generate it, including \$38.8 billion in local revenues, \$44.7 billion in state revenues, and \$61.9 billion in federal revenues.

Recent research has estimated that the tax-exempt status of all charities, including foundations, costs local governments between \$8 billion and \$13 billion in revenues per-year.<sup>5</sup> Based on our analysis of the jobs and incomes generated directly and indirectly by the

<sup>4</sup> Americans for the Arts. “Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences,” 2007, [http://www.americansforthearts.org/pdf/information\\_services/research/services/economic\\_impact/national\\_findings\\_summary\\_report.pdf](http://www.americansforthearts.org/pdf/information_services/research/services/economic_impact/national_findings_summary_report.pdf).

<sup>5</sup> Strom, Stephanie. “Tax Exemptions of Charities Face New Challenges.” *New York Times*, 26 May, 2008, [http://www.nytimes.com/2008/05/26/us/26tax.html?\\_r=1&oref=slogin](http://www.nytimes.com/2008/05/26/us/26tax.html?_r=1&oref=slogin), and Brody, Evelyn. *Property Tax Exemption for Charities: Mapping the Battlefield*. Urban Institute Press, 2002.

activities of private foundations, these activities generate substantially greater revenues than those foregone by the tax-exempt status of foundations. Since foundations depend on tax-preferred donations to carry on their activities, taxing those donations or the assets and income that finance their activities would be equivalent to taxing the public service and social benefits they provide, and potentially would dramatically curtail those activities at a net loss of revenues.

Based on our analysis of the jobs and incomes generated directly and indirectly by the activities of private foundations, these activities generate substantially greater revenues than those foregone by the tax-exempt status of foundations.

## Data and Methodology

Analysis of the economic benefits or value generated by private and community foundations begins with the volume of grants or support which they provide across a range of areas. The Foundation Center issues the most detailed accounting of the provision of grant dollars, distributed across 11 broad topic categories and 15 sub-categories.<sup>6</sup> These 11 broad areas of private foundation activity cover: 1) arts and culture; 2) education; 3) environment and animals/wildlife; 4) health; 5) human services; 6) international affairs, peace and human rights; 7) public affairs/society benefit; 8) science and technology; 9) social sciences; 10) religion; and 11) "other" areas not covered by the preceding ten categories. As an example of the sub-categories, the Foundation Center classifies grants in the arts and culture category in nine sub-categories, including policy management and information; arts-multipurpose; media and communications; visual arts and architecture; museums; performing arts; humanities; historic preservation; and other.

The Foundation Center data are based on a sample of 1,263 large U.S. private and community foundations, including 800 of the 1,000 largest foundations, and in

2006 covered \$19.1 billion in grants and support, or 49 percent of a reported total of \$39.0 billion in total foundation activity that year. This accounting, therefore, is statistically representative of the universe of foundation activity in the United States, which totaled \$42.9 billion in 2007.<sup>7</sup> We rely on the Foundation Center data because their disaggregation into categories and sub-categories enables us to use a vast literature on the value of specific nonprofit and public activities to evaluate the economic and social value of the wide and varied range of private foundation activities.

This evaluation begins with two adjustments from the 2006 sample: we adjust the totals for the samples of each sub-category and category for the total reported foundation grants in 2006, and then we adjust each of those sub-category and category totals for the increase in total foundation activity from 2006 to 2007. These adjustments provide reliable estimates of the distribution of total private and community foundation activity across categories and sub-categories for 2007. Table 1 provides these sample data and their adjustments for the 11 broad categories of private foundation activities.

Recently, there has been considerable interest in estimating the social return on investments generated by charitable contributions and activities, although most nonprofits do not undertake the complex analyses required to calculate such estimates. We surveyed the reports which nonprofits have published in each of the categories, and a summary of many of those reports is available in a recent study co-sponsored by the World Bank.<sup>8</sup> To supplement these analyses, we also surveyed the academic literature on economic and social benefits from nonprofit activities, as well as government analyses of public programs in many of these areas. This study draws on more than 90 such studies and evaluations, some of which cover a single foundation or public program and others which cover many programs. We identify the appropriate sub-category, average the results in cases of multiple evaluations, calculate a weighted average of the reported returns or benefits for each sub-category, and estimate the total returns for each sub-

<sup>6</sup> Foundation Center. "FC Stats: Distribution of Foundation Grants by Subject Categories, circa 2006," [http://foundationcenter.org/findfunders/statistics/pdf/04\\_fund\\_sub/2006/10\\_06.pdf](http://foundationcenter.org/findfunders/statistics/pdf/04_fund_sub/2006/10_06.pdf).

<sup>7</sup> Foundation Center. "Highlights of Foundation Giving Trends." *Foundations Today Series*, 2007, <http://foundationcenter.org/gainknowledge/research/pdf/fgt07highlights.pdf>.

<sup>8</sup> Nonprofit Roundtable of Greater Washington, and World Bank Group. "Beyond Charity: Recognizing Return on Investment," 2007, <http://www.nonprofitroundtable.org/media/downloads/beyondcharity.pdf>.

**TABLE 1** Total Private and Community Foundation Activity in 2007, By Category, Based on Foundation Center Sample from 2006 (\$)

Category	Sample, 2006	Share	Estimated Activity Based on \$42.9 billion in Activity in 2007
Arts and Culture	\$2,329,708,000	12.2%	\$5,226,392,067
Education	4,306,090,000	22.5%	9,660,143,940
Environment and Animals	1,145,100,000	6.0%	2,568,880,545
Health	4,394,462,000	23.0%	9,858,394,845
Human Services	2,645,895,000	13.8%	5,935,713,580
International Affairs	1,019,739,000	5.3%	2,287,649,706
Public Affairs/ Society Benefit	2,042,490,000	10.7%	4,582,058,679
Science & Technology	550,591,000	2.9%	1,235,175,914
Social Sciences	259,092,000	1.4%	581,238,668
Religion	429,967,000	2.2%	926,409,978
Other	16,912,000	0.09%	37,939,837
<b>Total</b>	<b>\$19,140,046,000</b>	<b>100%</b>	<b>\$42,899,997,759</b>

category and category. The current literature, however, does not cover every sub-category of foundation activity, nor is every study representative of all foundation activities in any category or sub-category. Our analysis, therefore, represents an initial effort to generate the broad bounds of the economic benefits generated by private and community foundations, calculated with the rigor that the available literature and data support. As more data become available, these results can be strengthened and refined.

As noted earlier, four categories of foundation activity are assumed to produce benefits or returns equal to their grants or support. In the category of religion, for example, foundation funds for religious organizations such as Acts 1:8 Ministry and the Knox Fellowship support church outreach programs and evangelical activities by churches, ministries and individuals seeking to share their faith. More than 90 percent of the resources of these organizations are devoted to organizing activities at the designated churches and encouraging participation in their outreach programs.<sup>9</sup> These activities create direct value in the sense that they energize communities and individuals and presumably provide spiritual and practical nature to their participants. In this case, we assume a return on foundation funding or investment of 1.0:1. The support produces an equivalent level of value or benefits. Based on our review of the activities of

private and community foundations in three other categories, and the available evaluations of those activities, we adopted the same approach for foundation activity related to international affairs, peace and human rights, social science research, and the small, miscellaneous or "other" category.

Finally, we distinguish between the direct and indirect economic and social benefits of foundation activity. There has been relatively little rigorous analysis of the direct benefits of foundation activities, which encompass many hard-to-measure economic and social effects which those activities may have on the conditions, people and communities that those foundations seek to improve and help. These benefits can take the form of cost savings to the society or the economic value of broader social benefits. For instance, the benefits arising from foundation projects supporting in-home care for the elderly could be estimated by the number of people helped and the cost savings from in-home care compared to hospitalization, as the direct benefits from projects supporting worker training would be estimated by the number of people trained and the increases in incomes from jobs secured based on their new training. In our examination and analysis, we found hundreds of organizations engaged in diverse areas providing these kinds of benefits. It is often difficult, however, to quantify all of the value of some of these benefits. For instance,

<sup>9</sup> Acts Ministries. "Return of Organization Exempt from Income Tax, Form 990," 2004, [http://dynamodata.fdncenter.org/990\\_pdf\\_archive/161/161644133/161644133\\_200412\\_990.pdf](http://dynamodata.fdncenter.org/990_pdf_archive/161/161644133/161644133_200412_990.pdf).

the value of providing education may go far beyond the additional income earned by the recipient, as the value of supporting free admission to museums reaches beyond the direct savings to museum goers. In many cases, therefore, our estimates of the direct benefits represent a lower bound estimate of the actual value of those benefits.

While some policymakers looking for new sources of revenues often note that foundations and most of the nonprofit entities they support are generally tax-exempt, the data also suggest that their activities indirectly generate greater tax revenues for governments by employing people directly, helping people find jobs through training or other supports, and generating additional economic activity and jobs that are taxed.

A number of previous studies have examined some of the indirect benefits of foundations and other nonprofit organizations, especially the number of paid positions at foundations and the consequent increases in household incomes and tax revenues. Our analysis of indirect

benefits reaches beyond those arising from direct foundation employment. The indirect benefits from support for in-home medical care, for example, could include the in-home medical jobs created through the support, the household income generated by their work, the additional jobs created to meet the additional demand generated by those increases in income, and the additional tax revenues paid on both tranches of jobs and incomes. Similarly, the indirect benefits from support for job training would include the training jobs created for such programs, the household income generated by their work, the additional jobs created to meet the additional demand generated by increases in income by both those doing the training and those receiving it, and, again, the tax revenues paid on both tranches of jobs and incomes. Therefore, we begin our analysis of indirect benefits with the employment by the 501c(3) organizations that depend greatly on private and community foundation support. While some policymakers looking for new sources of revenues often note that foundations and most of the nonprofit entities they support are generally tax-exempt, the data also suggest that their activities indirectly generate greater tax revenues for governments by employing people directly, helping people find jobs through training or other supports, and generating additional economic activity and jobs that are taxed.

## 2. THE ROLE AND SIGNIFICANCE OF PRIVATE AND COMMUNITY FOUNDATIONS

The economic and social benefits of foundations and their activities have become increasingly important as their numbers, assets and disbursements have risen. The number of private and community foundations doubled from 1992 to 2005. Moreover, as noted earlier, foundation assets expanded even faster, rising from \$330 billion in 1997 to nearly \$670 billion in 2007 (or \$518 billion in 1997 dollars); while their disbursements over the same 10 years grew from \$16 billion to nearly \$43 billion (or some \$33 billion in 1997 dollars).<sup>10</sup> The expansion of these foundations and their support has been accompanied by the development of new forms of foundation activity, from a hybrid nonprofit/for profit philanthropic effort established by the founders of Google and the

proliferation of donor-advised funds and giving circles, to high-profile donations of vaccines and medicines by pharmaceutical companies. As much of the growth in foundation assets and activities was fueled by the strong stock market of the 1990s and 2002-to-late-2007, however, the recent market setbacks triggered by the housing and financial crises will produce substantial losses for many foundations.

This analysis begins by strictly defining the universe of foundations. Foundations are entities established as nonprofit corporations or charitable trusts with the principal purpose of making grants to unrelated organizations, institutions or individuals for scientific,

<sup>10</sup> Lawrence, Steven, Algernon Austin, and Reina Mukai. "Foundation Growth and Giving Estimates: Current Outlook." Foundation Center, 2007, <http://foundationcenter.org/gainknowledge/research/pdf/fgge07.pdf>.

educational, cultural, religious or other charitable purposes. This definition covers both public and private foundations, with the most important difference being that most of the funds of private foundations come from one source, whether an individual, family, or corporation, while public foundations normally receive their assets from multiple sources, which may include private foundations, individuals, government agencies, and fees for service.<sup>11</sup> Private foundations can be independent or corporate foundations, including family foundations and most of the new health-related foundations, and they represent approximately 89 percent of foundations and 68 percent of foundation giving. The Bill and Melinda Gates Foundation is the largest in the United States, with assets of \$29.2 billion.<sup>12</sup> By comparison, the number two, Ford Foundation has assets of \$11.6 billion. For the purposes of this analysis, community foundations are included in the class of private foundations.

Some foundations provide support to a wide variety of nonprofit organizations and purposes; others focus on a specific goal or institution; and still others focus their activities on a specific geographic area or region. Most foundation activity involves monetary gifts to nonprofit organizations, which usually also have tax-exempt status. All grants as well as administrative expenses are normally funded from investment income generated by the foundation's endowment.

America's first, modern foundations were created in the 1880s to benefit particular institutions such as hospitals, libraries or universities, or to respond to a particular need, such as educating poor children or sheltering orphans. Foundation giving, as we know it today, is quite recent. The first "general purpose" foundations with large endowments and broad charters emerged in the United States at the beginning of the last century. The Russell Sage Foundation is often cited as the first such modern foundation, established in 1907, followed closely by the Carnegie and Rockefeller foundations. The establishment of private foundations slowed significantly, however, from World War I to the end of World War II, and their numbers grew rapidly again in the post-war boom of the 1950s, especially corporate-sponsored entities. This rapid growth attracted congressional concerns

about secrecy, their use to shelter wealth from tax, self-dealing and other issues. These concerns eventually led to the Tax Reform Act of 1969, which in large measure governs foundations and their giving today. The establishment of new foundations slowed again in the 1970s when unfavorable tax provisions were enacted and the economy slowed; but subsequent revisions of the 1969 Tax Reform Act, including a reduction in the foundation excise tax and changes in pay-out requirements, were followed by the very rapid expansion of foundations and their assets over the last three decades.

In 2007, support from the nation's more than 72,000 grant-making foundations reached a record level of \$42.9 billion. This support has been the second-largest source of funding for the nonprofit sector.<sup>13</sup> The largest share of nonprofit funding, however, remains fees for services and goods, such as medical services provided by nonprofit hospitals, tuition payments collected by universities, and ticket sales and admission fees charged by arts organizations.

Since the early days of organized American philanthropy, a disproportionate share of foundation resources has been located in the northeastern states. However, population shifts, the booming Sun Belt economies, and the more recent emergence of new industries and wealth in the West and South have contributed to major shifts in the geographic distribution of foundation assets. From 1975 to 2006, for example, the share of all foundation assets located in the Western states increased from 8.1 percent to 27.7 percent (Figure 1 on the next page).

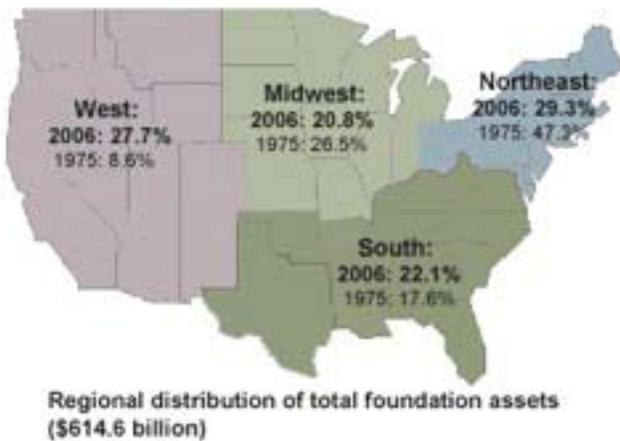
All four major regions reported growth in the numbers of assets, foundations and giving in 2006 and 2007, with those in the Western region reporting the fastest rate of growth by all three measures. Across the 50 states, the greatest percentage increases in assets in 2006 were reported by foundations in South Dakota, Rhode Island, Vermont and Louisiana, while those in Vermont, Louisiana, Nevada and North Carolina reported the largest percentage gains in grants in that year.

From an economic perspective, the existence and role of foundations and the nonprofit organizations they support can be traced to the classic "market failure"

<sup>11</sup> Foundation Center. "Learn About Foundations and Fundraising," updated 2008, <http://foundationcenter.org/getstarted/learnabout/foundations.html>.

<sup>12</sup> This total does not include Warren Buffet's annual transfers of \$1.5 billion to the Gates Foundation for distribution.

<sup>13</sup> They provide about 12.4 percent of total funding, while nearly 70 percent is derived from services and fees. (Foundation Center).



**FIGURE 1** Regional Distribution of Foundation Assets, 1975 and 2006

which occurs in the provision of certain important goods and services. In essence, markets and the exchanges they organize will not produce a society's optimal level of activity by organizations such as hospitals, institutions of higher education, libraries, and museums; and in societies with limited government such as the United States, neither does the public sector. Most nonprofit organizations, therefore, deal with concerns that the private sector and the government either cannot or will not address directly and adequately, meeting needs which families, neighborhoods and communities are unable or unwilling to address. The nation's first schools were nonprofit, private endeavors, and; health care services for all but the wealthy first came to many communities under nonprofit auspices. More recently, many initiatives to stimulate business development in aging cities and poor, rural areas begin as nonprofit enterprises, and nonprofit organizations pioneered and still lead efforts to preserve historical buildings and art.

The traditional, "social movement literature" emphasizes as well the role that nonprofits have played in defining social problems in the United States. In addition, however, scholars focus on three other roles that nonprofits play in relation to government: 1) a *complementary role* in which they help deliver public goods largely financed by government, such as job training, and reinforce the need for public programs; 2) a *supplementary role* in which nonprofits focus on needs unrecognized or overlooked by government, such as the provision of personal computers for poor children; and 3) an *adversarial role* in which they prod the government to change public policies and secure government accountability.<sup>14</sup> Many individual nonprofits serve more than one of these roles. It is common for an organization, at once, to operate projects funded by public contracts, develop private donations to provide additional services unmet by government funding, and play a public policy role focused on advocacy.

While this literature assumes that most nonprofit activity responds to government in one way or another, the theories explaining the existence of nonprofits and the private institutions that provide much of their support emphasize a range of both "demand side" and "supply side" factors. One recent study, for example, classifies as supply-side factors in the formation and work of nonprofits the legal environment, the organizational environment, and the presence of capital and human resources, as well as government policies.<sup>15</sup> Another study found that the supply-side factors apart from government policies can explain much of the growth of the nonprofit and foundation sectors, both in the United States and other advanced countries.<sup>16</sup> Other researchers, however, emphasize the role of demand-side factors, such as the extent of poverty, unemployment and the heterogeneity of populations.

<sup>14</sup> Young, Dennis R. "Complementary, supplementary, or adversarial? A theoretical and historical examination of nonprofit-government relations in the United States," in Boris, Elizabeth and C. Eugene Steuerle. *Nonprofits and Government Collaboration and Conflict*. Washington, DC: Urban Institution Press, 2006.

<sup>15</sup> Rikki, Abzug, and Joy K. Turnheim. "Bandwagon or bandaid? A model of nonprofit incorporation by state." *Nonprofit and Voluntary Sector Quarterly* 27.3 (1998): 300-322.

<sup>16</sup> Salamon, Lester M. "The Nonprofit Sector in Comparative Perspective," in Powell, Walter W., and Richard Steinberg. *The nonprofit sector: A research handbook*. New Haven, CT: Yale University Press, 2006.

### 3. THE ECONOMIC AND SOCIAL BENEFITS AND VALUE OF FOUNDATION ACTIVITIES

All foundations are legally dedicated to provide support and services for purposes considered charitable and worthy, and therefore that support and those services should produce social and economic benefits. The following analysis seeks to provide the first approximate measure of the range and dimensions of the value of the benefits currently produced by U.S. private and community foundations.

We derive our estimates of these benefits for each of the 11 major areas of foundation activity classified by the Foundation Center. As noted earlier, the Center's most recent public data on foundation grants and support, disaggregated to cover these 11 categories and 51 sub-categories, reflects a 2006 sample of 1,263 foundations, including 800 of the 1,000 largest foundations, totaling \$19.2 billion.<sup>17</sup> Total private and community foundation grants and support provided in 2006 totaled some \$39 billion, rising to \$42.9 billion in 2007.<sup>18</sup> Since the sample is statistically representative of total foundation spending with a very high degree of certainty, we adjust the

category and sub-categories totals to produce a measure of value for all private foundation activity in 2007. These adjustments were presented in Table 1, on page 5. As noted earlier, we surveyed and analyzed the available reports issued by foundations on the benefits of their grants and support, as well as the scholarly literature on the effects of private and public programs that correspond to the categories and sub-categories of foundation activity. From all of these sources, we have calculated estimates of the direct benefits or value generated in 2007 in each of the 11 major categories of foundation activity. A summary of the estimates of those benefits is presented in the following table:

#### Category 1: Arts and Culture

As noted below in Table 2, we estimate that some \$5.2 billion in foundation grants and support in 2007 generated \$51 billion in social and economic benefits, with an average return of 9.77 on foundation investments in grants and support for arts and culture. This estimate

**TABLE 2** Estimated Value of the Direct Benefits of Private and Community Foundation Activities, By Category, 2007

Category	Share of Total Grants and Support, 2006	Projected Grants and Support, 2007	Estimated Return on Investment	Value of Direct Benefits
Arts and Culture	0.12	\$5,226,392,067	9.77	\$51,044,431,513
Education	0.23	\$9,660,143,940	5.08	\$49,034,044,415
Environment & Animals	0.06	\$2,568,880,545	6.72	\$17,258,127,318
Health	0.23	\$9,858,394,845	7.60	\$74,922,982,437
Human Services	0.14	\$5,935,713,580	10.91	\$64,730,079,576
International Affairs	0.05	\$2,287,649,706	1.00	\$2,287,649,706
Public Affairs/ Society Benefit	0.11	\$4,582,058,679	22.04	\$100,999,672,814
Religion	0.02	\$926,409,978	1.00	\$926,409,978
Science & Technology	0.03	\$1,235,175,914	4.96	\$6,126,867,646
Social Sciences	0.01	\$581,238,668	1.00	\$581,238,668
Other	0.00	\$37,939,837	1.00	\$37,939,837
<b>Total</b>	<b>1.00</b>	<b>\$42,899,997,759</b>	<b>8.58</b>	<b>\$367,949,443,908</b>

<sup>17</sup> Foundation Center. "Highlights of Foundation Giving Trends." *Foundations Today Series*, 2007.

<sup>18</sup> Ibid.

is derived by reviewing existing studies of the results of foundation grants and support over a wide range of arts programs, estimating returns on investments (foundation funding) based on those results, classifying those results according to the sub-categories of arts-and-culture funding, calculating the return for each sub-category, calculating a weighted average return on investment for the arts-and-culture category, and finally estimating the total benefits based on that return and total funding for the category in 2007.

As noted in Table 2, we estimate that some \$5.2 billion in foundation grants and support in 2007 generated \$51 billion in social and economic benefits, with an average return of 9.77 on foundation investments in grants and support for arts and culture.

Table 3A, below, presents the distribution of arts-and-culture foundation funding across the nine sub-category classifications of the Foundation Center. Nearly two-thirds of foundation funding in this area focuses on support for the performing arts and museums, and about half of the remaining funding is focused on multi-

**TABLE 3A The Distribution of Foundation Funding for Arts and Culture, 2007**

Sub-Category	Total Support	Share
Policy Mgt. and Information	\$21,931,000	9.4%
Arts-Multipurpose	\$213,693,000	9.2%
Media and Communications	\$176,517,000	7.6%
Visual Arts/Architecture	\$167,566,000	7.2%
Museums	\$710,863,000	30.5%
Performing Arts	\$807,724,000	34.7%
Humanities	\$90,941,000	3.9%
Historic Preservation	\$112,057,000	4.8%
Other	\$28,416,000	1.2%
<b>Total</b>	<b>\$2,329,708,000</b>	<b>100.0%</b>

purpose arts-and-culture programs and arts-and-culture policy management and information.

The Cultural Alliance of Washington, D.C. has produced one of the broadest analyses of arts and culture nonprofit programs, based on a survey of more than 6,000 nonprofits across the 50 states and the District of Columbia.<sup>19</sup> This analysis focuses largely on multi-purpose arts programs and performing arts programs, and found that these programs produced revenues of \$103 billion, largely from fees and ticket and admission sales, from outlays of \$63 billion. The revenues can be taken to represent a conservative estimate of the benefits from the support, since a consumer's willingness to pay for a good or service represents a lower bound of the value that consumer attaches to it. The rate of return or ROI for the programs included in this survey would be 1.64:1.

We also analyzed the work of programs such as the Patricia M. Sitar Center for the Arts.<sup>20</sup> The Center offers arts education classes to all children, regardless of income, at a charge of \$15 per-semester for an unlimited number of classes. Some 80 percent of those participating come from low-income families, most of whom would not be able to send their children to similar programs that do not receive foundation support and cost \$200 per-semester.<sup>21</sup> In this case, the ROI, based on the benefits generated for the low-income children is 12.3:1. Similarly, World Arts Focus is a nonprofit organization that brings artists and low-income communities together to study the arts, experience performances, and encourage the preservation of cultural performance traditions.<sup>22</sup> The program provides arts instructions to adults for \$13 per class, compared to \$150 for comparable classes at for-profit institutions, or benefits yielding a 14.3:1 return on foundation investments.

Government and community organizations also have studied the economic benefits and effects of arts programs in their jurisdictions or communities. A study of community-based arts-and-culture organizations in New York (both nonprofit and commercial) estimated that their combined budgets of \$5.3 billion produced benefits of \$13.4 billion. This estimate was based on several factors, such as the number of visitors to different art venues,

<sup>19</sup> Americans for the Arts. "Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences," 2007.

<sup>20</sup> Patricia M. Sitar Center for the Arts, <http://www.sitarartscenter.org/events/index.php>.

<sup>21</sup> For example: Frye Art Museum, [http://fryemuseum.org/press\\_release/1334](http://fryemuseum.org/press_release/1334).

<sup>22</sup> World Arts Focus, <http://www.joesmovement.org/>.

ticket sales, the average length of stay at museums or other cultural venues, and their total expenditures in the local economy. On average, this suggests an ROI of 2.5:1 for these multi-purpose arts programs. A similar study of arts-and-culture investments and returns in Denver suggested \$387 million in benefits from \$38 million in investments or an ROI of 10:1; another focusing on Wisconsin arts-and-culture programs also reported returns of 10:1; and yet another focused on Columbus Ohio reported returns of 22:1. In much the same vein, cultural-sector expenditures in Florida of \$1.2 billion produced audience revenues of \$4.5 billion, for a ROI of 3.75:1, or more than double the return reported for a similar analysis of arts and culture organizations in Phoenix, Arizona.

Similarly, a lower-bound estimate of the return on support for museums can be derived from budgets and revenues from visitors. For example, the Louisiana State museum generated expenditures by visitors totaling \$37 million in 2004-2005, on an operating budget of \$5.3 million, or an ROI of approximately 7:1, while a major museum in New Jersey generated returns of just more than 3:1. A similar analysis of the Scottsdale Center for Performing Arts found direct and indirect benefits of nearly \$25 million from an initial investment of \$1.6 million, or 14:1.<sup>23</sup> A return of 14:1 also was reported for some \$35 million in funding provided for cultural and scientific organizations in the Denver metropolitan area by the Scientific and Cultural Facilities District, including the Denver Art Museum, the Botanic Gardens, the Museum of Nature and Science, as well as local organizations promoting cultural history.

The reported returns were even higher on investments by the Florida State Division of Historical Resources, which estimated that some 43 million tourists per-year visit the state's 135,000 historic sites and museums, and spend some \$3.7 billion. The state's annual investments in those sites and museums total \$212 million, suggesting a rate of return of 17.4:1. In the same area, the return on grants by the Kalamazoo Historic Preservation Society to preserve historic buildings has been roughly 12:1. One recipient of those grants, the DKI Building Preservation Program, received \$1.8 million over five years to help preserve downtown Kalamazoo, and the grants encouraged investments by program participants of some \$22 million.

A table, Table 3B, listing the studies and reports from which we derive our estimate of the average weighted returns on foundation grants to arts and cultural organizations is on the next page. Note, we use total foundation grant dollars in this area to calculate these returns, while a strict analysis of the purely economic rate of return would include all funds available to arts organizations, including, but not limited to, foundation support. Our calculation, however, accurately describes the social return on foundation investments in this area. Moreover, support from foundations and individuals account for most external funds for arts and cultural organizations.<sup>24</sup>

We calculate that the social return on foundation support for arts and cultural organizations averages 9.77:1. On this basis, we estimate that \$5.23 billion in private and community foundation support in this area in 2007 produced returns of \$51.04 billion.

## Category 2: Education

Private and community foundations provided nearly \$9.7 billion in grants and support for educational organizations and institutions in 2007, and we estimate that these investments generated more than \$49 billion in benefits, with an average social rate of return of 5.08:1. This estimate also is derived by reviewing existing studies of the results of foundation grants and public support over a wide range of educational programs, estimating returns on investments (foundation funding) based on those results, classifying those results according to the sub-categories of educational funding, calculating the return for each sub-category, calculating a weighted average return on investment for the overall education category, and finally, estimating the total benefits based on that return and on total foundation funding for education in 2007.

**Private and community foundations provided nearly \$9.7 billion in grants and support for educational organizations and institutions in 2007, and we estimate that these investments generated more than \$49 billion in benefits, with an average social rate of return of 5.08:1.**

<sup>23</sup> The study applied a unique methodology to estimate total economic activity generated by the Center, using multipliers developed by the Bureau of Economic Analysis to calculate the effect of a dollars spending on the local economy.

<sup>24</sup> See Footnote 3.

**TABLE 3B Social Rates of Return for Public and Private Funding for Arts and Cultural Organizations, Based on Examples, By Sub-Category**

	Sub-Category	Return on Investment (ROI)
Cultural Alliance of Greater Washington	Arts-Multipurpose	1.63:1
Study of Arts Organizations in NY	Arts-Multipurpose	2.50:1
Colorado Arts and Culture Study	Arts-Multipurpose	10.00:1
Wisconsin Foundation for the Arts	Arts-Multipurpose	10.00:1
Arts in Columbus	Arts-Multipurpose	22.00:1
Florida Arts and Culture	Arts-Multipurpose	3.75:1
Phoenix Arts and Culture	Arts-Multipurpose	1.71:1
Louisiana Arts	Arts-Multipurpose	7.00:1
Louisiana State Museum	Museums	7.00:1
Battleship Museum, New Jersey	Museums	3.06:1
Patricia Sitar M. Center for the Arts	Performing Arts	12.33:1
World Arts Focus	Performing Arts	14.38:1
Scottsdale Center for Performing Arts	Performing Arts	15.00:1
Denver Scientific and Cultural Facilities	Humanities	14.00:1
United Fund for Arts and Humanities	Humanities	3.00:1
Florida Arts and Culture	Historic Preservation	17.44:1
Kalamazoo Historic Preservation	Historic Preservation	12.00:1
<b>Average Value Created, Per Dollar of Investment (Weighted by Grant Dollars)</b>		9.77:1
<b>Estimated Benefits from 2007 Foundation Support for Arts and Culture Programs</b>		<b>\$51,044,431,513</b>

Table 4A, on the next page, presents the distribution of education funding by private and community foundations across the nine sub-category classifications of the Foundation Center. More than four-fifths of foundation funding in this area focuses on support for the elementary and secondary education, higher education, and graduate and professional education. By contrast, foundation support for vocational and technical training programs and for adult and continuing education programs, combined, totals just 1 percent of education grants. This allocation generally mirrors the distribution of public funding for education, presumably reflecting public priorities in this area.

Our estimates of the rate of return on foundation support for education are based on a review of 35 studies of the results of educational programs. The benchmark analysis of the benefits of early childhood education programs is the Perry Preschool Program.<sup>25</sup> Launched in Ypsilanti, Michigan in 1962 with comparable sets of low-

income, African-American participants beginning age three and four, and low-income, African-American non-participants of the same age, the researchers from the High/Scope Foundation tracked the results over the following decades. The children were randomly assigned to participate or not for two years, and the results showed remarkable benefits for participants and their communities. Perry alumni were significantly more likely to finish high school, earn higher incomes, own their own homes and cars, and open savings accounts. They also were significantly less likely to require social services or be arrested. The longitudinal analysis of these results estimated that the \$15,166 invested over two years in each participant (constant 2,000 dollars) produced social and economic returns of \$258,888, a ROI of 17.1:1. Most of these benefits accrued in the decades after the participants had completed school.

Another pre-school program, Pre-K for All DC, generated much lower returns. This effort is a public education

<sup>25</sup> Pennsylvania Build Initiative. "Invest Now or Pay More Later: Early Childhood Education Promises Savings in Pennsylvania School Districts," 2006, [http://www.pde.state.pa.us/early\\_childhood/lib/early\\_childhood/BUILD\\_Report\\_III.Harvey.Feb061.pdf](http://www.pde.state.pa.us/early_childhood/lib/early_childhood/BUILD_Report_III.Harvey.Feb061.pdf).

**TABLE 4A** The Distribution of Foundation Funding for Education, 2007

Sub-Category	Projected Support	Share
Policy Mgt and Information	\$68,457,000	0.2%
Elementary and Secondary	\$1,360,743,000	31.6%
Vocational and Technical	\$13,221,000	0.3%
Higher Education	\$1,652,129,000	38.4%
Graduate and Professional	\$439,777,000	10.2%
Adult and Continuing	\$32,016,000	0.7%
Library Science/ Libraries	\$254,211,000	5.9%
Student Services	\$160,088,000	3.7%
Educational Services	\$325,448,000	7.6%
<b>Total Education</b>	<b>\$4,306,090,000</b>	<b>100.0%</b>

and advocacy program designed to provide services for any child in the District of Columbia to get a successful start in school. According to a recent study, high-quality pre-K services for all children in the District would cost \$58.5 million and provide \$81.4 million in financial benefits, for a ROI of 1.4:1, derived from lower crime incidence that would save \$17.62 million in incarceration costs, gains of \$27.1 million in additional tax revenue, cost savings for the school system of \$29.9 million, and \$6.9 million in health-care savings.<sup>26</sup>

Another example for middle school students, the Higher Achievement Program, offers 650 hours of volunteer-provided supplemental education in a social justice-based curriculum.<sup>27</sup> The costs of this supplementary education come to \$11,700 per-student, based on a standard wage rate of \$18.77 per-hour for volunteer time.<sup>28</sup> We base the returns on data showing that program participants are more likely to finish high school and attend college. The Census Bureau reports that a person without a high school diploma earns an average of \$23,400 annually, compared to people with college educations who have average incomes of \$52,000 annually.<sup>29</sup> Since program

participants are more likely to complete high school and somewhat more likely to attend college, we assume that on average these individuals will earn about \$40,000. These calculations produce an estimated ROI for this program of 4.2:1.

It is difficult to estimate the economic benefits and returns from programs supporting higher education, since so many of those benefits are intangible or impossible to measure. Students who attend public or private universities who otherwise might not, or who participate in university programs which otherwise might not exist, may be exposed to technologies and research which better prepare them for 21<sup>st</sup> century jobs, or simply become better-educated, more knowledgeable and more highly-skilled workers to their own gain and that of their employers. A few studies have tried to quantify these effects, and we use those and other research to estimate the return on foundation support for higher education.

One study of the University of Massachusetts system, for example, found that the state's investment of \$524 million generated economic activity of \$4.3 billion, for a ROI of 8.2:1. This calculus includes multiplier effects such as the finding that for every 100 jobs created in the university system, more than 90 additional private-sector jobs are also created in the communities with UMass campuses.<sup>30</sup> Since UMass maintains a workforce of 15,000, its economic presence also has created nearly 14,000 private-sector jobs. A similar economic impact study focused on Rutgers University in New Jersey found an estimated economic return on investment for support for the university of 5:1, while an analysis of the economic benefits associated with the operations of the University of Maine system found that every \$1 of state appropriation produced a return of \$8.10. High ROI also would be expected from foundation-supported scholarships targeted to poor students who otherwise might not be able to attend college at all.

While other areas of education draw relatively less foundation support, many of those programs also produce high returns on investment. For example, Goodwill of Greater Washington operates a foundation-supported

<sup>26</sup> District of Columbia Office of the State Superintendent. "Investing in the Economic Vitality of the District of Columbia through Pre-Kindergarten for All," June 2006, [http://www.osse.dc.gov/seo/lib/seo/pdf/pre-k\\_for\\_all\\_executive\\_summary.pdf](http://www.osse.dc.gov/seo/lib/seo/pdf/pre-k_for_all_executive_summary.pdf).

<sup>27</sup> Higher Achievement Program, <http://www.higherachievement.org>.

<sup>28</sup> Independent Sector. "Value of Volunteer Time," [http://www.independentsector.org/programs/research/volunteer\\_time.html](http://www.independentsector.org/programs/research/volunteer_time.html).

<sup>29</sup> <http://www.earnmydegree.com/online-education/learning-center/education-value.html>.

<sup>30</sup> University of Massachusetts. "Economic Impact Methodology," <http://www.massachusetts.edu/econimpact/methodology.html>.

program that trains 70 adults per-year for careers in banking, at a cost of \$2,250 per student. The program provides intensive job training, one-on-one case management, job placement services, and follow-up support.<sup>31</sup> The per-student cost is less than the cost to a bank when an experienced employee leaves, and the average salary of these jobs is an estimated \$40,000-\$50,000 per year.<sup>32</sup> We calculate that this program produces a ROI of about 20:1.

The returns on foundation investments in programs supporting public libraries also are substantial. The Library Research Service of the Colorado State Library, for example, recently conducted a study of the Douglas County Libraries. The researchers found that every \$1 invested in the county libraries returned \$5.02 in benefits to the community. This study employed a model of “contingent valuation” commonly used to value non-market resources. This ROI of 5.02:1, then, was calculated by estimating the costs of not having a public library, including the cost of alternative sources of information, the estimated cost for users of not obtaining information, the library’s purchases from local businesses, the foregone compensation for library employees, and a share of purchases made by library users from businesses close to library facilities.

A table follows, Table 4B, listing the 33 studies and reports used to help us derive our estimate of the average weighted returns on foundation grants to education. As with the analysis of foundation support for arts and cultural programs, we derive the estimated value generated from the sampled nonprofit and government programs in each sub-category, calculate the returns, and estimate the total returns based on each sub-category’s share of foundation support in this area. Again, these estimates, while wholly consistent with the academic consensus about the value of investments in education, are approximations which future research and analysis can refine.

We estimate that the social return on foundation support for education averages 5.08:1. On this basis, we estimate that \$9.7 billion in private and community foundation support for these organizations produced returns of \$49.0 billion in 2007.

### Category 3: Environment and Animals/Wildlife

Private and community foundations provided some \$2.57 billion in grants and support for environmental and animal/wildlife programs in 2007, and we estimate that these investments generated more than \$17 billion in benefits, with an average rate of return of 6.72:1. This estimate is also derived by reviewing existing studies of the results of foundation grants and public support over a wide range of environmental and animal/wildlife programs, estimating returns on investments (foundation funding) based on those results, classifying those results according to the sub-categories of funding in these areas, calculating the return for each sub-category, calculating a weighted average return on investment for the environmental and animal/wildlife category, and finally, estimating the total benefits based on that return and on total foundation funding for environmental and animal/wildlife programs in 2007.

Table 5A, on page 16, presents the distribution of environmental and animal/wildlife funding by private and community foundations between the two sub-categories set out by the Foundation Center. More than four-fifths of foundation funding in this area focuses on support for environmental programs, with the remainder targeted to animal and wildlife-related efforts. As with education, this allocation generally reflects the distribution of public funding in this area.

Our estimates of the rate of return on foundation support for the environment and animals/wildlife are based on a review of available studies of the results of private and public programs in these areas. The most extensive analyses are government studies of the impact of specific environmental investments. These studies suggest average returns on support for environmental efforts of between 2:1 and 6:1, although studies of some cases found returns as high as nearly 14:1, for planning efforts to address coastal erosion in Texas.<sup>33</sup> The analysis of those Texas efforts found that the returns on investments to protect coastal regions from erosion reflect a broad range of factors, including benefits from reducing soil damage, soil loss and saltwater intrusion

<sup>31</sup> Goodwill of Greater Washington, [www.dcgoodwill.org](http://www.dcgoodwill.org).

<sup>32</sup> PayScale, “Salary Survey Report for Job: Branch Manager, Banking,” [http://www.payscale.com/research/US/Job=Branch\\_Manager%2c\\_Banking/Salary/by\\_Years\\_Experience](http://www.payscale.com/research/US/Job=Branch_Manager%2c_Banking/Salary/by_Years_Experience).

<sup>33</sup> Koenings, Jeff. “The Benefits from Sound Stewardship.” Washington Department of Fish and Wildlife, December 2002, [http://wdfw.wa.gov/pubaffrs/benefits\\_stewardship.htm](http://wdfw.wa.gov/pubaffrs/benefits_stewardship.htm), and, Surfrider Foundation. “State of the Beach,” <http://www.surfrider.org/stateofthebeach/05-sr/state.asp?zone=GS&state=tx&cat=ba>.

**TABLE 4B Social Rates of Return for Public and Private Funding For Education, Based on Examples, By Sub-Category**

	Sub-Category	Return on Investment (ROI)
Pre-K For All DC	Elementary/ Secondary	1.39:1
Chicago Child Parent Centers	Elementary/ Secondary	17.07:1
Success for All	Elementary/ Secondary	1.66:1
First Things First	Elementary/ Secondary	2.38:1
Talent and Development	Elementary/ Secondary	6.72:1
Check and Connect	Elementary/ Secondary	6.56:1
Achievement for Latinos Thru Academic Success	Elementary/ Secondary	4.77:1
Early Childhood Education, Low-Income Children	Elementary/ Secondary	2.90:1
Home Instruction Program, Pre-school Children	Elementary/ Secondary	2.36:1
Parents as Teachers	Elementary/ Secondary	1.80:1
Quantum Opportunity Program	Elementary/ Secondary	1.23:1
Big Brothers, Big Sisters	Elementary/ Secondary	0.42:1
Perry Pre-School	Elementary/ Secondary	1.01:1
Goodwill of Greater Washington Training Prog.	Vocational/Technical	20.00:1
Higher Achievements Program	Higher Education	3.42:1
Return on Community Colleges	Higher Education	11.90:1
University of Massachusetts	Higher Education	8.00:1
Rutgers University	Higher Education	5.00:1
University of Maine	Higher Education	8.10:1
Literacy Volunteers of America	Adult/Continuing	33.00:1
Pennsylvania Public Libraries	Libraries	5.50:1
Florida Public Library System	Libraries	6.54:1
St. Louis Public Library System	Libraries	4.38:1
Suffolk County, NY Public Libraries	Libraries	3.93:1
Vermont Public Library	Libraries	5.36:1
Fort Morgan Public Library	Libraries	8.80:1
Montrose Library District	Libraries	5.33:1
Douglas County Public Library	Libraries	5.02:1
Denver Public Library	Libraries	4.96:1
Rangeview Library District	Libraries	4.81:1
Mesa County Public Library District	Libraries	4.57:1
Eagle Valley Library District	Libraries	4.28:1
Good Samaritan Foundation	Educational Services	13.33:1
<b>Average Value Created, Per Dollar of Investment (Weighted by Grant Dollars)</b>		<b>5.08:1</b>
<b>Estimated Benefits from Foundation Support for Education-Related Programs in 2007</b>		<b>\$49,034,044,415</b>

on both private and public properties, savings from protecting infrastructure, as well as more indirect gains from increases in business activity and their associated tax revenues. The study placed an economic value

on each of these benefits, compared to the cost if no action were taken to prevent soil erosion, and found that the direct benefits represented a return on investment of 13.9:1.

**TABLE 5A The Distribution of Foundation Funding for Environment and Animal/Wildlife Programs, 2007**

Sub-Category	Projected Support	Share
Environment	\$2,071,184,220	80.6%
Animals and Wildlife	\$497,696,325	19.4%
<b>Total Environment/ Animals</b>	<b>\$2,568,880,545</b>	<b>100.0%</b>

Another approach that appears to produce high returns is one adopted by the Washington Department of Fish and Wildlife to protect natural habitats, especially for marine life. These efforts include fish enhancement projects, hunter education, restoration of salmon habitats, and educational outreach. The study found that recreational fishing, hunting and wildlife viewing contribute some \$4.4 billion to the state's economy, and the value of the commercial fishing industry preserved by these efforts brings in \$4.7 billion, producing an estimated ROI of 16:1. Similarly, the Piedmont Environmental Council's programs have focused on protecting and promoting the Virginia Piedmont's natural resources, history and beauty. The key program promotes private donations of land for conservation purposes and, when necessary, uses foundation and other funds to purchase properties. By conserving two acres for each acre purchased, the program produces a ROI of at least 2:1, and when all other factors are considered, a much higher return.<sup>34</sup>

**Private and community foundations provided some \$2.57 billion in grants and support for environmental and animal/wildlife programs in 2007, and we estimate that these investments generated more than \$17 billion in benefits, with an average rate of return of 6.72:1.**

Programs to protect and enhance state parks also produce benefits that can be readily compared to many foundation-backed programs focused on preserving natural areas for recreational and other uses. One lower-bound measure of these benefits can be gauged by using visitors' expenditures in such places. The Louisiana State

Park, for example, reports direct expenditures in 2004-2005 totaling \$41.1 million, compared to state spending of less than \$19 million, or a ROI of 2.09:1. Using the same calculus, projects of the Wildlife and Natural Resources Trust of Wyoming yield a return on investment of 6 to 1, the programs of the Wildlife Refuge produce a ROI of 4.0:1, those of the National Fish and Wildlife Foundation yield returns of 3 to 1, and the Pinellas County Environmental Foundation has a ROI of 2.4:1.

A number of other programs bridge the Foundation Center's distinction between "environmental" programs and those focused on "animals and wildlife." For example, Utah's Watershed Restoration Initiative is a partnership-driven effort to conserve, restore and manage ecosystems in order to enhance the state's native wildlife and biological diversity, improve water quality and water yields for municipal, agricultural and other uses, and promote sustainable agriculture and outdoor recreation activities. Research conducted for Utah's Partners for Conservation and Development found that the readily quantifiable benefits from the program alone exceed the costs by at least three times.

Similarly, a number of other programs, including several public programs, could be classified as either environmental or science/technology efforts. For example, oil and gas R&D programs supported by the Office of Fossil Energy in the Department of Energy focus on developing new technologies that can keep existing fields productive and developing new fields with minimal costs to the environment.<sup>35</sup> These initiatives fund efforts in flue gas desulfurization, coal combustion waste management and utilization, and well drilling, completion and stimulation. Their economic returns can be calculated using several criteria. For instance, the benefits from developing a technology that reduces the amount of fuel required to produce a given amount of energy services, such as cooling or heating of a home, or miles driven, can be measured by the reduction in the amounts of energy use, multiplied by the market price of that energy. A technology that increases drilling efficiency would have net benefits measured by the reduction in drilling costs; and the benefits of another technology that increases the nation's ability to find and extract natural resources from deep deposits would be based on the value of the additional resources, net of

<sup>34</sup> Piedmont Environmental Council, <http://www.pecva.org/anx/index.cfm>.

<sup>35</sup> Committee on Benefits of Department of Energy R&D on Energy Efficiency and Fossil Energy, Commission on Engineering and Technical Systems, National Research Council. "Energy Research at DOE: Was It Worth It? Energy Efficiency and Fossil Energy Research 1978-2000." National Academies Press, 2001.

**TABLE 5B Social Rates of Return for Selected Public and Private Funding of Environmental and Animal/Wildlife Efforts, By Sub-Category**

	Sub-Category	Return on Investment (ROI)
Piedmont Environmental Council	Environment	2.00:1
Coastal Erosion Planning, Texas	Environment	13.80:1
Watershed Restoration Initiative	Environment	3.00:1
National Parks Conservation Assn	Environment	2.00:1
Improvement of the Flue Gas Desulfurization Program (DOE)	Environment	1.90:1
Waste Management/Utilization Technologies Program (DOE)	Environment	16.95:1
Drilling, Completion and Stimulation Program (DOE)	Environment	9.01:1
Louisiana State Park	Animals/Wildlife	2.09:1
Wyoming Wildlife & Natural Resources Trust	Animals/Wildlife	6.00:1
National Wildlife Refuge	Animals/Wildlife	4.00:1
National Fish & Wildlife Foundation	Animals/Wildlife	3.00:1
Pinellas Co. Environmental Foundation	Animals/Wildlife	2.40:1
Washington Fish & Wildlife Department	Animals/Wildlife	16.00:1
<b>Average Value Created, Per Dollar of Investment (Weighted by Grant Dollars)</b>		<b>6.72:1</b>
<b>Estimated Benefits from Foundation Support for Environmental and Animal/Wildlife Programs in 2007</b>		<b>\$17,258,127,318</b>

the costs of the exploratory, development, and production activities needed to find and extract those resources. A committee evaluating these benefits concluded that these three programs had positive returns on the order of 1.90:1 for investments in flue gas desulfurization, 16.95:1 for waste management programs, and 9.01:1 for the program in drilling, completion and stimulation.

The table above, Table 5B, lists the studies and reports used to derive an estimate of the average weighted returns on foundation grants for environmental and animal/wildlife activities. As with the analyses of foundation support in other areas, we derive the estimated value generated from the sampled nonprofit and government programs in each sub-category, calculate the returns, and estimate the total returns based on each sub-category's share of foundation support in this area. These estimates also should be considered to be approximations which additional research and analysis will refine.

We estimate that the economic and social return on foundation support for efforts in the areas of the environment, animals and wildlife averages 6.72:1. On this basis, we estimate that less than \$2.6 billion in private and community foundation support for these efforts produced benefits valued at more than \$17 billion in 2007.

#### Category 4: Health

Private and community foundations provided \$9.86 billion in grants and support for health-related organizations and programs in 2007, and we estimate that these investments generated nearly \$75 billion in benefits, with an average social rate of return of 7.60:1. Like our previous estimates, this one is derived by reviewing existing studies of the results of both foundation and government grants and support over a range of health and medical-related efforts and programs; assessing the results and estimating the consequent returns on those investments (public or foundation funding); classifying those results according to the sub-categories of health and medical-related funding and calculating the return for each sub-category; calculating a weighted average return on investment for the health category; and finally, estimating the total benefits based on that return and on foundation funding for health and medical-related efforts in 2007.

Table 6A, on the next page, presents the distribution of health and medical-related funding by private foundations across the eight sub-categories for which the Foundation Center publishes funding totals. More than two-thirds of foundation funding in this area focuses on support for hospitals and medical care, public health

programs, and medical research. By contrast, foundation support for mental health and reproductive health, together, account for about 10 percent on health and medical-related grants. This allocation, again, generally mirrors the priorities of public funding for health care.

**Private and community foundations provided \$9.86 billion in grants and support for health-related organizations and programs in 2007, and we estimate that these investments generated nearly \$75 billion in benefits, with an average social rate of return of 7.60:1.**

Our estimates of the rate of return on foundation support for health care are based on a review of 27 studies which estimated the value of health care-related programs or reported results from which those estimates could be derived. For example, the Jewish Social Services Agency provides quality in-home eldercare at an annual cost of \$5,000 to \$6,000 per-person, compared to nursing home care which costs an average of \$96,000 per-person, per-year.<sup>36</sup> This suggests a ROI

**TABLE 6A The Distribution of Foundation Funding for Health, 2007**

Sub-Category	Projected Support	Share
Policy Mgt and Information	\$309,755,262	3.1%
Hospitals and Medical Care	\$2,070,500,669	21.0%
Reproductive Health Care	\$570,324,683	5.8%
Public Health	\$2,071,478,778	21.0%
Other	\$330,039,794	3.3%
Specific Diseases	\$1,461,235,607	14.8%
Medical Research	\$2,603,338,675	26.4%
Mental Health	\$441,721,376	4.5%
<b>Total Health</b>	<b>\$9,858,394,845</b>	<b>100.0%</b>

of 17.45:1, without taking account of the benefits for those using the eldercare program and their families from enabling them to continue living on their own. Similarly, the Cornerstone program finances the purchase of renovation of housing units for people with serious mental illnesses, many of whom would otherwise require intermittent or ongoing hospitalization. It costs Cornerstone \$175 per-patient, per-day, compared to \$425 per-day in a facility such as St. Elizabeth's Hospital near Washington, D.C. Here too, without including the value of the personal benefits for the patients and their families, the program saves up to \$100,000 per-patient, per-year, and a minimal ROI of 1.43:1.

Sound returns are also achieved by the District of Columbia Primary Care Association, which helps maintain a network of more than 60 "safety net" community health centers for low-income, uninsured, and medically vulnerable people.<sup>37</sup> In one recent year, these health centers served more than 100,000 District residents, one-third of them without insurance coverage. The cost for the Association is about \$65 per-patient visit, compared to an average of \$165 through the standard public hospital procedure; and that saving does not include the economic benefits of providing uninsured people more rapid and certain treatment. Similarly, the Center for Alexandria's Children (CAC) helps protect vulnerable children by applying a coordinated, comprehensive approach to preventing, investigating, and treating child abuse.<sup>38</sup> It also costs about \$2,900 per-case, compared to \$3,900 for a state, multi-agency child abuse investigation, and is more successful in preventing further abuse.

Many health-related programs recently have turned to prevention strategies, which also can produce high returns. For example, a study from Cornell University has estimated the average, lifetime cost of caring for a person with HIV at \$618,900. The program, Metro TeenAIDS (MTA), focuses half of its annual \$1 million budget on HIV prevention education for young people, with the other half devoted to case management, mental health, youth leadership, and outreach.<sup>39</sup> If the

<sup>36</sup> Nonprofit Roundtable of Greater Washington and World Bank Group. "Beyond Charity: Recognizing Return on Investment," 2007. According to the Metlife Market Survey of Nursing Home and Home Care Costs (September 2005) the average daily cost of a semiprivate room in a nursing home in DC in 2005 was \$268 (\$97,820 per year). A semiprivate room in Silver Spring averaged \$196 (\$71,540 per year).

<sup>37</sup> District of Columbia Department of Health. "Healthcare Alliance Payment Rate Comparative Benchmarking Report," 2006, [http://www.dcpca.org/index.php?option=com\\_content&task=view&id=433&Itemid=299](http://www.dcpca.org/index.php?option=com_content&task=view&id=433&Itemid=299).

<sup>38</sup> The Center for Alexandria's Children, [www.centerforalexandriaschildren.org](http://www.centerforalexandriaschildren.org).

<sup>39</sup> Schakman, Bruce R., et al. "The Lifetime Cost of Current HIV Care in the United States." *Medical Care* 44(11): 990-997, November 2006; Projected life expectancy for infected individuals, if they remain in optimal HIV care, has increased to 24.2 years, so average lifetime HIV care cost is now \$618,900 per person.

program prevents two HIV infections per-year, it would save \$737,800.<sup>40</sup> Without taking account of large, additional benefits from the greater economic productivity of people who avoid HIV infection as a result of the program, and the fewer number of people becoming infected from those who have now avoided infection themselves, the ROI is 1.48:1.

Many other programs focus on the best management of particular conditions. A recent study reviewed the health care costs savings associated with an HMO-sponsored diabetes management program in Pennsylvania.<sup>41</sup> The program emphasizes primary care-based nurse education and case management of patients with diabetes mellitus. The participants in the program had slightly more health insurance claims related to their diabetes care, but substantially fewer total claims, with a ROI of 3.00:1. Moreover, those benefits do not include the HMO's savings from decreased variation in its month-to-month costs and greater local recognition of the quality care they provide.

A more extensive study analyzed the return on investments for certain innovative approaches for treating four specific conditions.<sup>42</sup> The study created a baseline of the average ROI for additional health care expenditures used in 2000, compared to 1980; estimated the ROI for Medicare treatments for heart attacks, strokes, type 2 diabetes, and breast cancer from 1985 to 2000, based on National Long-Term Care Survey data and Medicare claims; and then estimated the ROI for selected, major innovations introduced over that period to treat the four conditions. They calculated that each additional dollar spent on new health care services for heart attacks, strokes, type 2 diabetes and breast cancer produced health gains with ROIs, respectively, of 1.10:1, 1.49:1, 1.55:1 and 4.80:1. The ROI for particular innovations ranged from 1.12:1 to 38.0:1.

High returns also were achieved by the programs of the Michigan Athletic Trainers' Society (MATS), which provide continuing education and research in preventing, recognizing and treating injuries. According to data

collected by the National Athletic Trainers Association, each \$1 invested in injury prevention and rehabilitation measures produces returns of \$7 in productivity and saved medical costs.

The Trust for America's Health and the Urban Institute conducted a study that analyzed how much the United States could save in health care costs if more money was invested in disease prevention, specifically by funding proven community-based programs that result in increased levels of physical activity, improved nutrition, and a reduction in smoking and other tobacco use rates. One program examined by the study, for example, provides nutritious foods for schoolchildren, keeps those schools open after hours to offer adult supervision for after-school play, and educates young mothers about nutrition and ways to quit smoking. The per-capita cost of these community-based programs was less than \$10 per-year and produced remarkable results: 5 percent reductions in rates of type 2 diabetes and high blood pressure within two years, 5 percent reductions in rates of heart disease, kidney disease, and stroke within 5 years, and 2.5 percent reductions in some cancers, arthritis, and chronic obstructive pulmonary disease over 10 to 20 years. According to conservative estimates, these efforts produce a ROI of 5.6:1.<sup>43</sup>

The table on the next page, Table 6B, lists the studies and reports used to derive a measure of the average weighted returns on foundation grants for health and medical-related activities. As in other areas, we derive the estimated value generated from the sampled non-profit and government programs in each sub-category, calculate returns, and estimate the total returns based on each sub-category's share of foundation support in this area. These estimates, again, should be viewed as approximations.

We estimate that the social return on foundation support for health and medical care averages 7.60:1. On this basis, we estimate that \$9.86 billion in private and community foundation support for these efforts in 2007 produced benefits valued at more than \$74.9 billion.

<sup>40</sup> \$618,900–\$250,000, (half the prevention budget) = \$368,900, times two cases = \$737,800.

<sup>41</sup> Sidorov, Jaan, Peter Paulick, and Lila Sobel. "What is the Return on Investment Associated with Diabetes Disease Management? A Report from One Managed Care Organization in Pennsylvania." *Wolters Kluwer Health* 11.9 (2003): 565-570, <http://ideas.repec.org/a/wkh/dmhou/v11y2003i9p565-570.html>.

<sup>42</sup> Luce, Bryan, et. al. "The Return on Investment in Health Care: From 1980 to 2000." *Value in Health* 9.3 (2006): 1096-3015, <http://cat.inist.fr/?aMo dele=afficheN&qpsid=17873832>.

<sup>43</sup> Trust for America's Health. "Prevention for a Healthier America: Investments in Disease Prevention Yield Significant Savings, Stronger Communities," July 2008, <http://healthyamericans.org/reports/prevention08/Prevention08.pdf>.

**TABLE 6B Social Rates of Return for Selected Public and Private Funding Of Health Related Programs, by Sub-Category**

	Sub-Category	Return on Investment (ROI)
JSSA—in-home care for elderly people homes	Hospitals/ Medical Care	17.45:1
Teen Outreach Program	Reproductive Health Care	1.29:1
Children's Aid Society/Carrera Program	Reproductive Health Care	0.21:1
Nurse Family Partnership for Mothers/ Infants	Reproductive Health Care	2.68:1
DC Primary Care Association	Public Health	1.54:1
Trust for America's Health Study (nationwide)	Public Health	0.34:1
Trust for America's Health Study (Alabama)	Public Health	5.55:1
Trust for America's Health Study (Alaska)	Public health	7.20:1
Trust for America's Health Study(Arizona)	Public Health	4.22:1
Trust for America's Health Study (Arkansas)	Public health	5.09:1
Trust for America's Health Study (California)	Public Health	4.84:1
Trust for America's Health Study (Colorado)	Public Health	5.05:1
Center for Alexandria's Children	Other	7.00:1
Michigan Athletic Trainers	Other	5.60:1
MetroTeen Aids	Specific Diseases	1.48:1
Diabetes Management Program	Specific Diseases	3.00:1
Treatment for Heart Attack	Specific Diseases	1.10:1
Treatment for Stroke	Specific Diseases	1.49:1
Treatment for Type 2 Diabetes	Specific Diseases	1.55:1
Treatment for Breast Cancer	Specific Diseases	4.80:1
The National Cancer Institute—chemotherapy for advanced testicular cancer (1970-87)	Medical Research	2.40:1
The National Eye Institute—laser treatment for blindness caused by diabetes (1971-92)	Medical Research	8.86:1
National Heart, Lung, and Blood Institute—treatment or surgery for people whose coronary bypass can be deferred (1973-84)	Medical Research	22.03:
National Institute for Allergy and Infectious Diseases—formulated the Hepatitis B vaccine	Medical Research	4.69:1
National Institute for Allergy and Infectious Diseases—intervention for infants with haemophilus influenzae Type B	Medical Research	22.99:1
Cornerstone Study	Medical Research	1.43:1
Supportive Housing for Mentally Ill	Medical Research	5.20:1
<b>Average Value Created, Per Dollar of Investment (Weighted by Grant Dollars)</b>		<b>7.60:1</b>
<b>Estimated Benefits from Foundation Support for Health and Medical-Related Programs in 2007</b>		<b>\$74,922,982,437</b>

### Category 5: Human Services

Private and community foundations provided nearly \$5.94 billion in grants and support for human services-related programs in 2007 and we estimate that these

investments generated more than \$64.73 billion in benefits, with an average social rate of return of 10.91:1. These estimates, like those preceding them in this study, are derived by reviewing existing analyses of the results of foundation grants and government support over a

wide range of human-service programs and areas, estimating the returns on investments (foundation funding) based on those results, classifying those results according to the sub-categories of funding in these areas, calculating the return for each sub-category, calculating a weighted average return on investment for the human service category, and finally, estimating the total benefits based on that return and on total foundation funding for human service-related grants and programs in 2007.

Table 7A, below, presents the distribution of human service-related funding by private and community foundations across the eight sub-categories for which the Foundation Center provides funding data. More than two-fifths of foundation funding in this general area focus does not fall into a single, clear category but rather is classified “human services-multipurpose.” The largest single-purpose sub-categories, by amount of grants, are youth development, recreation and sports, and housing and shelter. In this case, the distribution does not mirror the priorities of public funding in this general area as it does in some other areas of foundation funding; here, employment, nutrition, and criminal justice-related programs all receive less foundation support than programs for recreation and sports or youth development.

**TABLE 7A The Distribution of Foundation Funding for Human Services Programs, 2007**

Sub-Category	Projected Support	Share
Crime, Justice and Legal Services	\$429,661,031	7.24%
Employment	\$302,946,640	5.1%
Food, Nutrition and Agriculture <sup>1</sup>	\$413,109,463	6.96%
Housing and Shelter	\$552,637,971	9.31%
Safety and Disaster Relief	\$261,316,463	4.4%
Recreation and Sports	\$714,898,525	12.0%
Youth Development	\$736,091,621	12.4%
Human Services-multipurpose	\$2,525,051,867	42.5%
<b>Total</b>	<b>\$5,935,713,580</b>	<b>100%</b>

Private and community foundations provided nearly \$5.94 billion in grants and support for human services-related programs in 2007 and we estimate that these investments generated more than \$64.73 billion in benefits, with an average social rate of return of 10.91:1.

Our review of available studies of the results of public and private human services-related programs provides the basis for our estimates of the rate of return on foundation support for efforts in this area. For example, the Friends of Guest House program in Northern Virginia provides transitional housing and support services to women leaving prison. After a six-month stay at a per-person cost of \$7,200, nearly 100 percent of the women who go through the Friends of Guest House find employment and stay out of prison.<sup>44</sup> By contrast, incarceration by the Northern Virginia Department of Corrections costs approximately \$20,000 per year, and the national rate of recidivism by parolees who receive no assistance in finding homes and jobs is 67 percent. Without taking account of the costs imposed by those who revert to criminal behavior beyond the cost of incarceration – the costs of their crimes and trials, for example – this program generates a rate of return of 1.78:1.<sup>45</sup> Similarly, the Our Place DC program provides an array of services to women in the District of Columbia coming out of prison. The program spends about \$5,000 per-person to provide these services for a year, compared to \$30,000 a year to incarcerate a woman. On this basis, the program generates a ROI of 6.0:1.<sup>46</sup>

Workforce development efforts also evidence strong rates of return. The Northern Virginia Family Services' Training Futures Program, for example, has helped more than 1,000 people move up from low-wage jobs to office careers with higher wages, benefits, and opportunities for advancement. The returns include the increased wages and often moving people off public assistance and onto private payrolls, which in turn produce tax revenues. A study of this program found that it generates a direct ROI of 18.0:1, a higher rate of return than most investors can earn on stocks or mutual funds.<sup>47</sup>

<sup>44</sup> Friends of Guest House, [www.friendsofguesthouse.org](http://www.friendsofguesthouse.org).

<sup>45</sup> Aborn, Richard M. "Time to End Recidivism." *The Nation*, 4 March 2005, <http://www.thenation.com/doc/20050321/aborn>.

<sup>46</sup> Aizenman, N.C. "The High Cost of Incarceration." *Washington Post*, 29 February 2008, [http://www.denverpost.com/ci\\_8400051](http://www.denverpost.com/ci_8400051).

<sup>47</sup> Northern Virginia Family Service. "Trickle Up: A Case Study on Community Benefits of Workforce Development," <http://www.nvfs.org/publications/trickleup.pdf>.

A study conducted by the Washington State Institute for Public Policy for the Washington State Legislature examined the ROI of a range of publically-funded prevention and early intervention programs for youth across the country since 1970. Researchers constructed a cost-benefit model to estimate the value of observed changes in education, crime, substance abuse and neglect, teen pregnancy, and public assistance use. Among the findings:<sup>48</sup>

- A Nurse Family Partnership Program for first-time mothers and their infants provided intensive home visits by nurses during the pregnancies of low-income, at-risk women and the first two years following their children's birth. The program cost \$9,118 per participant, and returned \$26,298 in economic benefits to society, for a ROI of 2.88:1.
- The All Stars program, a school and community-based project to prevent risky behavior in youth ages 11 to 15, holds 22 to 29 sessions over two years to foster positive attitudes and reduce substance use, violence, and premature sexual activity. All Stars costs \$49 per-person and yields benefits valued at \$169, for a return of 3.43:1.
- Project Northland is a multilevel intervention program involving students in grades 6 to 8, their parents, and other community members in weekly meetings aimed at delaying the age when adolescents begin drinking and reducing alcohol use among those already drinking. The program costs \$152 per student and produces an estimated \$1,575 in economic gains per-participant, or a return of 10.39:1.
- The Functional Family Therapy project is a structured, family-based intervention program operated by Washington State juvenile courts. Its aim is to reduce a range of risk factors in family dynamics by teaching problem-solving skills. The cost per-family is \$2,140, and its estimated benefits are \$16,455 for a ROI of 7.69:1.
- The Dialectical Behavior Therapy project is a cognitive behavioral treatment program for juvenile offenders with hard-to-treat mental disorders. The program focuses on enhancing their capacity

to handle difficult situations, motivating them to change their dysfunctional behaviors, and training and consultations to improve the counselors' skills. The total cost per-person is \$843, and the estimated economic benefits are \$32,087, returning \$38.05 for each dollar invested.

- Among a broad range of other youth training programs, the Youthbuild program at Sasha Bruce prepares young high school dropouts for positions in the construction industry. The services cost \$26,125 per-person to prepare them for positions with starting salaries of \$35,000 to \$45,000 annually, which implies a ROI of 1.78:1. In another example, the Urban Alliance Foundation operates a comprehensive employment program for high school students in Washington, D.C. Some 96 percent of its clients finish high school, compared to the citywide average of less than 60 percent; and 88 percent enroll in college compared to 29 percent of all D.C. public school students. At a cost per-participant of \$4,000, the program generates a rate of return of 11.25:1.

In other youth services, the Stop Child Abuse Now (SCAN) program uses volunteer "Court Appointed Special Advocates" (CASAs) to represent the interests of neglected or abused children in the Northern Virginia court system. Counting only the value of the advocates time and the state's savings from not having to hire attorneys to oversee child abuse cases ("Guardians ad Litem"), the program generates returns of 1.54:1. Or, the private Adoptions Together program works with local governments to place children with families, at a cost of \$7,200 per-child compared to an estimated \$25,000 per-child if the state did it alone.<sup>49</sup> The overall benefits produce a ROI of 2.47:1.

Moreover, a comprehensive study of the social returns on investments in youth intervention and mentoring programs in Minnesota found even higher returns.<sup>50</sup> Broad intervention programs for children with histories of truancy and alcohol or drug abuse generated social returns of 4.89:1; and efforts targeted at youth convicted of property crimes produced ROI of 8.18:1. Other studies of youth mentoring programs have documented

<sup>48</sup> Aos, S., Miller, M., and Mayfield, J. "Benefits and Costs of Prevention and Early Intervention Programs for Youth." Washington State Institute of Public Policy, 2004, <http://www.wsipp.wa.gov/pub.asp?docid=04-07-3901>.

<sup>49</sup> Stop Child Abuse Now of Northern Virginia, Alexandria/Arlington, CASA Program, [www.scanva.org/casa\\_program.htm](http://www.scanva.org/casa_program.htm).

<sup>50</sup> Office of Dakota County Attorney. "Comments of Dakota County Attorney James C. Backstrom Concerning a Recent Evaluation of the Social Return on Investment in Youth Intervention and Mentoring Program," 2007, <http://www.co.dakota.mn.us/NR/rdonlyres/00001458/pjkmiufshijhydztlpozwsixobphfnu/WilderFoundation%2007.pdf>.

benefits of \$2.72 for every dollar invested. Finally, many programs providing quality child care programs have been found to increase family incomes, improve later school performance, and reduce future public expenditures. Federal Reserve economists estimate that quality child care programs generate a return on investment of 16.0:1.

Programs for very poor and often homeless people also can generate large benefits, although not always. For example, the Manna Food Center in Montgomery County, Maryland turns each dollar of their financial resources into five dollars of food through food donations and volunteer distribution, generating a ROI of 5.0:1.<sup>51</sup> The Coalition for the Homeless in the District of Columbia moves more than 300 people into permanent housing and jobs every year. Yet, a study of similar programs by Abt Associates found that they entail costly, intensive efforts, and produce a ROI of less than one: 0.87:1.<sup>52</sup>

The table on the next page, Table 7B, lists the studies and reports used to derive a measure of the average weighted returns on foundation grants for human services-related activities. Here, as elsewhere, we derive the estimated value generated from the sampled nonprofit and government programs in each sub-category, calculate the returns, and estimate the total returns based on each sub-category's share of foundation support in this area. These estimates also should be considered to be approximations.

We estimate that the social return on foundation support in the human services area averages 10.91:1. On this basis, we estimate that \$5.94 billion in private and community foundation support for these efforts in 2007 produced benefits valued at more than \$64.7 billion.

### Category 6: Public Affairs/Society Benefit

Private and community foundations provided \$4.58 billion in grants and support for public affairs/society benefit-related programs in 2007, and we estimate that these investments generated a remarkable total of \$101 billion in benefits, with an average social rate of return of 22.04:1. This estimate may be biased by the results for two programs which produced unusually large rates of return; but even if those studies are set aside, the

estimated return on other public affairs/society benefit-related support would remain very high.

**Private and community foundations provided \$4.58 billion in grants and support for public affairs/society benefit-related programs in 2007, and we estimate that these investments generated a remarkable total of \$101 billion in benefits, with an average social rate of return of 22.04:1.**

These estimates, like those preceding it in this study, are derived from reviewing existing analyses of the results of grants and other support over a wide range of public affairs/society benefit-related programs and areas, estimating the returns on investments (foundation funding) based on those results, classifying those results according to the sub-categories of funding in these areas, calculating the return for each sub-category, calculating a weighted average return on investment for the human service category, and finally, estimating the total benefits based on that return and on total foundation funding for human service-related grants and programs in 2007.

Table 8A, on page 25, presents the distribution of public affairs/society benefit-related funding by private and community foundations across the four sub-categories of the Foundation Center. Nearly 70 percent of foundation funding in this area focuses on philanthropy and voluntarism programs and community improvement and development projects. The remainder of this funding is claimed by civil rights and social activism programs and general public affairs/society benefit efforts.

Our estimates of the rate of return on foundation support in the public affairs/society benefit area are based on a review of existing studies and reports that estimate the value of public affairs/society benefit-related programs or report results from which those estimates can be derived. For example, the Stepping Stones initiative of the Washington Area Women's Foundation is the first comprehensive, regional initiative to help low-income, women-headed families improve their economic conditions. The initiative invested \$2 million in direct grants to help low-income women build income and create assets valued at \$11 million over two years, yielding a return

<sup>51</sup> Manna Food Center. "White Paper on 'Hunger: A Hidden but Prevent Problem in Montgomery County,'" [www.mannafood.org/montgomery](http://www.mannafood.org/montgomery).

<sup>52</sup> Long, David A., and Jean M. Amendolia. "Promoting Employment for Homeless People: Final Cost-effectiveness Study," 2003.

**TABLE 7B Social Rates of Return for Selected Public and Private Funding of Human Services Programs, By Sub-Category**

	Sub-Category	Return on Investment (ROI)
Friends of Guest House: Transitional housing and support for women leaving prison, Virginia	Crime, Justice, Legal Services	1.78:1
Our Place D.C.	Crime, Justice, Legal Services	6.00:1
Northern Virginia Family Services	Employment	18.0:1
Dislocated Worker Program (Iowa)	Employment	4.83:1
Santa Ana WORK Center (a one-stop center)	Employment	4.83:1
Manna Food Center	Food, Nutrition, Agriculture	4.00:1
D.C. Central Kitchen	Food, Nutrition, Agriculture	11.11:1
Coalition for the Homeless/Abt Study	Housing and Shelter	1.87:1
Sasha Bruce Youthwork/DC Habitat for Humanity	Youth Development	1.72:1
Urban Alliance Foundation	Youth Development	11.25:1
Seattle Social Development Project	Youth Development	3.14:1
Guiding Good Choices	Youth Development	11.07:1
Strengthening Families, Parents and Youth 10-14	Youth Development	7.82:1
Child Development Project	Youth Development	28.42:1
Good Behavior Game	Youth Development	25.92:1
CASA-START (Striving Together to Achieve Rewarding Tomorrows)	Youth Development	0.89:1
Youth Intervention Program	Youth Development	4.89:1
Youth Program for Reducing Recidivism	Youth Development	8.18:1
Youth Mentoring Program	Youth Development	2.72:1
CASA for SCAN, child abuse prevention	Human Services-multipurpose	1.54:1
Adoptions Together	Human Services-multipurpose	2.47:1
Childcare Industry, New Jersey	Human Services-multipurpose	16.00:1
Adolescent Transitions Program	Human Services-multipurpose	5.02:1
Project Northland	Human Services-multipurpose	10.39:1
Family Matters	Human Services-multipurpose	8.02:1
Life Skills Training	Human Services-multipurpose	25.61:1
Project STAR (Students Taught Awareness and Resistance)	Human Services-multipurpose	5.29:1
All Stars	Human Services-multipurpose	3.43:1
Dialectical Behavior Therapy	Human Services-multipurpose	38.05:1
Adolescent Diversion Program	Human Services-multipurpose	13.54:1
Functional Family Therapy	Human Services-multipurpose	13.25:1
Multi-Systemic Therapy	Human Services-multipurpose	2.04:1
Aggression Replacement Training	Human Services-multipurpose	20.56:1
<b>Average Value Created, Per Dollar of Investment (Weighted by Grant Dollars)</b>		<b>10.91:1</b>
<b>Estimated Benefits from Foundation Support for Human Service-Related Programs in 2007</b>		<b>\$64,730,079,576</b>

**TABLE 8A** The Distribution of Foundation Funding for Public Affairs/Society Benefit-Related Programs, 2007

Sub-Category	Projected Support	Share
Civil Rights and Social Action	\$490,314,968	10.7%
Community Improvement & Development	\$1,570,633,441	32.3%
Philanthropy and Voluntarism	\$1,690,400,122	36.9%
Public Affairs/Society Benefit—General	\$830,710,148	18.1%
<b>Total</b>	<b>\$4,582,058,679</b>	<b>100.0%</b>

on investment of 5.5:1.<sup>53</sup> The \$11 million in assets and income include: \$2.9 million in savings generated by refinancing loans to avoid home foreclosures; \$120,000 in debt reductions, \$260,000 in increased home equity; and a \$200,000 increase in income from placements in higher wage jobs. It also includes \$7.5 million in additional income from the passage of a \$11.75 “living wage” law in the District of Columbia, the passage of which was led a Stepping Stones grantee partner.

Another study reports on the operations of the Tahirih Justice Center, which targets assistance to immigrant women fleeing gender-based violence. The Center’s programs include a Pro Bono Attorney Network with 440 volunteer lawyers, as well as counseling and job and housing assistance.<sup>54</sup> Based on the value of the donated services and data on job placements, we estimate the Tahirih Justice Center produces returns of 3.09:1 on its foundation funding. Similarly, Casa de Maryland uses pro bono legal services provided by such prestigious firms as Skadden Arps Slate Meagher & Flom LLP, and Covington & Burling to help workers recover unpaid wages in nearly 1,200 cases per-year. The program also trains tenants, workers, and women to organize their

neighbors, colleagues, and friends to press for community improvements.<sup>55</sup> Based on the value of the donated services and the results of CASA-sponsored efforts, we estimate that the program generated a 1.45:1 rate of return on its funding.

In other examples, the Capital Area Asset Builders operates an “individual development account” program that helps low-income people and families save for education, job training, home purchases, or to start a business. Savers receive a \$3-to-\$1 match for their own saving, as well as intensive training to help them understand credit, eliminate debt, stick to a budget, and save.<sup>56</sup> The program generates an estimated ROI of 3.0:1. The same return is produced by the D.C. Appleseed program, which uses pro bono services from local law and accounting firms to organize business leaders, community experts and citizens to identify, research, and advocate on community issues. Based on the value of its donated services, D.C. Appleseed also produces returns of 3.0:1.<sup>57</sup> And in another sub-category, the Center for Needs Assessment and Planning and Florida Taxwatch conducted an analysis of the returns on investments in a broad range of job training and education programs. This study found that every dollar invested in education at correctional institutions, for example, produced benefits valued at \$3.20, while the returns on special education programs were 3.53:1.<sup>58</sup>

Three programs in this category reported unusually high rates of return. The OAR project, for example, recruits volunteers to teach ex-offenders how to find and keep jobs and housing, provide community service, obtain health care, and stay within the law.<sup>59</sup> Based on its costs and the average salary of those placed in jobs, the program produces a very high ROI of 48.7:1. In another case, the Solidago Foundation supports groups doing grassroots work to improve their communities by closing or preventing high-polluting facilities, preserving and expanding affordable housing, creating zoning and community land trusts, and protecting tenants’ rights.<sup>60</sup> Solidago’s grantees have secured major federal funding

<sup>53</sup> Washington Area Women’s Foundation. “A Portrait of Women and Girls in the Washington Metropolitan Area,” and “Stepping Stones Reports 2005-2007,” <http://thewomensfoundation.org/our-work/research>.

<sup>54</sup> Tahirih Justice Center, [www.tahirih.org](http://www.tahirih.org).

<sup>55</sup> Casa de Maryland, <http://www.casademaryland.org/>.

<sup>56</sup> Capital Area Asset Builders, [www.caab.org](http://www.caab.org).

<sup>57</sup> DC Appleseed, <http://www.dcappleseed.org/>.

<sup>58</sup> Moore, Michael W. “Return on Investment for Correctional Education in Florida.” Florida Department of Corrections: Bureau of Data and Research Analysis, June 1999, <http://www.dc.state.fl.us/pub/taxwatch>.

<sup>59</sup> Offender Aid and Restoration, [www.oaronline.org](http://www.oaronline.org).

<sup>60</sup> Solidago Foundation, “Measuring the Impact on Community Organizing,” [http://www.solidago.org/080429%20Short%20Report\\_Final\\_From%20Kathy%20Sharkey.pdf](http://www.solidago.org/080429%20Short%20Report_Final_From%20Kathy%20Sharkey.pdf).

to clean up contaminated sites and help victims, conduct air quality research, and train people in environmental health and justice issues. A recent study found that for every dollar which Solidago invested in grantees, their communities received \$59 in benefits. Finally, the project, Towards No Tobacco Use reports health-related benefits equal to \$55 for every \$1 expended by the program. If these three examples are treated as outliers, the return on investment in this category would be closer to 10:1 than 22:1. Yet, there is also no basis to discount the results of these programs.

The following table, Table 8B, lists the studies and reports used to derive the average weighted returns on foundation grants for public affairs/society benefit-related activities. Here, as elsewhere, the value generated by the sampled nonprofit and government programs is generated in each sub-category, the returns are calculated and then the total returns are estimated based on each sub-category's share of total foundation support in this area.

We estimate that the social return on foundation support for public affairs/society benefit-related programs averages 22.04:1. On this basis, we estimate that \$4.58

billion in private and community foundation support for these efforts in 2007 produced benefits valued at nearly \$101 billion.

### Category 7: Science and Technology

Private and community foundations provided nearly \$1.24 billion in grants and support for science and technology programs in 2007, and we estimate that these investments generated a total of \$6.13 billion in benefits, with an average social rate of return of 4.96:1. Some of the programs cited in this area are similar to those in the health area, especially those involving medical research. These programs could be classified in either category as instances of scientific research that have led to improvements in health care.

The estimates of returns in this area, as in all others, are derived from reviewing existing analyses of the results of grants and other support over a wide range of science and technology programs, estimating the returns on investments (foundation funding) based on those results, classifying those results according to the sub-categories of funding in this area, calculating the return for each sub-category, calculating a weighted average

**TABLE 8B Social Rates of Return for Selected Public and Private Funding of Public Affairs/Society Benefit-Related Programs, By Sub-Category**

	Sub-Category	Return on Investment (ROI)
Washington Area Women's Foundation	Civil Rights & Social Action	5.50:1
Tahirih Justice Center	Civil Rights & Social Action	3.09:1
Capital Area Asset Builders	Community Improvement & Development	3.00:1
Solidago	Community Improvement & Development	59.00:1
Project Towards No Tobacco Use	Community Improvement & Development	55.84:1
Casa de Maryland	Philanthropy & Voluntarism	1.45:1
OAR of Arlington County	Philanthropy & Voluntarism	48.69:1
DC Campaign to End Teen Pregnancy	Public Affairs/Society Benefit	1.62:1
DC Appleseed	Public Affairs/Society Benefit	3.00:1
Juvenile Offender Interagency Coordination	Public Affairs/Society Benefit	15.49:1
Mentoring in the Juvenile Justice System	Public Affairs/Society Benefit	1.78:1
Project ALERT	Public Affairs/Society Benefit	18.02:1
Florida Investment in Correctional Education	Public Affairs/Society Benefit	3.20:1
<b>Average Value Created, Per Dollar of Investment (Weighted by Grant Dollars)</b>		<b>22.04:1</b>
<b>Estimated Benefits from Foundation Support for Public Affairs/Society Benefit-Related Programs in 2007</b>		<b>\$100,999,672,814</b>

return on investment for the human service category, and finally, estimating the total benefits based on that return and on total foundation funding for human service-related grants and programs in 2007.

Table 9A, below, presents the distribution of science and technology funding by private and community foundations across the six sub-categories for the Foundation Center funding data. The largest sub-category is general science, followed by programs in the physical sciences, life sciences and technology.

Our estimates of the rate of return on foundation support for science and technology, as in other areas, are based on a review of studies and reports estimating the benefits generated by public and private science and technology programs or data from which those estimates can be derived. For example, the training program at the nonprofit Computer C.O.R.E. trains low-income adults in technological and workplace skills. The program reports that the average hourly wage of those who take new jobs prior to graduating increased from \$8.49 prior to enrollment to \$11.73, and 25 percent receive subsequent promotions. Furthermore, some 45 percent of program participants go on to more advanced training or higher education, primarily at Northern Virginia Community College, and some graduates found successful businesses.<sup>61</sup> On average, the cost per-participant is \$1,000, compared to average annual salary increases of \$3,000 to \$4,000, for a return on investment of at least 3.0:1.

**TABLE 9A The Distribution of Foundation Funding for Science and Technology Programs, 2007**

Sub-Category	Projected Support	Share
Policy, Management and Information	\$47,406,850	3.84%
General Science	\$505,697,741	40.94%
Physical Science	\$262,251,947	21.23%
Technology	\$198,419,158	16.06%
Life Science	\$220,502,871	17.85%
Other	\$897,347	0.73%
<b>Total</b>	<b>\$1,235,175,914</b>	<b>100%</b>

<sup>61</sup> Computer C.O.R.E., www.computercore.org.

<sup>62</sup> Three energy-efficiency programs, costing about \$11 million, produced nearly three-quarters of these benefits; Committee on Benefits of DOE R&D on Energy Efficiency and Fossil Energy, Commission on Engineering and Technical Systems, National Research Council. "Energy Research at DOE: Was It Worth It? Energy Efficiency and Fossil Energy Research 1978-2000." National Academies Press, 2001.

Private and community foundations provided nearly \$1.24 billion in grants and support for science and technology programs in 2007, and we estimate that these investments generated a total of \$6.13 billion in benefits, with an average social rate of return of 4.96:1.

In the technology research area, Science Foundation Arizona has funded work by Professors David Lynch of the University of Arizona and Harald Øye of the Norwegian University of Science, through the Solar Technology Research Corporation (STRC), to develop a new method of refining silicon using metallurgical processes for more efficient solar energy. The photovoltaic industry relies on high-purity silicon, a critical and costly material for solar panels, usually produced in submerged arc furnaces using the industry standard, Siemens™ process. Demand for high purity silicon has exceeded supply since 2006, with prices increasing 12-fold to \$300 per-kg since the mid-1990s. STRC expects its new refining process to reduce those costs by up to 50 percent, reducing the cost of solar panels by one-quarter. The cost savings are estimated close to \$300 million, compared to an investment of \$78 million, for a ROI of 3.85:1.

In other research programs, a comprehensive review of federal R&D efforts to advance more energy-efficient fossil-fuel technologies by a committee of the National Research Council of the National Academies found that those programs significant economic, environmental, and national security benefits. The report analyzed 17 R&D programs in energy efficiency and 22 programs in fossil energy funded by the U.S. Department of Energy (DOE) and found that they produced economic returns estimated at \$40 billion from investments of \$13 billion, for a ROI of 3.08:1.<sup>62</sup>

In the sub-category of policy and management, the City of Rancho Cucamonga, California, formed a municipal utility in August 2001. The purposes included greater local control over energy sources, reducing the impact of CPUC/Edison, shielding the Victoria Arbors area from some of the price volatility for electrical energy, tailoring energy conservation efforts for local residents, and

generating additional for public services. A study of the project found it produced returns of 10.8:1.

In the life sciences sub-category, studies of support for three medical research efforts also found strong returns. A 17-year effort by the National Institute for Allergy and Infectious Diseases to develop a Hepatitis B vaccine generated returns of 3.07:1; a 21-year program by the National Eye Institute to perfect laser treatments for blindness caused by diabetes produced even higher returns, 4.61:1; and a 17-year program by the National Cancer Institute to develop new chemotherapies for advanced testicular cancer generated a return on the investments of 8:86:1.

The following table, Table 9B, lists these and other studies used to derive a measure of the average weighted returns on foundation grants for science and technology:

We estimate that the social return on foundation support for science and technology programs averages 4.96:1. On this basis, we estimate that \$1.24 billion in private and community foundation support for these efforts in 2007 produced benefits valued at \$6.13 billion.

\* \* \*

Four other categories of foundation activity focus on needs and concerns which produce results, but their benefits cannot be directly measured: 1) International Affairs, Peace and Human Rights; 2) Social Sciences; 3) Religion; and 4) "Other."

### Category 8: International Affairs, Peace, Human Rights

Private foundations provided an estimated \$2.29 billion in grants and support for programs focused on international affairs, peace and human rights in 2007. We reviewed studies and reports from nonprofit organizations focused on these concerns. Some of these programs provide public education that may produce better-informed voters, who in turn may become active advocates for non-military responses to international tension, conceivably avoiding enormous expenditures and untold suffering. Other programs help organize public pressures to relieve the suffering of political prisoners, again alleviating suffering and perhaps improving political and social conditions. Yet other programs promote greater comity and cooperation at local levels. Unlike the other program areas we have reviewed above, there are no scientific metrics to measure the economic or social benefits from these efforts.

**TABLE 9B Social Rates of Return for Selected Public and Private Funding of Science and Technology Programs, By Sub-Category**

	Sub-Category	Return on Investment (ROI)
Municipal Utility Project, California	General Science	10.80:1
Solar Technology Research Corporation	Physical Science	3.85:1
Hybrid Corn	Physical Science	7.00:1
Pharmaceutical Research	Physical Science	1.16:1
Health	Physical Science	2.40:1
Computer C.O.R.E	Technology	3.00:1
Energy Efficient Fossil Fuel Technologies	Technology	3.08:1
National Institute for Allergy and Infectious Diseases—hepatitis B vaccine (1964-1981)	Life Science	3.07:1
National Eye Institute—laser treatment for blindness caused by diabetes (1971-1992)	Life Science	4.62:1
National Cancer Institute—chemotherapy for advanced testicular cancer (1970-1987)	Life Science	8.86:1
<b>Average Value Created, Per Dollar of Investment (Weighted by Grant Dollars)</b>		<b>4.96:1</b>
<b>Estimated Benefits from Foundation Support for Science and Technology Programs in 2007</b>		<b>\$6,126,867,646</b>

**TABLE 10 Social Rates of Return for Selected Private Funding of Programs Focused on International Affairs, Peace, and Human Rights**

Program	Return on Investment
City at Peace	1.0:1
International Alert	1.0:1
<b>Average Value Created, Per Dollar of Investment</b>	<b>1.0.1</b>
<b>Total Funding</b>	<b>\$2,287,649,706</b>
<b>Estimated Benefits from Foundation Support for Program In International Affairs, Peace, and Human Rights in 2007</b>	<b>\$2,287,649,706</b>

For example, the City at Peace project promotes cross-cultural understanding, provides training in conflict resolution, and tries to discourage youth violence by bringing together teenagers to create musical theater productions based on their life stories.<sup>63</sup> The theater program is an intensive year-long process that culminates in public performances aimed at building trust and relationships among teens and, ultimately, creating positive changes in their lives, their families, schools, and communities. Some 90 percent of the project's funding is used directly to provide training and organize the performances.<sup>64</sup> Another example is the International Alert program,<sup>65</sup> an independent "peace-building" organization that uses 85 percent of its funding to provide public education in international affairs that could affect the prospects for peace and work with people to organize around war and peace issues.

The vast bulk of the funding that these organizations receive is devoted to promoting cross-cultural activities or international peace, and these activities themselves can be properly considered to represent the value of the program. The return on investments for these programs and organizations, therefore, is approximately 1.0:1. Further, a significant share of their resources comes from fees for their activities, such as the ticket sales for the public performance of City at Peace. These fees also

can be considered a measure of the value created, since they represent people's minimum valuation of the services these organizations provide. In this regard, as well as with regard to the general benefits from their human rights and peace-related public education and activism, the actual ROI for these activities is almost certainly greater than 1.0:1. Since we cannot measure those benefits, however, we assume that these programs yield returns of approximately 1.0:1.

**Private foundations provided an estimated \$2.29 billion in grants and support for programs focused on international affairs, peace and human rights in 2007.**

On this basis, we estimate that \$2.29 billion in private and community foundation support for these efforts in 2007 produced benefits valued at a minimum of \$2.29 billion.

### Category 9: Social Sciences

Private and community foundations provided an estimated \$581 million in grants and support for social science programs and organizations in 2007. We reviewed studies and reports from many of those programs and organizations. Most of these programs support research and publication at educational or public policy institutions, while others fund more academic-based advocacy activities. According to the Foundation Center, about one-third of the grants and support in this area go to social science and economic research and related activities, while two-thirds go to interdisciplinary research and activities. As with support for the programs in international affairs, peace and human rights, there are no accepted measures that can estimate the social and economic benefits of this support.

The Aspen Institute, for example, funds a range of public policy research, public programs to discuss research, campus activities and seminars related to this research, a global leadership network program, and other similar activities. More than 92 percent of the Institute's funding goes for these program expenses, yielding an approximate rate of return of 1.0:1.<sup>66</sup> Similarly, the Center for

<sup>63</sup> City at Peace, [www.cityatpeacedc.org](http://www.cityatpeacedc.org).

<sup>64</sup> City at Peace. "Return of Organization Exempt from Income Tax, Form 990," 2006, [http://dynamodata.fdncenter.org/990\\_pdf\\_archive/521/521913537/521913537\\_200706\\_990.pdf](http://dynamodata.fdncenter.org/990_pdf_archive/521/521913537/521913537_200706_990.pdf).

<sup>65</sup> International Alert. "2007 Annual Review," 2007, [http://www.international-alert.org/pdfs/Annual\\_Review\\_2007.pdf](http://www.international-alert.org/pdfs/Annual_Review_2007.pdf).

<sup>66</sup> The Aspen Institute, <http://www.aspeninstitute.org>.

**TABLE 11A** The Distribution of Foundation Funding for Social Science Programs and Organizations, 2007

Sub-Category	Projected Support	Share
Social Sciences and Economics	\$193,436,228.6	33.28%
Interdisciplinary/Other	\$387,802,438.9	66.72%
<b>Total</b>	<b>\$581,238,667.5</b>	<b>100.0%</b>

Private and community foundations provided an estimated \$581 million in grants and support for social science programs and organizations in 2007.

Economic and Policy Research (CEPR) focuses its funding on two programs: a domestic economic policy project which analyzes government data and distributes the findings, and a globalization project which focuses on research and public education in that area. All of the funding can be considered to contribute to the organization's social and economic impact. Funding for the Center for Strategic and International Studies (CSIS), a research and analysis organization for issues in strategic and international affairs, similarly contributes to its impact in these areas.<sup>67</sup> While the benefits from the funding for these organizations may be large insofar as they help promote and advance positive changes in public policies, there are no means of measuring the

relationship between the work of CEPR or CSIS and those changes. Therefore, we attribute a ROI of 1.0:1 to the investments in these projects.<sup>68</sup>

We ascribe the same return to the Alliance for Justice, which uses its funding for nonprofit advocacy, research and advocacy related to judicial selection and to foundation and other nonprofit activities, a fellows program, a public policy project for youth, and other similar activities.<sup>69</sup> The funds are used to operate workshops, conduct and publish research, and hold public forums and other events. We also assume a ROI of 1.0:1 for investments in the National Strategy Information Center, which uses its funding to support activities in three areas: a consortium for the study of the use of intelligence, which produces research and analysis for public officials and scholars; a collaborative research project in transnational cooperation; and a program on the culture of lawfulness, which works with local leaders from many countries to promote the rule of law.

On this basis, we estimate that \$581 million in private and community foundation support for these efforts in 2007 produced benefits valued at a minimum of \$581 million.

### Categories 10 and 11: Religion and "Other"

Private and community foundations provided an estimated \$926 million in grants and support for religion-related programs, plus a residual of about \$37 million

**TABLE 11B** Social Rates of Return for Selected Private Funding of Programs Focused on the Social Sciences, 2007

	Sub-Category	Return on Investment (ROI)
Center for Economic and Policy Research	Social Sciences & Economics	1.0:1
The Aspen Institute	Social Sciences/ Economics	1.0:1
Alliance for Justice	Interdisciplinary/Other	1.0:1
Center for Strategic and International Studies	Interdisciplinary/Other	1.0:1
National Strategy Information Center	Interdisciplinary/Other	1.0:1
<b>Average Value Created, Per Dollar of Investment</b>	<b>1.0:1</b>	<b>1.0:1</b>
<b>Total Funding</b>		<b>\$581,238,667.5</b>
<b>Estimated Benefits from Foundation Support for Science and Technology Programs in 2007</b>		<b>\$581,238,667.5</b>

<sup>67</sup> Center for Strategic and International Studies, <http://www.csis.org>.

<sup>68</sup> Center for Economic and Policy Research, <http://www.cepr.net>.

<sup>69</sup> Alliance for Justice, <http://www.afj.org>.

in support for activities that do not fall under any of the other 10 categories. We do not analyze the programs and other activities classified by the Foundation Center as “other,” as they represent less than 1 percent of all private foundation funding. We did examine reports from some religion-related programs, which generally support religious outreach and evangelism. As with support for the programs in the social sciences and in international affairs, peace and human rights, there are no accepted metrics for estimating the social and economic benefits of support for religion-related activities.

Religious organizations such as the Acts 1:8 Ministry and the Knox Fellowship provide free, church-outreach programs and evangelical materials to churches, ministries and individuals seeking to share their faith. The Acts 1:8 Ministry, for example, operates a program called Planned Acts of Christian Kindness (PACK) to spread Christian beliefs and faith. Again, these organizations devote more than 90 percent of their resources to religious organizing activities and encouraging participation in their outreach programs.<sup>70</sup> These activities may provide spiritual and practical support and assistance to their participants, which may in turn produce personal changes that yield significant social and economic benefits. However, there is no scientific way to establish and measure the links

**TABLE 12A** The Distribution of Foundation Funding for Religion-Related and “Other” Programs, 2007

Sub-Category	Projected Support	Share
Religion	\$926,409,977.6	96.04%
Other	\$37,939,837.4	3.96%
<b>Total</b>	<b>\$964,349,815</b>	<b>100.0%</b>

between such changes and foundation support for those activities. Therefore, we attribute a return of 1.0:1 to that support; these investments produce equivalent value.

Private and community foundations provided an estimated \$926 million in grants and support for religion-related programs, plus a residual of about \$37 million in support for activities that do not fall under any of the other 10 categories.

On this basis, we estimate that \$964 million in private and community foundation support for religion-related and other activities produced benefits valued at a minimum of \$964 million.

**TABLE 12B** Social Rates of Return for Selected Private Funding of Programs Focused on Religion and Other Areas, 2007

	Sub-Category	Return on Investment (ROI)
Acts 1:8 Ministry	Religion	1.0:1
Knox Fellowship	Religion	1.0:1
Other	Other	1.0:1
<b>Average Value Created, Per Dollar of Investment</b>	<b>1.0:1</b>	<b>1.01:1</b>
<b>Total Funding</b>		<b>\$964,349,815</b>
<b>Estimated Benefits from Foundation Support for Religion-Related and Other Programs in 2007</b>		<b>\$964,349,815</b>

<sup>70</sup> Acts Ministries. “Return of Organization Exempt from Income Tax, Form 990,” 2004.

## 4. INDIRECT BENEFITS FROM PRIVATE FOUNDATION SUPPORT

The funding and other activities of private and community foundations generate not only very substantial direct benefits, primarily for the organizations they support and the people those organizations assist, but also, even greater indirect benefits for the communities which their funding and activities affect. Many foundation activities create jobs and incomes for both employees and participants in the programs supported by those foundations, and those jobs and higher incomes produce greater spending which has “multiplier effects.” The additional spending increases demand which businesses satisfy by creating additional jobs, triggering another cycle of higher incomes and yet more jobs. All of the jobs and additional income generated in this manner also produce additional tax revenues for federal, state and local governments.

The funding and other activities of private and community foundations generate not only very substantial direct benefits, primarily for the organizations they support and the people those organizations assist, but also, even greater indirect benefits for the communities which their funding and activities affect.

The wide-ranging study by the Cultural Alliance of Greater Washington and Americans for the Arts, noted earlier in this study, also examined the indirect economic effects of the operations of nonprofit arts and culture organizations and institutions, including new jobs, additional household income, and tax revenues.<sup>71</sup> This study sampled more than 6,000 nonprofit arts and cultural entities in 156 regions across the United States. The researchers estimated that expenditures of \$63.1 billion by these organizations and institutions generated \$104.2 billion in additional household income, \$12.6 billion in additional federal tax revenues, \$9.1 billion in additional state tax revenues, and \$7.9 in additional local tax revenues. These findings indicate that every dollar invested by foundations in arts and culture-related activities yields an additional \$1.65 in household incomes (the “income multiplier”), \$0.199 in federal tax revenues (the “federal tax multiplier”), \$0.144 in state tax revenues (“state tax multiplier”), and \$0.125 in local

tax revenues (“local tax multiplier”). Based on estimated foundation support for arts and culture in 2007 of approximately \$5.23 billion, we estimate that those investments will generate approximately \$8.62 billion in additional household incomes, \$993 million in additional federal tax revenues, \$731 million in additional state taxes, and \$627 million in additional local taxes.

The critical factor generating these indirect benefits is the employment, and we can use the findings of the study by the Cultural Alliance to roughly estimate the indirect benefits from private foundation support in other areas, by using the employment-producing capacity of nonprofit activities in arts and culture and the employment of nonprofits in other areas to extrapolate the income and revenue effects in those other areas. The Center for Civil Society Studies at Johns Hopkins University collects data on employment in charitable nonprofits (501c(3)s) working in diverse areas, and issued a report on total paid employment generated by the nonprofit sector in different fields in 2004.<sup>72</sup> We use these data as a rough proxy for the employment effects of foundation activities, since charitable nonprofits depend largely on foundation support, and foundations target most of their support to charitable nonprofits. The table on the next page, Table 13, shows employment in each grant area relative to employment associated with the activities of arts and culture nonprofits. For example, the number of jobs created by education-related charitable nonprofits is nearly 5.7 times the jobs created by arts and culture nonprofits, while health-related charitable nonprofits generate nearly 21.8 times more jobs than arts and culture nonprofits.

If we assume that the average wage paid in each category is similar, we can use the findings of the study of arts and culture nonprofits to estimate the additional household income and taxes generated by each area of foundation support.<sup>73</sup> These estimates entail multiplying the foundation dollar support in each category first by the employment factors relative to arts and culture, presented in the table above, and then by the “income multipliers” and “tax multipliers” established by the Cultural Alliance analysis. For example, we would estimate that the activities of education-related nonprofits would generate additional household income equal to

<sup>71</sup> Americans for the Arts. “Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences,” 2007.

<sup>72</sup> Salamon, Lester M., and S. Wojciech Sokolowski. “Employment in America’s Charities: A Profile.” The Johns Hopkins Center for Civil Society Studies, 2006, <http://www.jhu.edu/ccss/research/pdf/Employment%20in%20Americas%20Charities.pdf>

<sup>73</sup> Ibid; The average weekly wage in the nonprofit sector is approximately \$627. For most sectors, the average wage was close to this number, though hospitals have much higher average wages.

1.65 times their investments, if their activities employed the same number of people as arts and culture nonprofits. Since the Johns Hopkins research found that education-related nonprofit activities employ 5.65 times the number of people as arts and culture nonprofit activities, foundation support for education should lead to additional household incomes equal to that support, times 5.65, times 1.65. Similarly, foundation support for education activities also should lead to additional federal revenues equal to that support, times 5.65, times 0.199;

additional state revenues equal to that support, times 5.65, times 0.144; and additional local revenues equal to that support, times 5.65, times 0.125. The key to the relative dimensions of the indirect benefits of foundation support for each category, therefore, are their levels of support and levels of job creation, relative to support and job creation in arts and culture nonprofits.

As Table 14, below, shows, the \$42.9 billion in private and community foundation support in 2007 led to \$511.9

**TABLE 13 Employment Generated by Nonprofit Charitable Organizations, By Category of Foundation Support, 2004<sup>74</sup>**

Category	Employment	Employment Relative to Arts
Arts and Culture	243,000	1:1
Education	1,373,000	5.65:1
Health	5,293,000	21.78:1
Human Services	1,225,000	5.04:1
Environment & Animals, Public Affairs/Society Benefit, International Affairs, and Social Sciences	24,000	0.09:1
Science and Technology	397,000	1.63:1
Religion and Other	671,000	2.76:1

**TABLE 14 Estimates of Additional Household Income and Tax Revenues Generated by Foundation Support and Activities, By Category<sup>75</sup>**

	Foundation Support	Additional Household Income	Additional Local Revenues	Additional State Revenues	Additional Federal Revenues
Arts and Culture	\$5,226,392,067	\$8,630,587,217	\$654,334,348	\$753,726,907	\$1,043,621,871
Education	\$9,660,143,940	\$90,130,214,604	6,833,288,823	\$7,871,256,746	\$10,898,663,186
Health	\$9,858,394,845	\$354,570,372,401	\$26,882,014,798	\$30,965,358,818	\$42,875,112,210
Human Services	\$5,935,715,823	\$49,401,711,686	\$3,745,427,278	\$4,314,352,940	\$5,973,719,455
Public Affairs/Society Benefit, Environment International Affairs, Social Sciences	\$10,019,825,353	\$1,489,158,830	\$112,901,677	\$130,051,299	\$180,071,029
Science/Technology	\$1,235,178,157	\$3,324,723,761	\$252,066,389	\$290,354,954	\$402,029,937
Religion and other	\$964,349,815	\$4,395,234,421	\$333,227,946	\$383,844,849	\$531,477,483
<b>TOTAL</b>	<b>\$42,900,000,000</b>	<b>\$511,942,002,921</b>	<b>\$38,813,261,258</b>	<b>\$44,708,946,512</b>	<b>\$61,904,695,171</b>

<sup>74</sup> Salamon, Lester M., and S. Wojciech Sokolowski. "Employment in America's Charities: A Profile." The Johns Hopkins Center for Civil Society Studies, 2006, <http://www.jhu.edu/ccss/research/pdf/Employment%20in%20Americas%20Charities.pdf>.

<sup>75</sup> Americans for the Arts. "Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences," 2007.

billion in additional household income, through various multiplier effects, and additional tax revenues of \$61.9

billion for the federal government, \$44.7 billion for state governments, and \$38.8 billion for local governments.

## 5. THE POTENTIAL IMPACT OF TAXING FOUNDATIONS AND NONPROFIT ORGANIZATIONS

The *New York Times* reported recently that researchers have estimated that the tax-exempt status of charities costs local governments some \$8 billion to \$13 billion annually, in foregone revenues.<sup>76</sup> Our analysis suggests that private and community foundation activities alone generate revenues equal to at least three times those estimated losses, and the same inference is probably applicable to state and federal taxation. In fact, if foundations were subject to tax on their incomes, local, state and federal governments might lose revenues if the taxes were high and significantly reduced the activities of those organizations. Many nonprofit organizations operate on a shoe string with volunteer staff working at kitchen tables. If these organizations were taxed or the foundations providing their support reduced their funding due to high taxes, some of them could be forced to close. These effects could reduce the compassionate activities, innovation, and intellectual and ideological diversity, which private foundations help generate across the United States.

applicable to nonprofit organizations. For example, one of the main sources of revenues for foundations is donations from individuals, corporations, other nonprofits or government. Many nonprofits also charge fees for various services, which may be billed directly to the person receiving the service or to third parties such as the government. However, these fees rarely cover the actual costs or value of the services provided. As is evident from many of the examples described in this analysis, the market value of an art class, for example, is much higher than the fees which the nonprofit providing it charges. Furthermore, while nonprofits pay employees and purchase goods and services, a significant share of the labor, goods and services they use are donated. If nonprofits were taxed, it is unclear whether the value of these donations should be considered income or implicit revenues, or costs. Since nonprofits do not price their services in order to earn an excess over their cost, a workable concept of profit for their activities also could be highly problematic.

**Taxing foundations also could be problematic and enormously complex.**

Taxing foundations also could be problematic and enormously complex. Most for-profit entities calculate their taxes based on the difference between their revenues and their costs, after allowing for numerous credits and deductions. Their revenues are generated from their actual operations, such as the sale of products and services from automobiles to medical advice or legal representation. The costs include payments to employees and purchases of goods and other services directly involved in the production of their products or services. These categories and distinctions, however, are not directly

Nonprofit organizations can operate and survive only if their various forms of donated support are sufficient to provide the services for which they exist. Taxing the activities of private and community foundations would be equivalent to taxing the public services and public goods they provide, and which in 2007 already generated an estimated \$367.9 billion in direct benefits, \$511.9 billion in additional household income, and \$145.4 billion in additional local, state and federal revenues.

On balance, the very substantial economic and social benefits produced through the funding and other activities of private and community foundations argue strongly against taxing the assets or income that ultimately produce those benefits.

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