



Tracking Philanthropic Support for Community and Economic Development: New Research from Two Federal Reserve Banks*

By Keith Wardrip, Community Development Research Manager

How many grants do large foundations direct towards community and economic development (CED) activities? What kinds of activities are supported with these funds? Which metro areas receive the most philanthropic support and which receive the least? And why do some metro areas receive more than others? These are the questions that researchers at the community development departments of the Federal Reserve Banks of Philadelphia and Atlanta answer in newly completed research.²

Data and Methods

At the crux of the analysis was a national data set acquired from the Foundation Center that included grants of at least \$10,000 made by the 1,000 largest foundations in the U.S.³ Grants that the Foundation Center coded in accordance with the definition of CED set by the Philanthropy Classification System (PCS) were included in the study as a starting point. This definition, however, was deemed too narrow for the

purposes of the study, so a subset of grants that fit under other broad PCS categories (such as education, health, and human services) was also included. The researchers attempted to exclude grants to recipients with service areas extending beyond the borders of their metro area and grants that funded research and policy work. This was done to capture only grants deployed in the metro area in which they were received to improve conditions for low- and moderate-income communities.⁴ The study period covered the years 2008 through 2013.

With the data set properly defined, the next step in the analysis was to calculate the number and volume of grants that flowed to each metro area in the study. Because the research was motivated by a desire to understand which characteristics, if any, seemed to be associated with the level of philanthropic support going to metro areas, a series of regression models was developed that could isolate the effects of certain metro area characteristics on grant receipt. Two measures were developed to assess grant receipt in the 366 metro areas

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

¹ "Metro area" is used throughout this article to refer to metropolitan statistical areas (MSAs). The 366 metro areas defined by the Office of Management and Budget in OMB Bulletin No. 10-02 (December 2009) were used in this analysis.

² The research summarized in this article has been accepted for publication in the *Foundation Review* and will be made available online in the fall of 2016 at <http://johnsoncenter.org/resources/thefoundationreview/>. The full citation is Keith Wardrip, William Lambe, and Mels de Zeeuw, "Following the Money: An Analysis of Foundation Grantmaking for Community and Economic Development," *Foundation Review*, 8 (Special Issue: Future of Community) (2016).

³ The largest foundations are determined annually based on their level of giving. Refer to <http://data.foundationcenter.org/> for more information on data available from the Foundation Center.

⁴ Specifics on the PCS's definition of CED can be found at <http://taxonomy.foundationcenter.org/subjects>, and more information on the types of grants that were included in this analysis is available in Wardrip, Lambe, and de Zeeuw (2016).



in the U.S.: grant volume per capita and the number of grants per 10,000 residents. Because these measures adjust for the size of the population, each one allows for the comparison of grant receipt across metro areas regardless of their size.

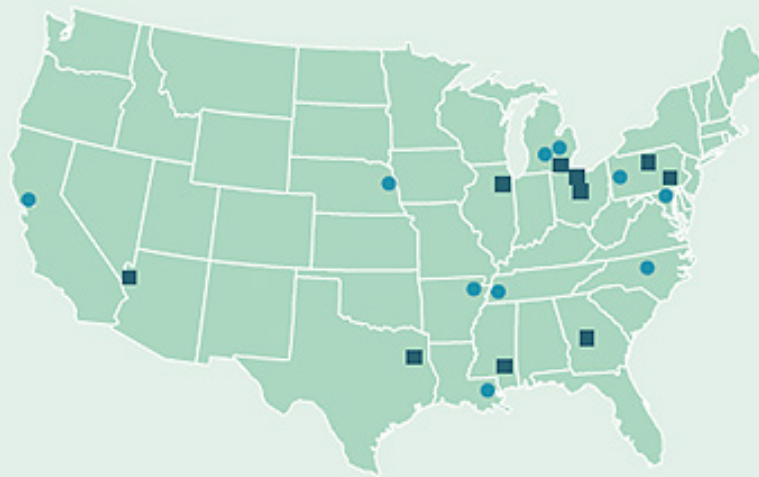
Findings

Between 2008 and 2013, nearly 169,000 grants totaling almost \$15 billion were directed by the largest foundations to support activities that aligned with the

broad definition of CED used in this study. Independent foundations distributed the majority of the total volume (67 percent), with most of the remainder nearly evenly split between corporate (16 percent) and community (15 percent) foundations.⁵

In terms of the activities funded by the grants, education (30 percent) and core CED activities (29 percent) accounted for roughly three-fifths of the grant volume, with human services (18 percent) and health (10 percent) capturing significant shares as well.

Figure 1: Top 10 and Bottom 10 Metro Areas as Measured by Grant Volume Per Capita



PER CAPITA RANKINGS

● TOP 10

1 Battle Creek, MI	\$392.59
2 San Francisco–Oakland–Fremont, CA.....	\$216.79
3 Omaha–Council Bluffs, NE–IA	\$214.78
4 Jonesboro, AR.....	\$157.80
5 Pittsburgh, PA.....	\$157.13
6 Flint, MI.....	\$150.75
7 New Orleans–Metairie–Kenner, LA.....	\$144.63
8 Washington–Arlington–Alexandria, DC–VA–MD–WV	\$142.64
9 Durham–Chapel Hill, NC	\$140.81
10 Memphis, TN–MS–AR.....	\$132.68

■ BOTTOM 10

357 Monroe, MI	\$0.56
358 Mansfield, OH.....	\$0.49
359 Lebanon, PA.....	\$0.47
360 Warner Robins, GA.....	\$0.32
361 Kankakee–Bradley, IL.....	\$0.32
362 Sandusky, OH	\$0.31
363 Longview, TX.....	\$0.24
364 Williamsport, PA.....	\$0.18
365 Hattiesburg, MS	\$0.17
366 Lake Havasu City–Kingman, AZ	\$0.17

⁵ Independent foundations are private foundations, but, unlike corporate or family foundations, they are not controlled by their benefactor. Grantmakers classified by the Foundation Center as operating foundations distributed the remainder of the grant volume analyzed in this study. For more information on independent, operating, and other types of foundations, see www.cof.org/content/foundation-basics.

One of the most interesting facets of this research is the distribution of CED grants and grant volume to recipients across metro areas in the U.S. Even after adjusting for the size of the population, the research indicates substantial variation among metro areas for both measures. Figure 1 shows the top 10 and bottom 10 metro areas in terms of grant volume per capita over the study period.⁶ The Battle Creek, MI, metro area received nearly \$400 in grant capital for every resident over the study period and was one of 18 metro areas for which grant volume per capita exceeded \$100. At the other end of the spectrum, 18 metro areas received less than \$1.00 per resident.

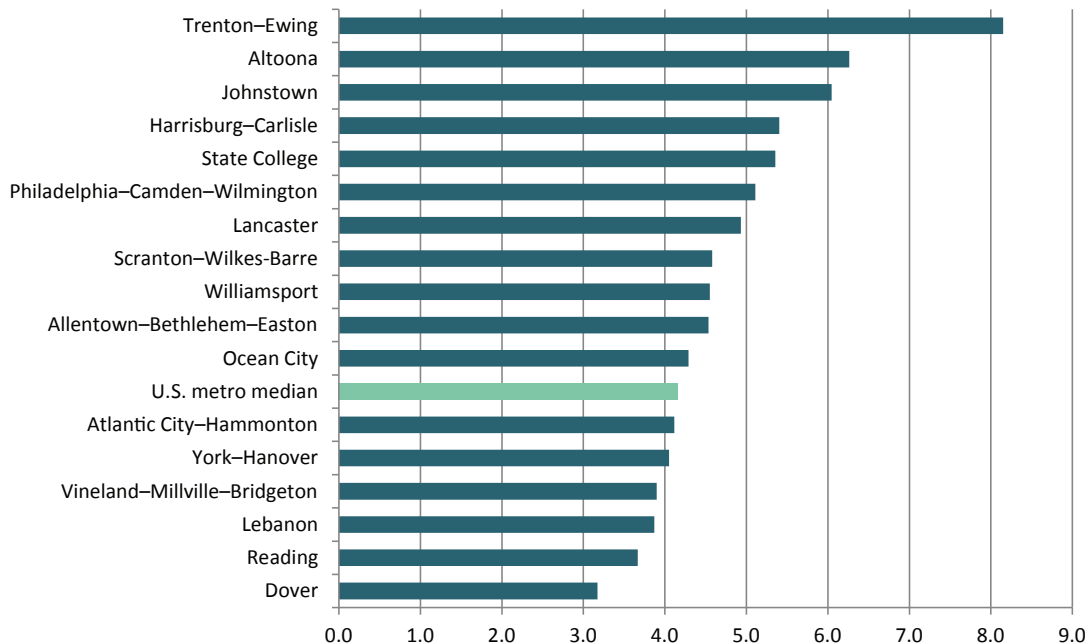
Metro areas located primarily in the Third Federal Reserve District exhibited a substantial amount of variation in grant volume per capita over the study period. The Trenton, Philadelphia, and State College metro areas outpaced the national median of \$12.35 by wide margins and were ranked 50th, 56th, and 65th, respectively, among the 366 metro areas in this study. However, for seven of the 17 metro areas in the Third District, grant receipt totaled less than \$5 per capita: As Figure 1 illustrates, the Lebanon, PA, and Williamsport,

PA, metro areas ranked in the bottom 10 nationally. Relative to their geographic neighbors, these places were not able to attract a comparable level of grant support for CED activities from the largest foundations.

As mentioned previously, regression models were constructed to help identify the independent effects of certain characteristics on a metro area's level of philanthropic support. Taken together, the models suggest that five characteristics are associated with a greater level of grant receipt for metro areas:

1. *The presence of a large foundation.* Not surprisingly, the presence of one of the sample foundations in a metro area significantly increased the level of grant receipt that the metro area could expect.
2. *The density of the nonprofit sector.* Metro areas with a greater number of CED nonprofits per 10,000 residents received a greater level of philanthropic support than did places with a relatively smaller nonprofit sector. (See Figure 2 for information on the nonprofit density of the metro areas in the Third District.)

Figure 2. Average Number of Community and Economic Development Nonprofits per 10,000 Residents in Metro Areas



Source: Author's calculations using data covering the years 2008 through 2012 from the Urban Institute's National Center for Charitable Statistics Core Trend File for public charities and adjusted for population size using estimates from the U.S. Census Bureau's Population Estimates Program. CED nonprofits include those working in education; health; food, agriculture, and nutrition; housing and shelter; human services; and community improvement/capacity building.

⁶ For the sake of brevity, the findings presented here focus on grant volume per capita. Findings for both grant volume per capita and the number of grants per 10,000 residents are addressed in the full article.

3. *The size of the metro area.* Even after adjusting the indicators of grant receipt for population size, metro areas with 250,000 or more residents had a greater level of per capita grant receipt than did places with a population below 250,000.
4. *The poverty rate.* Metro areas with a higher poverty rate tended to attract more attention from the largest foundations than did less impoverished metro areas.
5. *Geographic location.* Those metro areas located in the West benefited from philanthropic grants to a greater degree than did metro areas in the South. There was no significant difference in grant receipt between metro areas in the Northeast or Midwest and those in the South.

Implications

While the supply side of grantmaking is largely at the discretion of the foundations and little can be done about a metro area's geographic location or size, it is nevertheless within the power of communities to better position themselves for available funding by clearly articulating the demand for such grants. In "What Can Foundations Do to Foster Community Investment? 10 Roles for Philanthropy," Hacke, Wood, and Urquilla (2014) note that communities "often lack a systematic approach to organizing demand for capital and creating the conditions for its deployment" (p. 2). They argue that an effective community investment system is "characterized by *clearly defined community priorities, a transparent pipeline of feasible deals that help achieve those priorities and a supportive ecosystem*" (p. 3, emphasis in original) that includes regular communication among partners, as well as policies and regulations that facilitate the creation of good CED deals. The authors list 10 ways that foundations can help strengthen local community investment systems, including playing the role of convener, advocate, connector, data provider, and capacity builder.⁷

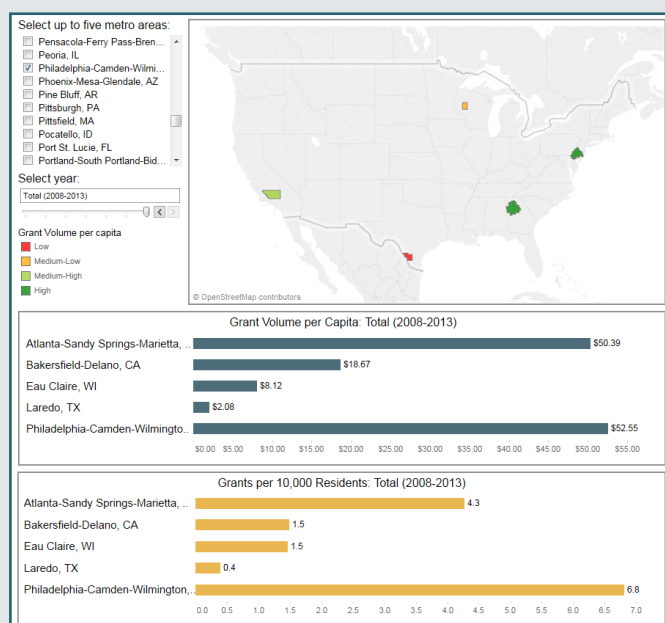
Thinking about capacity building specifically, it is worth noting that of the five metro area characteristics that are most strongly associated with a place's ability to attract

grant capital, the nonprofit sector appears to be the one that could be most directly bolstered by local policies and partnerships. While the analysis uses the number of CED nonprofits as a proxy for the sector's strength, the sector's capacity to effectively apply for and utilize funding is likely more important (albeit more difficult to measure). Resources intended to strengthen both the size and the sophistication of the local nonprofit sector could pay dividends if the beneficiaries are ultimately better able to compete for grants from the nation's largest foundations.

Online Tool to Access Local Data

The Federal Reserve Bank of Atlanta has developed an online tool to share the data that were compiled for this research. For each of the metro areas included in the analysis, users can learn about the level of grant receipt over the six-year study period, see which types of activities were funded by these grants, and compare the relative size of a metro area's CED nonprofit sector and level of foundation assets with its peers (Figure 3). The tool can be accessed at www.frbatlanta.org/followingthemoney.

Figure 3. Federal Reserve Bank of Atlanta's "Following the Money" Online Tool.



⁷ Robin Hacke, David Wood, and Marian Urquilla, "What Can Foundations Do to Foster Community Investment? 10 Roles for Philanthropy," Kresge Foundation and Initiative for Responsible Investment, Hauser Institute for Civil Society, Harvard University, 2014, available at <http://kresge.org/sites/default/files/Foundation-roles-com-investment-121114-KF.pdf>.

Limitations

Most research has its limitations, and this project is no exception. The most obvious is that the Foundation Center data set at the crux of this analysis includes only grants of at least \$10,000 from the largest foundations in the U.S. Of necessity, then, the research had to exclude small grants from all foundations and all grants from small foundations.⁸ By excluding many small community foundations with an intentional focus on local giving, the research misses grantmaking from some of “the foundations with the largest local impact.”⁹ As such, these research findings should be understood to reflect the ability of metro areas to attract CED grant capital from the largest foundations only and not from the universe of grantmakers.

Another important limitation is that not all of the metro areas included in the study were, in reality, “competitive” for all of the grants analyzed. The data set includes independent and corporate foundations that may direct their grantmaking to specific metro areas — their own or others — as well as large community foundations, which primarily make grants to recipients within their own geographic region.

Lastly, regression models cannot account for all of the characteristics that make a metro area more or less likely to receive CED grants from the nation’s largest

foundations. For example, the ability of local leadership (elected and otherwise) to create a vision for the community and to build relationships with foundation executives is likely instrumental in determining a metro area’s level of grant receipt — but visions and relationships are extremely difficult to quantify.

Future Work

The research team plans to address some of the project’s limitations as this work is extended. For starters, an attempt will be made to identify grants for which recipients in all metro areas were theoretically competitive. This would mean excluding grants from community foundations and others that make grants in select metro areas only. An analysis using this restricted data set would indicate whether the same characteristics described previously — the presence of a foundation, nonprofit density, size, and so on — also help explain which metro areas best “compete for” grant capital.

In addition to extending the quantitative analysis, there are plans to conduct rigorous qualitative research in metro areas in the Third District and possibly elsewhere. Interviews with representatives from the nonprofit sector will be used to shed light on the unquantifiable issues that affect a place’s ability to attract grant capital and the role that both local and national foundations play in supporting CED activities. 🏡

⁸ Even though the Foundation Center data set includes only large grants from the largest foundations, estimates available at <http://data.foundationcenter.org> suggest that the data set captured roughly 43 percent of total giving by all foundations in 2012.

⁹ Page 4 in Eleanor W. Sacks, “The Growing Importance of Community Foundations,” Indiana University, Lilly Family School of Philanthropy, 2014, available at https://philanthropy.iupui.edu/files/file/the_growing_importance_of_community_foundations-final_reduce_file_size_2.pdf.

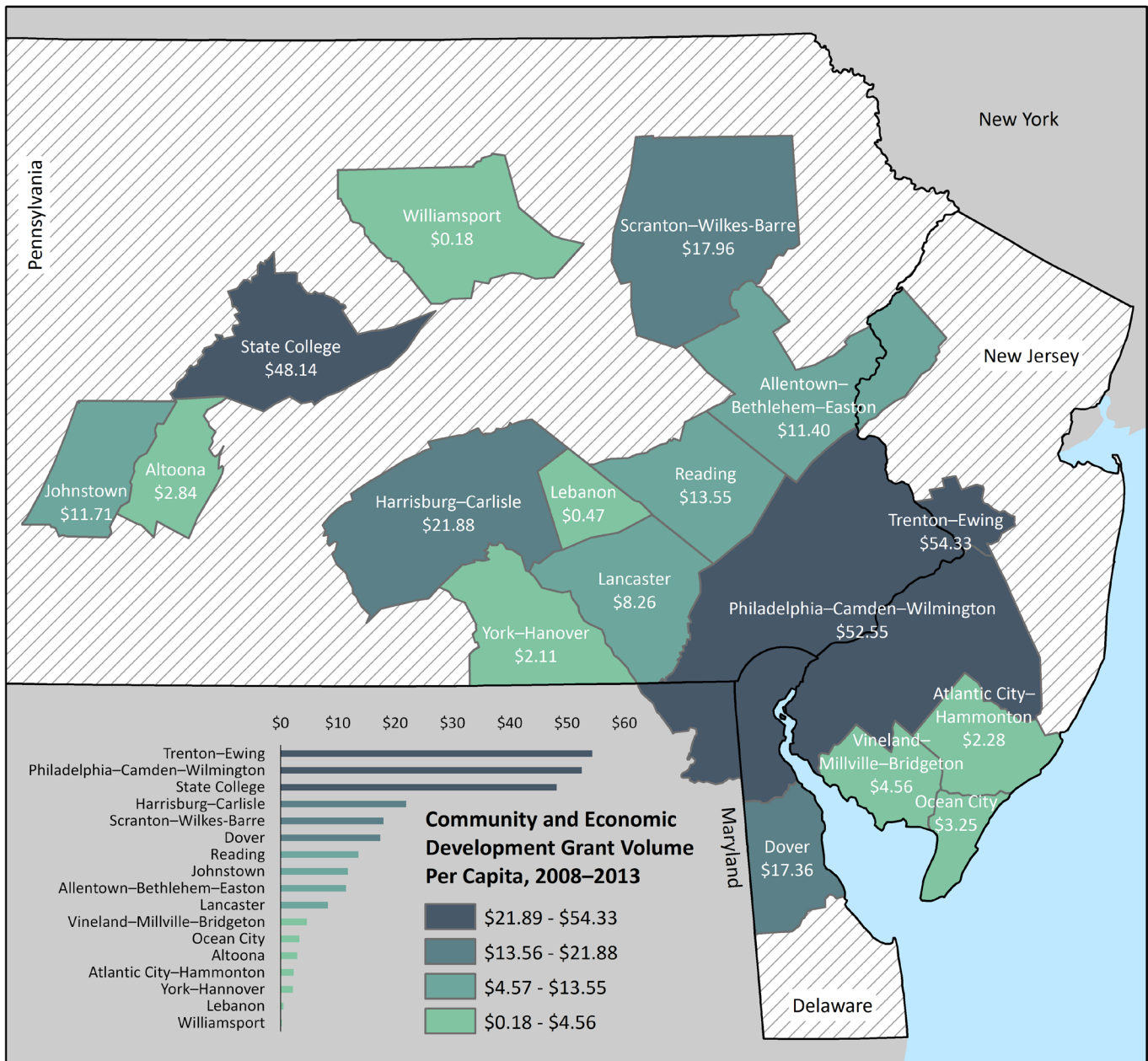
MAPPING OUR COMMUNITY



THIRD FEDERAL RESERVE DISTRICT

Philanthropic Grant Funding for Community and Economic Development in the Third District*

By Kyle DeMaria, Community Development Senior Research Assistant

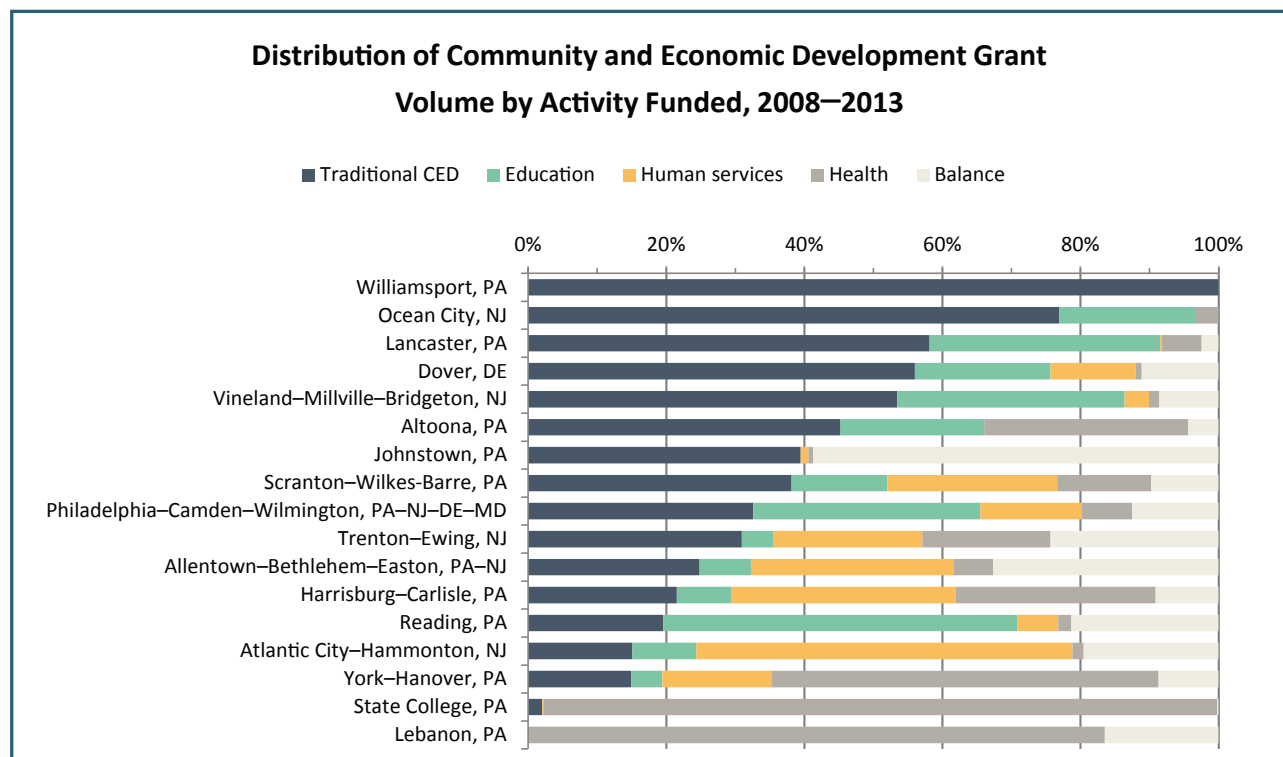


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Along with public sources of funding, philanthropic capital can be a critical source of support for the community and economic development (CED) work of nonprofit organizations. Research by the Federal Reserve Banks of Philadelphia and Atlanta examined CED grants disbursed to recipients in U.S. metro areas between 2008 and 2013, and identified characteristics that help to explain the ability of certain metro areas to attract more philanthropic funding than others.¹ The authors examined grants for more traditional CED projects (e.g., housing rehabilitation, urban development, financial counseling, entrepreneurship), but also included a subset of grants for education, human services, health, and other projects consistent with the authors' definition of CED as actions that "improve the economic situation of local residents and local businesses ... and enhance the community's quality of life as a whole."² Illustrating findings for metro areas located primarily in the Third Federal Reserve District, the map shows substantial variation in philanthropic support for CED activities ranging from \$0.18 per capita

in Williamsport, PA, to \$54.33 per capita in Trenton–Ewing, NJ. Lebanon, PA, and Williamsport, PA, received the lowest per capita grant volume of the metro areas in the region, ranking eighth and third lowest amongst all metro areas in the nation, respectively.

Among the 17 metro areas shown on the map, four types of activities received the greatest volume of CED grant funding: traditional CED (32 percent), education (29 percent), human services (16 percent), and health (10 percent). In fact, as shown in the bar chart, these four categories collectively captured at least 60 percent of each metro's CED grant funding, with the exception of Johnstown, PA, where 49 percent was directed to public safety projects. Funding was disproportionately directed towards traditional CED activities (100 percent) in Williamsport, PA; education (51 percent) in Reading, PA; human services (54 percent) in Atlantic City, NJ; and health (98 percent and 84 percent) in State College, PA, and Lebanon, PA, respectively. 🏠



¹ The figures and estimates provided in this article were derived from research that has been accepted for publication in the *Foundation Review* and will be made available online in the fall of 2016 at johnsoncenter.org/resources/thefoundationreview/. The full citation is Keith Wardrip, William Lambe, and Mels de Zeeuw, "Following the Money: An Analysis of Foundation Grantmaking for Community and Economic Development," *Foundation Review*, 8 (Special Issue: Future of Community) (2016).

² Because of the scope of the data set acquired from the Foundation Center, Wardrip, Lambe, and de Zeeuw only considered grants of at least \$10,000 from the nation's largest 1,000 foundations; quote from Mihailo Temali, *The Community Economic Development Handbook: Strategies and Tools to Revitalize Your Neighborhood*. St. Paul: Amherst H. Wilder Foundation, 2002; quoted in Wardrip, Lambe, and de Zeeuw (2016).



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