



The Philanthropic Collaborative

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Chairman Dave Reichert
1127 Longworth House Office Building
Washington, DC 20515

Vice Chairman John Lewis
343 Cannon House Office Building
Washington, DC 20515

Dear Chairman Reichert and Vice Chairman John Lewis:

As the Committee on Ways & Means considers various proposals for comprehensive tax reform, The Philanthropic Collaborative (TPC) urges that the Committee keep in mind the broader, long-term value of foundation grantmaking in the economy. To view foundations and the grantees they support through common social filters neglects their essential roles as participants in and contributors to our nation's economy – and to future tax revenues. We know it's difficult to measure this economic value, so we are including with this letter new data from TPC's most recent economic study to help the Committee in its deliberations.

The Philanthropic Collaborative is a non-partisan entity that brings together foundations, charities and elected officials to provide information about the economic and social impact of foundation grantmaking. In recent years, TPC and others have conducted research to help paint a clearer picture of that impact on the economy. The most recent TPC study, *Economic Impacts of 2010 Foundation Grantmaking on the U.S. Economy*, advances that research by undertaking a first-of-its-kind examination of the present and projected future impact of foundation grantmaking on the U.S. economy.

Using established IMPLAN economic modeling, *Economic Impacts* examines how foundation grants to U.S. charities in 2010 (\$37.85 billion) are contributing to job creation, wages, GDP, and future tax revenues. The study then applies established return-on-investment ratios to each type of grantmaking to make longer-term projections, producing an assessment of economic benefits over a lifetime, benefits such as better health care, educational opportunities, and a better quality of life.

The modeling in this study demonstrates that the economic and long-term revenue contributions of foundation grantmaking in America are substantial and should be weighed heavily as the Committee debates changes to the tax code.

First, we find that foundation grantmaking creates immediate jobs and tax revenue. Grantmaking directly creates nearly 500,000 jobs shortly after grants are disbursed. For example, a grant from a foundation to a preschool supports immediate jobs for those hired to implement the grant, including teachers and administrators. Within one year, the number expands to nearly 1 million jobs and \$3.3 billion in indirect taxes when downstream and backward linkages are included.

Second, we look at the more significant longer-term impacts. Although inherently more speculative, the economic modeling and analysis in *Economic Impacts* shows that foundation grantmaking is connected to nearly 4.5 million new jobs. When the backward linkages and multiplier effects of these benefits are included, they can have a total impact of 8.8 million jobs and \$31 billion in indirect government revenue. This is because in the years after foundation grants are made there is a continuing return on investment. For instance, the young people benefitting from the grant to a preschool are more likely to go to college, increase lifetime earnings and thereby income taxes, all while improving the quality of life for themselves and their family.

Beyond employment and indirect tax revenue, foundation grantmaking spurs widespread long-term economic activity. *Economic Impacts* finds that the \$37.85 billion in foundation grants in 2010 will be leveraged over decades, not just by multiplier effects but also by a return on investment leading to geometric expansion economically, measurable as transactions and additions to America's GDP over the long-term. Over a generation, the study finds that foundation grantmaking can be tied to \$340 billion in direct economic activity (and even more indirect spending).

In summary, foundations and their grantees are changing communities and increasing future government revenues. They are vital components of the U.S. economy, job creators and laboratories of innovation. Of course, philanthropy makes immense non-economic, social and other non-financial contributions to America - but we hope this additional information will help shed light on the often-overlooked dollars and cents value of grantmaking.

With appreciation,

The Philanthropic Collaborative