



Find the full report at www.ers.usda.gov/publications/eib-economic-information-bulletin/eib141

Foundation Grants to Rural Areas From 2005 to 2010: Trends and Patterns

John L. Pender

What Is the Issue?

U.S. foundations are an important source of funds for public needs in the United States and elsewhere, providing more than \$45 billion in grants in 2010. Although this represents a small share of total annual contributions to charities and other nonprofit organizations, foundations may have an outsize impact because of their relative independence from political and market pressures.

Some observers have noted that the share of foundation grants for rural development has declined in recent years and argue that foundations are neglecting rural America. However, the available estimates provide little information on the scope and trends of total foundation giving to rural areas or on how grant funds are distributed geographically. The purpose of this study is to characterize recent trends and patterns of foundation grants to rural communities. Understanding the distribution of foundation grants to and across rural areas can help policy-makers improve the effectiveness of public programs targeted to these areas, since foundation grants may complement or substitute for public investments.

What Did the Study Find?

Grants to U.S. rural-based organizations accounted for 5.5 percent of the real value of domestic grants by large foundations during 2005 to 2010, with a slight downward trend (based on Foundation Center data on grants by the largest 1,200 to 1,400 foundations). Adding grants to urban-based organizations for selected purposes that primarily benefit rural areas—including rural development, rural health, and agriculture—increases the estimated rural share of large-foundation grants to 6.2 percent. This estimate is still only a rough proxy for the share of foundation grants that benefited rural people, since other grants to urban-based organizations may benefit rural people and vice versa. To better estimate the share of the total value of grants that primarily benefited rural residents, the author selected a random sample of 200 large-foundation grants in 2010. Using publicly available information on these grants and their recipients and excluding grants that served both urban and rural people, the author estimated that the share of the value of grants designed to produce rural benefits was 6.3 percent. In addition, using data on an assortment of grants by smaller foundations, the author found that 7.5 percent of the value of

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

these grants in 2005 and 7.0 percent in 2009 were to rural-based organizations. Considering that the rural share of the U.S. population was 19 percent in 2010, all of these estimates suggest an urban focus of foundation grants.

Assuming that 6 to 7 percent of U.S. domestic foundation grants (from both large and small foundations) benefited rural areas, the total value of such grants in 2010 is estimated as \$2.2 to \$2.5 billion. This is comparable to the value of grants provided by USDA to rural areas through its Rural Development programs in 2010, though significantly smaller than the agency's total rural support—which includes loans and loan guarantees—of nearly \$28 billion.

The study further found that:

- Private independent foundations are the dominant source of foundation grants for both rural and urban-based organizations. Other types of foundations—corporate foundations, operating foundations, and community foundations—provided only 20 to 30 percent of the value of large-foundation grants between 2005 and 2010, although the share of grant funds provided by community foundations increased during this period.
- While the total value of foundation grants to rural areas is substantial, the average real value per person (i.e., the total real value of grants, in 2010 dollars, divided by the county average population from 2006 to 2010) provided by large foundations to organizations based in nonmetro counties from 2005 to 2010 was only about \$88 per person—less than half the average provided to organizations in metro counties.
- There are large variations in the rural distribution of foundation grants, with 18 percent of nonmetro counties having no grant recipients from 2005 to 2010 and some counties receiving more than \$10,000 per person.
- Counties with a larger college-educated share of population or with more assets held by nonprofit organizations tend to receive more grant funds per person in both nonmetro and metro counties.
- No robust relationships were found between population density or poverty rates and the level of grant funding per person, in either metro or nonmetro counties.

Though the purposes of grants to rural- and urban-based organizations are broadly similar, the study found some differences:

- Grants for higher education, environmental concerns, and recreation and leisure are more common to rural than to urban organizations.
- Grants for arts, culture and humanities, health, medical research, and science and technology research are more common to urban organizations.
- Grants to rural organizations are more likely to support direct investments in physical and human capital and less likely to support direct investments in financial or intellectual capital than are grants to urban organizations.

How Was the Study Conducted?

This study used domestic grant data from the Foundation Center, augmented by data from the National Center for Charitable Statistics, the Census Bureau, and USDA's Economic Research Service, to estimate the geographic patterns of foundation grants and investigate correlations of those grants with geographic, demographic, and socioeconomic factors. Most of the analysis used Foundation Center data on grants of at least \$10,000 by the largest 1,200 to 1,400 foundations (the number of foundations included in the Foundation Center grant data varies by year), which accounted for about half of the value of total U.S. foundation grants. The analysis was supplemented by data on an assortment of smaller grants and grants by smaller foundations, also provided by the Foundation Center.