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# Following the Money: An Analysis of Foundation Grantmaking for Community and Economic Development

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*Keywords: Geographic distribution of grants, community development, economic development, community development finance, community economic development, public-private partnership, economic distress*

## Key Points

- The article challenges the perception among some in the field of community and economic development that small and socioeconomically distressed metro areas do not attract a proportional share of grant capital from the nation's largest foundations.
- The analysis presented in this article reviewed nearly 169,000 community and economic development grants made by the largest foundations between 2008 and 2013 to identify metro- area characteristics that are associated with higher levels of grant receipt.
- The density of nonprofit organizations and the presence of large, local foundations are shown to be consistently significant predictors of grant receipt. After controlling for these and other factors, the analysis indicates that, compared with smaller metro areas, more populous ones receive a greater level of grant capital from the largest foundations. Contrary to expectations, the same is true for places with higher poverty rates.

local economy through the pursuit of better-paying jobs, infrastructure to support revitalization, affordable housing, or improved systems for education or health care, they rely on additional public and private funding sources. Transfers from federal and state governments, including grant programs like the Community Development Block Grant (CDBG), the HOME Investment Partnerships Program (HOME), and the Neighborhood Stabilization Program (NSP), have faced reductions.<sup>1</sup> In this context, philanthropy has become an important source of CED funding in metropolitan areas throughout the U.S.

Philanthropic contributions totaled \$358 billion in 2014, 72 percent of which came from individual donors. Grants from U.S. foundations,<sup>2</sup>

<sup>1</sup>CDBG, HOME, and NSP are federal grant programs administered by the U.S. Department of Housing and Urban Development, which provides block grants to states and localities for a wide range of activities aimed at low-income populations and/or economically distressed communities. Between 2000 and 2014, the average grant amount allocated to CDBG entitlement communities (typically, metropolitan-based cities and counties) declined by 44 percent (not inflation adjusted) (Boyd, 2014). Similar trends have been noted in HOME funding. The NSP, a temporary stimulus grant program designed to combat the foreclosure crisis, has sunsetted.

<sup>2</sup>A foundation is "a non-governmental entity that is established as a nonprofit corporation or a charitable trust, with a principal purpose of making grants to unrelated organizations, institutions, or individuals for scientific, educational, cultural, religious, or other charitable purposes." There are two major types of foundations: private and public. Private foundations are organized as independent, corporate, or operating. Public foundations include community foundations. Information on foundation types can be found at <http://grantspace.org/tools/knowledge-base/Funding-Resources/Foundations/what-is-a-foundation>.

## Introduction

Local community and economic development (CED) depends on a combination of public and private funding, from sources both inside and outside the community. In many localities, the city or county tax base is unable to provide sufficient funding to combat economic distress and maintain a thriving local economy. Therefore, when community leaders set out to develop the

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which totaled \$54 billion, made up 15 percent of overall philanthropy in 2014, compared with only 6 percent in the late 1970s (Giving USA, 2015). Between 2003 and 2013, foundation grants increased 44 percent after adjusting for inflation (McKeever, 2015).

Grants from foundations, while a relatively small but growing slice of overall philanthropic giving, are an important source of support for CED. First, foundations are governed in a way that affords them a degree of nimbleness that most public entities lack. In theory, they can move quickly, take risks, seed innovations, and challenge traditional systems (Fleishman, 2007; Pender, 2015; and Porter & Kramer, 1999). Grants from foundations often serve as first-in or patient capital, independent from political and market forces (Martinez-Cosio & Bussell, 2012; Pender, 2015). Foundations have a long history of funding CED initiatives, and an increasing number of philanthropies focus resources on specific geographic areas or place-based initiatives, in collaboration with public and private partners (Martinez-Cosio & Bussell, 2012).

The research that follows is motivated by anecdotal observations from CED practitioners. One of these observations holds that more economically distressed metropolitan areas operate at a disadvantage, as compared with thriving metro areas, when competing for CED funding from large foundations. This is the first hypothesis our article aims to test. A second hypothesis is that the same is true for less populated metro areas, as compared with more populated ones. This

research seeks to answer the question, What are the characteristics of the metro areas that are most successful at attracting grants for CED from the largest domestic foundations?

Previous studies have explored the geographic distribution of foundation grants across rural-urban dimensions (Pender, 2015). Osili, Ackerman, Copple, and Li (2013) used the Indiana University Lilly Family School of Philanthropy's Million Dollar List — a database of charitable contributions — to explore philanthropic giving from a variety of sources across the 100 largest metropolitan areas. Little is known, however, about the relationship between particular factors present in metro areas — population size, economic distress, nonprofit capacity, and others — and the ability of its grant recipients to attract CED funding from large foundations. This analysis aims to fill that void by examining CED grants from the 1,000 largest foundations.

Research has consistently found that the relationship between government funding and private philanthropy plays an important role in U.S. society (Coutts Institute, 2015). While foundations are under no obligation to ensure that grant capital — from a single foundation or in total — is distributed evenly or equitably across metro areas, the distribution is nonetheless important because foundation grants interact with geographically targeted public funding from federal, state, or local government sources, either by increasing the effectiveness of public investments or by substituting for public funding (Pender, 2015). Therefore, understanding the distribution of grant funding could theoretically help policymakers shape public funding programs. Pender also notes that geographic distribution is important on equity grounds because foundations are tax-exempt organizations, and where they invest matters in terms of public accountability. Because little is known about the actual spatial distribution of grants from large foundations, this study seeks to first measure and then explain that distribution.

### **What We Already Know**

At the metro level, foundation grants for CED purposes are deployed through a web of

nonprofit organizations and government entities. In terms of metro-level characteristics, previous studies have shown that several factors can influence a place's ability to attract grant funding. These include:

- *Nonprofit density.*<sup>3</sup> In an exploration of million-dollar grants received by grantees in the 100 largest metropolitan areas, Osili, et al. (2013) find that the number of nonprofit organizations in a metro area is significant and positively associated with the number and value of million-dollar grants received. Similarly, Pender (2015) finds that the value of nonprofit assets on a per capita basis is positively associated with grant receipt in three of his four regression models.
- *Population size.* In an evaluation of million-dollar gifts, Osili, et al. (2013) find that metros with an adult population between 2 million and 7.5 million received a greater number and overall value of gifts than smaller metros. However, since the dependent variables are not calculated on a per capita basis, it is not surprising that larger places received more grants.
- *Geographic proximity to grantmakers.* In her analysis of economic development grantmaking in Ohio, Schnoke (2015) finds that although only 3 percent of grantmakers in her sample were located in Ohio, they issued 70 percent of the grants going to Ohio recipients, suggesting that geographic proximity between grantmakers and grant recipients is an important factor.
- *Poverty.* Osili, et al. (2013) find that the poverty rate is generally not significant in their aggregate models explaining the distribution of million-dollar gifts to metro areas, but where it is, the association with the receipt of these large gifts is negative (i.e., higher poverty leads to fewer gifts). The positive correlation that Pender (2015)

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observes between poverty and foundation grantmaking in metropolitan counties — what he calls a “pro-poor emphasis” — is not found to be significant in subsequent regression models.

- *Per capita income.* Osili, et al. (2013) find that in most model specifications, metro areas with higher per capita incomes attract a greater number and value of million-dollar gifts.
- *Education.* Osili, et al. (2013) find that the share of the population with a bachelor's degree or higher is significantly and positively associated with the number and value of million-dollar gifts received in a metro area. Pender (2015) finds a similar positive (and significant) association between the share of adults with a college degree and the total real value of

<sup>3</sup>Another body of research examines what influences the likelihood that a nonprofit organization receives foundation grants. See Giving USA (2015) and Faulk (2015) for examples of this work.

foundation grants per capita in both non-metro and metro counties.

## Grant-Level Data for Community and Economic Development

Data for this project are derived from the Foundation Center's FC 1000 database, which consists of grant-level information from the nation's 1,000 largest philanthropies in any given year (based on the level of giving) and includes grants of at least \$10,000. Grants made by independent, corporate, and operating foundations are captured in this data set, as is giving from community foundations' donor-advised and discretionary funds (when available). In total, the FC 1000 represented \$22.4 billion in grantmaking in 2012, or roughly 43 percent of the \$51.8 billion in total giving by the more than 86,000 foundations in the U.S. in that same year.<sup>4</sup>

Data in the FC 1000 are compiled from a variety of sources. In some cases, the information is submitted directly to the Foundation Center by the foundations themselves. In other instances, Foundation Center staff collects the data from foundation websites or from tax forms submitted by foundations to the IRS.

For this analysis, we focus on the subset of grants in the FC 1000 issued to further domestic CED. To account for the broad range of activities that fall within CED, the working definition guiding this study taken from Temali (2002) is inclusive of

actions taken by an organization to improve the economic situation of local residents (income and assets) and local businesses (profitability and growth); and enhance the community's quality of life as a whole (appearance, safety, gathering places); and sense of positive momentum. (p. 3)

To appropriately narrow the sample of grants to analyze, we first identified 212 of the 850 Philanthropy Classification System (PCS) codes that best align with our broad definition of

CED.<sup>5</sup> These 212 codes include the 57 associated with CED in the PCS and others that fall within the broader subjects of education; environment; health; public safety; public affairs; information and communications; agriculture, fishing, and forestry; sports and recreation; and human services. Grants intended to address one of these issues or, where information on the subject of the grant is missing, to a recipient organization dedicated to one of these issues, are included in the original data set of 330,681 grants issued between 2008 and 2013.

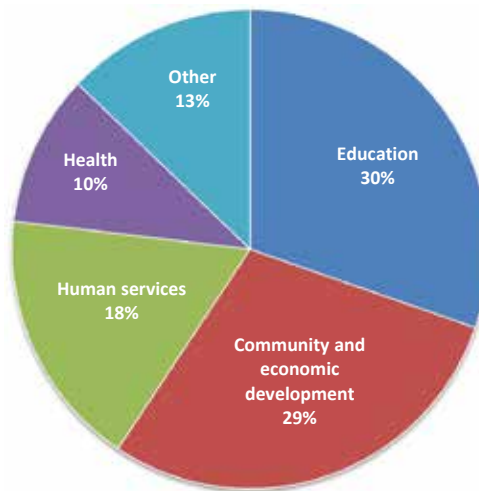
After close examination of the text description of the grants and an analysis of the largest recipients, we further refined our data set to more closely align it with our definition of CED. We chose to include grants for which either the grant's or the recipient's primary subject was one of the 212 PCS codes that we used to define community and economic development, the recipient or the grant itself was dedicated to serving economically disadvantaged or unemployed populations, or the recipient was a local or tribal government.

Many of the grants that met these inclusion criteria were, upon review, nonetheless found to be inappropriate for the study, either due to the purpose of the grant (as spelled out in the text description) or because the recipient had an extra-local service area.<sup>6</sup> Because we expect grants intended for policy and research purposes to have little effect on local community and economic development, we excluded those made to recipients working in the social sciences or public policy

<sup>5</sup>See <http://taxonomy.foundationcenter.org> for more information on the Philanthropy Classification System.

<sup>6</sup>We understand that national intermediaries play an important role in CED as aggregators of funding for redeployment across geographies. Eight large national intermediaries are grant recipients in our data set: Capital Impact Partners, Community Reinvestment Fund USA, Enterprise Community Partners, Local Initiatives Support Corp., Low Income Investment Fund, Neighborhood Reinvestment Corp. (NeighborWorks), Nonprofit Finance Fund, and Reinvestment Fund. During our study period, the aggregate grant volume to the national offices of these eight intermediaries totaled \$397 million (1 percent of total grant volume in our original data set). After applying our screening criteria, \$133 million (33 percent) was included in our study, while \$264 million (67 percent) was excluded based on either definitional or geographic considerations.

<sup>4</sup>See <http://data.foundationcenter.org> for more information on data available from the Foundation Center.

**FIGURE 1** Distribution of Grant Volume by Primary Activity (based on 2013 dollars)

and to universities if the grant was intended for research and evaluation. We also excluded grants with the terms “research” or “policy” in the recipient’s name or in the grant’s text description.

To address the issue of a recipient’s service area extending beyond the borders of its metro area, we excluded grants for which the recipient name or the text description included terms such as “United States,” “U.S.,” “nation,” “America,” and “international.”

After applying these data-handling rules, we manually reviewed the largest grants and the recipients receiving the most grant capital (on a per capita basis) and excluded those that did not meet our definition of CED or that did not represent resources to improve local community conditions. The final sample includes 168,762 grants issued between 2008 and 2013, representing \$14.99 billion in grant volume.<sup>7</sup>

<sup>7</sup>Values are adjusted for inflation to 2013 dollars and include roughly 10,000 grants that were made to recipients in nonmetropolitan counties. These 10,000 grants are included in our description of the data set but are excluded from the analysis of grant receipt by metro area. Around 69 percent of the grants included in this study were paid fully in the year they were issued. Other grants were merely authorized in the year assigned in the data set, with payment occurring in subsequent years — generally no more than three years from the date authorized. Whether paid or authorized, we attribute the full grant amount to the year it was issued.

### Activities Funded by Grants in the Sample

Grants included in the sample funded a variety of activities between 2008 and 2013. Education and more traditional CED activities (e.g., housing development) account for nearly 60 percent of the total grant volume. Human services and health also represent a significant share of the activities supported by grants in the sample. Significant contributors to the “other” category include public safety (3 percent), sports and recreation (2 percent), and information and communications (2 percent). (See Figure 1.)

### Geographic Distribution of Grants

We constructed two dependent variables to measure a metro area’s ability to attract grant capital during the study period:

1. *Grant volume per capita.* We divided each grant by the population of the metro area in the year it was issued, inflated each figure to 2013 dollars, and summed the values for each metro area.
2. *Grants per 10,000 residents.* We calculated the total number of grants made

<sup>8</sup>We used the metropolitan statistical area definitions published by the Office of Management and Budget in 2009 (OMB Bulletin No. 10-02).

**TABLE 1** Grant Volume Per Capita by Metro Area (2013 dollars)

Rank	Metro Area	Grant Volume Per Capita
1	Battle Creek, MI	\$392.59
2	San Francisco-Oakland-Fremont, CA	\$216.79
3	Omaha, NE-Council Bluffs, IA	\$214.78
4	Jonesboro, AR	\$157.80
5	Pittsburgh, PA	\$157.13
<hr/>		
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

**TABLE 2** Grants Per 10,000 Residents by Metro Area

Rank	Metro Area	Grants Per 10,000 Residents
1	San Francisco-Oakland-Fremont, CA	28.3
2	Minneapolis-St. Paul, MN-Bloomington, WI	20.7
3	Omaha, NE-Council Bluffs, IA	17.7
4	Kalamazoo-Portage, MI	15.9
5	Ithaca, NY	15.2
<hr/>		
362	Williamsport, PA	0.2
363	Mansfield, OH	0.2
364	Longview, TX	0.1
365	Hattiesburg, MS	0.1
366	Lake Havasu City-Kingman, AZ	0.0

to recipients in a metro area adjusted for the average population of the metro area between 2008 and 2013.

Each of the 366 metro areas received at least one grant between 2008 and 2013. (See Table 1.) The Battle Creek, Michigan, metro area received grants totaling nearly \$393 for every resident during the study period, substantially more than second-place San Francisco (almost \$217 per resident) and much higher than the \$0.17 per resident in the Lake Havasu City-Kingman, Arizona, metro area at the bottom of the list. On this measure, 330 of the 366 metro areas fall between \$1 and \$100.

Whereas our first dependent variable — grant volume per capita — could be influenced by extraordinarily large grants or may capture differences in costs across metro areas, using a dependent variable that reflects the number of grants received avoids these potential issues. (See Table 2.) The San Francisco metro area received the greatest number of grants per 10,000

residents. Only 20 metro areas received as many as 10 grants per 10,000 residents over the study period, while 91 received fewer than one.

### Controlling for Community Context

The primary goals in this study are to examine why some metro areas attract more grant capital than others and determine whether the size of the area or its level of distress has any explanatory power. To identify the factors that influence grant receipt, we use ordinary least squares (OLS) regression, which allows us to control for other metro-area characteristics and isolate any independent effects of both population size and socioeconomic indicators on the receipt of grant capital.

In our regression models, we control for these and other characteristics:<sup>9</sup>

<sup>9</sup>Where possible, we lag the independent variables by one year, as we assume that grantmaker decisions in a given year are influenced by conditions in the year prior.

### Civic Capacity

- Large foundation in metro. This binary variable indicates the presence or absence of a foundation that issued one or more grants included in our sample. If a metro area was home to one of these foundations for at least three of the years between 2008 and 2013, we treated that metro area as if a large foundation was present. Of the 366 metro areas in our analysis, 135 include at least one of the foundations in our sample.<sup>10</sup>
- Nonprofit density. We used the Urban Institute's NCCS Core Trend File for public charities (1989-2013) to construct a variable to proxy for the strength of the local nonprofit sector. We selected nonprofit organizations with activities in one of six topical areas that are consistent with our definition of CED but excluded those classified as "supporting" organizations. We then calculated the annual average number of these nonprofit organizations operating in a metro area between 2007 and 2012 and adjusted for average population size.<sup>11</sup>

### Locational Characteristics

- Census region. This dummy variable reflects the census region of each metro

area's primary state. In the regression models that follow, the South is omitted.

- State capital in metro. Despite efforts to exclude recipients that operate extra-locally and grants intended for national or state-wide policy reform, metro areas that are the home to the state capital may outperform others due to the likely concentration of nonprofit organizations with statewide stakeholders. The state capital indicator was applied to 44 of the metro areas in our study, including Washington, D.C.
- Research university in metro. We used the basic Carnegie classification system from 2010 to identify universities with very high research activity. This information is available in the Integrated Postsecondary Education Data System data produced by the U.S. Department of Education's National Center for Education Statistics. Given the large number of sample grants that went to universities, even after excluding grants specifically for research, the presence of one or more research universities may positively affect a metro area's ability to attract grant dollars.

### Fiscal Characteristics: General Revenue and Debt Outstanding

We measured the fiscal health of metro areas by using the general revenue and debt outstanding of all government entities (including school and special districts) operating in the region, adjusted for population size.<sup>12</sup> Regional fiscal health could affect grantmakers' decisions both directly, when the recipient is a local government, and indirectly, as an indication of the local fiscal conditions in which a nonprofit recipient operates.

The last set of variables gets to the heart of our research question by exploring whether population size or socioeconomic distress affects a metro area's ability to attract grant capital. (See Table 3.)

<sup>10</sup>Twenty additional metro areas are home to a sample foundation for either one or two years. A foundation may be included in the sample for a given metro area for fewer than the six study-period years for one of a few reasons: The foundation may have relocated, may have not been among the 1,000 largest foundations in one or more years during the study period, or may have made no grants that met our definition of CED in one or more years.

<sup>11</sup>Specifically, we included nonprofit organizations with a major group code of B (education), E (health), K (food, agriculture, and nutrition), L (housing and shelter), P (human services — multipurpose and other), and S (community improvement/capacity building). Within these major groups, we excluded "supporting" organizations with National Taxonomy of Exempt Entities common codes (e.g., advocacy organizations, research institutes, monetary support) because they are less likely to provide direct, local services related to CED. We opted to include a count of nonprofit organizations rather than a measure of their capacity (e.g., expenses or assets) to avoid reverse causality. In other words, greater nonprofit expenditures or assets might be the result of greater philanthropic support rather than the cause of it. We believe that a count of nonprofit organizations is less vulnerable to this criticism.

<sup>12</sup>Revenue and debt figures are from the U.S. Census Bureau's 2007 Census of Governments as reported in Gaquin and Ryan (2013). Per capita calculations were made by the authors.



**TABLE 3** Descriptive Statistics

	Mean	Median	Standard Deviation	Minimum	Maximum
Grant volume per capita (2013)	\$27.13	\$12.35	\$38.47	\$0.17	\$392.59
Grants per 10,000 residents	3.4	2.1	3.6	0.0	28.3
Average number of nonprofit organizations per 10,000 residents (2007–2012)	4.3	4.1	1.5	1.3	11.4
Average population (in thousands, 2007–2012)	703.8	249.5	1,577.0	55.1	18,876.7
Poverty rate (2008–2012)	15.7%	15.3%	4.1%	7.9%	35.0%
Unemployment rate (2007–2012)	7.7%	7.4%	2.3%	3.3%	25.8%
Population growth rate (2007–2012)	4.2%	4.0%	3.8%	-4.6%	18.1%
Share of adults with bachelor's degree or higher (2008–2012)	25.9%	25.1%	7.9%	12.2%	58.0%
General revenue per capita (2007)	\$3,910	\$3,708	\$1,065	\$1,624	\$7,657
Debt outstanding per capita (2007)	\$4,513	\$3,775	\$4,649	\$524	\$70,027

### *Population Size and Socioeconomic Characteristics*

- **Population size.** For the metro areas in our analysis, we calculated the average population between 2007 and 2012 using county-level population estimates produced by the U.S. Census Bureau's Population Estimates Program. Metro areas were assigned to one of four population categories: small (population under 250,000); mid-size (between 250,000 and 499,999); large (between 500,000 and 999,999); and very large (1 million and above). In the regression models that follow, the small population category is omitted.
- **Poverty rate.** We used the poverty rate as our primary measure of metro-level socioeconomic distress. We relied on the 2008–2012 five-year American Community Survey estimates produced by the U.S. Census Bureau for this measure.
- **Unemployment rate.** The unemployment rate for each metro area was calculated as the average of the annual rates observed between 2007 and 2012. Estimates were derived from county-level Local Area Unemployment Statistics data produced by the Bureau of Labor Statistics.
- **Population growth rate.** Using the same files on which the average population estimates were based, we calculated the percent change in the metro area population between 2007 and 2012.
- **Share of adults with a bachelor's degree or higher.** The share of adults age 25 and older with at least a bachelor's degree was used as a proxy for the level of educational attainment.

attainment in a metro area. As with the poverty rate, this value was derived from American Community Survey data covering the years 2008 through 2012.

### Findings and Interpretations

As mentioned previously, the dependent variables for the OLS estimations are grant volume per capita and the number of grants per 10,000 residents. We conducted a Breusch-Pagan test, which indicated the presence of heteroscedasticity and led us to employ robust standard errors in our models. Additionally, we tested both models for the presence of multicollinearity, but this did not prove to be a concern.

For each of our dependent variables, results are shown for grants to all recipients and to nongovernmental recipients only. As the name implies, the latter group excludes grants to national, state, local, and tribal governments, as well as intergovernmental organizations. Roughly 63 percent of the \$3.1 billion received by government agencies and intergovernmental organizations funded educational activities because many of the recipients were universities, community colleges, and school districts. Although education funding forms a substantial share of the \$11.9 billion granted to nongovernmental recipients (22 percent), a greater share of grant money was directed toward traditional CED activities (35 percent).

#### *Grant Volume Per Capita*

We find that a metro area's grant volume per capita is significantly influenced by a number of its characteristics. (See Table 4.) These characteristics include:

- **Large foundation in metro.** Metro areas that include at least one of the foundations making grants in our sample see 331.5 percent greater grant volume per capita than areas that do not. This effect is slightly larger when the recipients of such grants are nongovernmental organizations (371.1 percent).
- **Nonprofit density.** Focusing on nonprofit organizations working in CED, we find that

*We find that a metro area's grant volume per capita is significantly influenced by a number of its characteristics:*

- *Large foundation in metro*
- *Nonprofit density*
- *Population size*
- *Poverty*
- *Census region*

each additional nonprofit organization per 10,000 residents increases a metro area's grant volume per capita by 23.9 percent overall, and by 28.7 percent for grants to nongovernmental organizations.

- **Population size.** Compared with metro areas with populations below 250,000, large metro areas receive, on average, 40.1 percent greater per capita grant funding. For very large metro areas, this effect is even more pronounced (102.4 percent). The benefits of size are greater when governmental recipients are excluded: 42.0 percent for midsize metro areas, 82.9 percent for large metro areas, and a 158.6 percent premium for very large metro areas.
- **Poverty.** Holding all other factors constant, every percentage point increase in a metro area's poverty rate leads to an average increase in grant volume per capita of 6.8 percent overall, and of 6.9 percent for nongovernmental recipients specifically.
- **Census region.** Compared with metro areas located in the South, metro areas in the West receive on average 111.1 percent greater philanthropic funding per capita. When examining grants to nongovernmental recipients only, this effect remains, albeit smaller, at 83.7 percent. Holding all other

**TABLE 4** OLS Regression Results for Grant Volume Per Capita

	Log Grant Volume Per Capita (All Recipients)		Log Grant Volume Per Capita (Nongovernmental Recipients)	
<b>Civic Capacity</b>				
Large foundation in metro	1.462***	(0.140)	1.550***	(0.146)
Nonprofit density	0.214***	(0.071)	0.252***	(0.072)
<b>Population Size</b>				
Midsized: 250,000–499,999	0.183	(0.135)	0.351**	(0.136)
Large: 500,000–999,999	0.337**	(0.159)	0.604***	(0.163)
Very large: 1 million+	0.705***	(0.217)	0.950***	(0.227)
<b>Socioeconomic Characteristics</b>				
Poverty rate	0.066***	(0.015)	0.067***	(0.016)
Unemployment rate	-0.022	(0.027)	-0.005	(0.029)
Population growth rate	-0.000	(0.020)	-0.006	(0.021)
Share of adults with bachelor's degree or higher	0.018	(0.012)	0.020	(0.012)
<b>Locational Characteristics</b>				
Northeast	-0.036	(0.239)	-0.198	(0.248)
Midwest	0.191	(0.157)	0.057	(0.168)
West	0.747***	(0.147)	0.608***	(0.142)
State capital in metro	0.198	(0.137)	0.193	(0.151)
Research university in metro	-0.065	(0.167)	-0.105	(0.170)
<b>Fiscal Characteristics</b>				
Log general revenue per capita	0.087	(0.237)	0.304	(0.255)
Log debt outstanding per capita	-0.084	(0.101)	-0.168	(0.130)
Constant	-0.725	(1.842)	-2.654	(2.001)
Observations	366		363	
R-squared	0.535		0.553	

Robust standard errors in parentheses: \*\*\*p < 0.01, \*\* p < 0.05

factors constant, there is no noticeable difference between metro areas in the South and those in the Northeast or Midwest.

### Grants Per 10,000 Residents

The same regression model was run against our second dependent variable: a metro area's number of grants per 10,000 residents. (See Table 5.) The following summarizes our findings:

- Large foundation in metro. The presence of one of the sample foundations in a metro area increases the number of grants per 10,000 residents by some 158.8 percent overall, and by 173.5 percent for grants to nongovernmental recipients.
- Nonprofit density. Every additional nonprofit per 10,000 residents is associated with a 22.8 percent increase in population-adjusted grant receipt in a metro area, and a 24.0 percent premium for grants to nongovernmental recipients.
- Population size. For this dependent variable, all population size categories are statistically significant. Compared with small metro areas, those falling into the midsize, large, and very large population categories receive 25.6 percent, 34.0 percent, and 64.4 percent additional grants per 10,000 residents, respectively. Similar to the findings for grant volume per capita, these premiums are higher for grants to nongovernmental recipients (42.6 percent, 59.4 percent, and 107.9 percent, respectively).
- Poverty. Overall, we find no relationship between a metro area's poverty rate and the number of grants it receives. However, when looking at CED grants to nongovernmental recipients, poverty is significant. For every percentage point increase in the poverty rate, a metro area receives an increase of 2.6 percent in CED grants directed to nongovernmental entities.
- Educational attainment. Contrary to the results for grant volume per capita, the educational attainment of a population is found

to be related to the number of CED grants received. A 1 percentage point increase in the share of the population with a bachelor's degree or higher is associated with a 2.2 percent increase in grant receipt overall, and a 2.7 percent premium for grants to nongovernmental entities.

- Census region. Both models indicate that metro areas in the West receive 58.7 percent more grants per 10,000 residents than do metro areas located in the South.
- General revenue per capita. Although not significant in predicting grant volume per capita, general revenue collected in a metro area emerges as significant for this dependent variable, albeit with a very small practical effect. For every 10 percent increase in general revenue per capita, a metro area receives 3.1 percent additional grants per 10,000 residents overall, and a 3.9 percent premium for grants to nongovernmental recipients.

### Limitations

As with any research, this study is not without its limitations. First and foremost, the analysis excludes giving from all but the largest foundations in the U.S. and small grants (under \$10,000) from all foundations. With regards to community foundations, many of which do not rank among the 1,000 largest, Sacks (2014) notes that even where they are not the largest foundation in a market, "their local focus means they are frequently the foundations with the largest local impact" (p. 4). Grant dollars flowing to smaller metro areas are likely further underestimated as a result of our efforts to exclude grants to intermediary organizations that redistribute the funding to affiliated grantees in other markets. Thus, it is important to keep in mind that the results presented in this article pertain to the largest grants issued by the largest foundations for local CED purposes only.

Our models also do not control for certain qualities that surely affect a place's ability to attract grant capital. In particular, the ability of elected leaders to develop a transformative vision for a

**TABLE 5** OLS Regression Results for Grants Per 10,000 Residents

	Log Grants Per 10,000 Residents (All Recipients)		Log Grants Per 10,000 Residents (Nongovernmental Recipients)	
<b>Civic Capacity</b>				
Large foundation in metro	0.951***	(0.088)	1.006***	(0.092)
Nonprofit density	0.205***	(0.048)	0.215***	(0.054)
<b>Population Size</b>				
Midsize: 250,000–499,999	0.228**	(0.088)	0.355***	(0.097)
Large: 500,000–999,999	0.293***	(0.105)	0.466***	(0.119)
Very large: 1 million+	0.497***	(0.134)	0.732***	(0.152)
<b>Socioeconomic Characteristics</b>				
Poverty rate	0.020	(0.010)	0.026**	(0.012)
Unemployment rate	0.003	(0.017)	0.007	(0.020)
Population growth rate	0.004	(0.014)	0.003	(0.015)
Share of adults with bachelor’s degree or higher	0.022**	(0.009)	0.027***	(0.010)
<b>Locational Characteristics</b>				
Northeast	-0.163	(0.155)	-0.186	(0.193)
Midwest	0.107	(0.100)	-0.039	(0.118)
West	0.462***	(0.108)	0.462***	(0.108)
State capital in metro	0.132	(0.102)	0.115	(0.131)
Research university in metro	-0.088	(0.113)	-0.131	(0.122)
<b>Fiscal Characteristics</b>				
Log general revenue per capita	0.322**	(0.150)	0.405**	(0.181)
Log debt outstanding per capita	-0.059	(0.071)	-0.107	(0.085)
Constant	-3.864***	(1.188)	-4.761***	(1.450)
Observations	366		363	
R-squared	0.607		0.603	

Robust standard errors in parentheses: \*\*\*p < 0.01, \*\* p< 0.05

SECTOR

community is not captured in our model, and neither are the relationships and reputations that nonprofit executives have cultivated with the philanthropic community over time. Among other factors, Greco, Grieve, and Goldstein (2015) note the importance of organizational capacity, leadership commitment and flexibility, and community readiness and engagement for successfully using grant funds to revitalize a neighborhood — all issues that surely transcend the neighborhood and affect foundations' grantmaking decisions but that are difficult to quantify.

Lastly, this research does not distinguish between foundations that target specific geographic areas for their giving (including community foundations) and those that give with no geographic predetermination. Isolating grants from the latter camp, for which all metro areas are theoretically competitive, may have yielded different results.

## Summary

Our research suggests that certain characteristics give some metro areas an advantage over others when it comes to attracting grant capital for CED purposes. For the full sample and for grants to nongovernmental recipients only, we find that both the grant volume per capita and the number of grants per 10,000 residents in a metro area are positively and significantly associated with civic capacity, as measured by the presence of large foundations and the density of the nonprofit sector. We also see evidence that metro areas with more highly educated populations and a greater ability to generate tax revenue are likely to receive a greater number of grants from the largest foundations, all else equal.

Our hypothesis regarding the effect of population size is supported by our findings: The most populous metro areas do operate at a competitive advantage relative to the least populous areas with regards to attracting grant capital from the largest foundations. However, contrary to expectations, more impoverished metro areas receive a greater degree of philanthropic funding than do less-poor metro areas when other characteristics are held constant.

*Our research suggests that certain characteristics give some metro areas an advantage over others when it comes to attracting grant capital for CED purposes.*

## Implications

Of the factors that appear most significant in predicting grant receipt, the strength of the CED nonprofit sector may be the most obvious lever for philanthropically disadvantaged communities to pull. Increasing the number and capacity of these nonprofit organizations by investing in their growth would seem to offer one long-term strategy for attracting a greater level of philanthropic funding. Finding the resources for this investment, however, may be difficult. As Pender (2015) notes, since foundation support is often used for nonprofit capacity building, there is a certain degree of circularity in the notion that nonprofit capacity is both a prerequisite for — and an outcome of — philanthropic funding. Community foundations and local governments may have a role to play in developing the local nonprofit infrastructure, thus making prospective recipients more competitive on a national stage.

Moreover, this research could conceivably begin conversations within and among the philanthropic, nonprofit, and public sectors about how — for assuredly legitimate and rational reasons — grantmaking from the largest foundations tends to favor certain types of metro areas over others. These findings may be sufficient to motivate new strategies and partnerships in those metro areas identified by our research to be philanthropically disadvantaged. Combine a willingness to change strategy and engage new partners with an emerging body of qualitative research on the “capital absorption capacity of places,” and

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very tangible, community-based solutions could start to emerge.<sup>13</sup>

According to Hacke, Wood, and Urquilla (2015), the challenge is not so much the supply of grant money from large foundations, but rather organized and coordinated demand. Their research focuses on “how communities can develop a more coordinated, strategic approach to organizing demand for capital and ensuring it is deployed to achieve” (p. 5) CED outcomes. Through dozens of interviews and workshops in cities across the U.S., the researchers have identified three critical functions for increasing the capital absorption capacity of places of all sizes:

- shared priorities — reaching agreement on a set of strategic priorities for the community;
- pipeline — creating a pipeline of investable opportunities consistent with these priorities; and
- enabling environment — developing policies, processes, practices, and platforms to facilitate investment in these pipeline projects.

Evidence from our research, along with conscious and deliberate efforts to build nonprofit capacity and to organize the demand for grants from large foundations, may allow local leaders to attract new resources for CED.

### Future Work

This research was motivated by a desire to better understand how community and economic development grants from the largest foundations are distributed across the nation’s metropolitan landscape. The approach used in this analysis is well suited to identifying metro-area characteristics that are associated with higher or lower levels of grant receipt. While our findings clarify the direction of CED grants, much remains unknown about the underlying mechanisms that produce these patterns.

Through this article and via other channels, we hope that the dissemination of these research findings will encourage a dialogue on this topic among the philanthropic, nonprofit, and research communities. Focus groups and interviews could add context to the quantitative findings presented in this article and deepen the field’s understanding of how metro-area characteristics influence the flow of grant capital. Conversations with leaders working in metro areas that either outperform or underperform “expected” levels of grant receipt would be particularly informative.

An analysis of grant applications received by the nation’s largest foundations additionally would be instructive in answering the questions posed in this article. Complemented by interviews with foundation staff, such an analysis would

<sup>13</sup>For a detailed discussion of capital absorption, please see Wood, Grace, and Hacke (2012) and Hacke, Wood, and Urquilla (2015).

shed light on the degree to which nonprofit capacity affects not only grant receipt, but also the likelihood of even applying for grants from large foundations.

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