



Increasing Private Foundation Payout

Foundation Assets

The Hauser Institute's "Global Philanthropy Report" (2018) is the most recent reputable study on the assets held in U.S. Foundations. Data in this report comes from "circa 2015" Foundation Center reporting, so it is quite dated.¹ There is no up-to-date data from the Foundation Center available. But based on the Hauser Center report, we can estimate that **US foundations had an estimated \$890 billion in assets in 2014.**

Foundation Payout Rates

The most reliable study on payout rates is "Understanding and Benchmarking Foundation Payout," an analysis done by Loren Renz for the Foundation Center Issue Lab in 2012. Renz analyzed grants from a sample of 979 foundations from 2007 to 2009 and found that their **median annual distribution rate was 5.8%** over that time period.²

Payout varies a lot by foundation size, however, with larger foundations tending to pay out at lower rates than small ones. Mid-size foundations, for example, with assets of \$10 million to \$50 million, paid out at 11 percent rate. The largest foundations, with assets over \$500 million, paid out at just 5.4 percent. This means that a hike in the payout rate requirement would have even greater impact on the larger foundations, and would result in even more revenue.

Giving USA says that the amount given in foundation distributions in 2014 was \$53.97 billion. Based on an estimated 2014 estimate of \$890 billion in foundations, **the payout rate in 2014 would have been, roughly, 6%**, which jibes with Renz's analysis.

Foundation Overhead Rates

Most of the reliable data available on overhead and payout rate is dated. "The Foundation Payout Puzzle," a 2001 paper by Akash Deep and Peter Frumkin, is a seminal work on the topic, and really hasn't been repeated with the same rigor by anyone since.³

The National Committee on Responsive Philanthropy (NCRP) did an [analysis](#) of IRS tax forms in 2003 and estimated that \$3.2 billion would be spent on overhead that year. According to Giving USA 2004, foundations gave out \$26.84 billion in 2003. Which means that in 2003, according to NCRP's numbers, overhead was roughly 12 percent percent of total foundation distributions.

The Urban Institute, Guidestar, and the Foundation Center did a joint [report](#) in 2004 where they analyzed foundation grants from 2001 to 2003. They reported that in their sample, overhead in the form of administrative expenses made up a median 7 percent of foundation distributions over those three years. Their analysis varied a lot by staff size, however; small foundations with 1-9 staff members had 5 percent overhead, while big foundations with 20 or more staff had 10 percent overhead.

Obviously these numbers are difficult to pin down. But we believe it is accurate to presume that **overhead makes up at the very least 7 percent of distributions for all foundations**, and likely 10 percent or more for the very largest.

Projections Based on Higher Payout Rates

Here are our preliminary projections, using the percentages above, for 2018 giving (the most recent year for which we have data).

	2018 Giving
Foundation Assets	
Amount given in distributions by foundations (Giving USA 2019)	\$75,860,000,000
Assets held by foundations (estimated using payout rate below)	\$1,264,000,000,000
Payout	
Payout rate (rate from 2014 analysis by Foundation Center)	6.0%
Additional revenue gained from each percentage point increase in payout rate	\$12,640,000,000
Additional revenue gained from increasing the payout rate to 7%	\$12,620,000,000
Additional revenue gained from increasing the payout rate to 10%	\$50,540,000,000
Payout rate with overhead excluded (estimated using rates below)	5.6%
Overhead	
Overhead as a percentage of distributions (rate from 2004 analysis by Urban Institute/FC)	7.0%
Amount of overhead counting towards distributions (estimated using overhead rate above)	\$5,310,200,000
Amount of distributions if overhead was excluded from payout	\$81,170,200,000

Caveats and Qualifications

Determining net assets is hard to quantify; it’s a moving target, because of constant changes in portfolio value. And determining payout and overhead for a significant enough number of foundations requires going through each foundation’s IRS Form 990-PF individually, so researchers do not undertake this exercise very often.

Giving USA and the Council on Foundations do not publicize data on overhead or payout rates. So the data above relies heavily on reporting from academic researchers, the *Chronicle of Philanthropy*, the Foundation Center, and reporting by foundation organizations themselves.

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Sources

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- ¹ Hauser Center, “Global Philanthropy Report,” Harvard Kennedy School, April 2018.
 - ² Loren Rens, “Understanding and Benchmarking Foundation Payout,” Issue Lab, September 28, 2012. <https://www.issuelab.org/resource/understanding-and-benchmarking-foundation-payout.html>
 - ³ Akash Deep, Peter Frumkin, “The Foundation Payout Puzzle,” Issue Lab, June 1, 2001. <https://www.issuelab.org/resource/the-foundation-payout-puzzle.html>