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Small but Tough: Nonprofits in Rural America

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Introduction

Poverty is more common in rural areas of the United States than in urban areas.[1] Yet the nonprofit sector, a key force in the fight against poverty, is three times smaller in the rural US on a per capita basis than it is in urban areas.

Why does this disparity in size exist? And what might be done to help nonprofits grow their impact in rural areas? Based on a comparative analysis of Form-990 tax returns for all rural and urban nonprofits and an examination of our growing base of clients working in rural communities,[2] this paper highlights the differences between urban and rural nonprofits, discusses the barriers that rural nonprofits must overcome in serving their communities, and offers some lessons gleaned from the experiences of nonprofit organizations that have found ways to operate effectively in rural America.[3]

Throughout our work, we sought to answer four questions:

1. What does the nonprofit sector look like in rural areas? Is it bigger or smaller, healthier or weaker than its urban counterpart?
2. What are the underlying elements that influence the ability of nonprofits to serve rural America?
3. How can nonprofits increase their impact in rural areas and best address the unique challenges and opportunities presented by their communities?
4. What are the implications of these findings for rural nonprofits and those who work with and fund them?

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[1]Rural counties account for 18 percent of the nation's total population but 22 percent of the nation's poor. Looked at another way, the average poverty rate in rural counties is 15 percent, compared to 12 percent in urban counties. Source: Census estimates, 2007.

[2] We should note, in particular, that at the time our research was conducted, the most recent available tax returns were from 2007. We hope future research will address how the landscape for rural nonprofits changed over the economic contraction that followed. For more on our approach, view our research notes at the end of this paper.

[3] Released in 2009, Bridgespan's "Nonprofits in Rural America: Overcoming the Resource Gap" discussed the particular challenges facing youth development nonprofits in California and New Mexico. In 2010, we shared another piece of our research in an article in *The Chronicle of Philanthropy* entitled "Nonprofit Networks Can Boost Rural Charities."

What did we find? We encountered a rural nonprofit landscape that resembles a sparse pygmy forest where 80-year-old trees that normally would grow to be 60-feet tall reach only three feet. Though, importantly, they are relatively hardy despite their size. The trees grow small for lack of nutrients; similarly, rural nonprofits face significant scarcities related to funding, leadership, and the large distances over which they often operate.

In this paper, we share key findings from our research, as well as the supporting data and our study methodology. We hope that others will build on our work. Please share your questions and comments with us via the "Comments" area after this article's executive summary on our website: http://www.bridgespan.org.

What Does It Mean to be "Rural"?

Let's start by defining what we mean by "rural." There are many definitions of the word, each factoring in different elements such as population density, total population, proximity to an urban area, and commuting patterns. For the purposes of this research, we have used a definition based on a tool designed for social policy research, called the Isserman Typology. In our opinion, it does the best job of showing the rural or urban character of a county.[4] Developed by the late Andrew Isserman of the University of Illinois (Urbana-Champaign), the system creates categories that factor in both the "look and feel" of being rural that comes from population size and density, as well as the economic and political integration that can make even the most rural county exhibit urban traits if it is very close to an urban core. (For a list of these groupings, and a fuller discussion of competing definitions of "rural," see Appendix A: The Challenge of Defining "Rural" on page 17.)

[4] Andrew Isserman, "In the National Interest: Defining Rural and Urban Correctly in Research and Public Policy," *International Regional Science Review*, October 2005: 465-499.

Why Do Rural Areas Matter?

Table 1: US Counties, Population, and Poverty Rate by Rural-Urban Classification

	# of counties	Total population	Poverty rate
Urban	172	123M	12%
Suburban	624	124M	12%
Rural	2,345	54M	15%
Grand total	**3,141**	**301M**	**13%**

Despite the ongoing urbanization of America, rural communities are hardly a thing of the past. Indeed, these rural communities are of huge importance to the character of our country. Consider just a few facts:

- *Geography:* Seventy-five percent of the nation's 3,100 counties are rural. Rural counties cover 79 percent to 84 percent[5] of the country's land area.
- *Population:* Over 55 million people (18 percent of the population) live in rural America.
- *Need:* Over 8 million of these rural Americans live in poverty, a higher rate than in urban areas. Our widely-held notions of poverty as a uniquely urban problem are wrong.[6]
- *Economic potential:* The economic character of rural areas no longer matches the image of a farm-dotted heartland. Rural economies shifted from agriculture to manufacturing during the latter half of the 20th century; now many are transitioning to the service sector. In the process, these communities have moved away from low-wage, low-skill economies and have become more desirable to employers.[7]
- *Political influence*: Rural communities tend to wield outsized political influence. Rural legislators often have longer tenures than their urban peers. And, by design, the United States Senate gives an equal voice to rural and more urbanized states. As a result of this political influence, nonprofits may find that providing services in rural areas increases their access to government funding.

Yet despite the size, influence, and relative need of rural areas, the literature shows a history of underinvestment in these communities' public needs. Rick Cohen of *The Nonprofit Quarterly* details a "historic and persistent" failure of investment in rural nonprofits on the part of philanthropic foundations.

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[5] Low-end estimate from Bridgespan analysis using Isserman Typology and Census Bureau Data; high-end estimate from the United States Department of Agriculture.

[6] Census estimates, 2007.

[7] USDA (http://www.ers.usda.gov/Publications/err10/err10_reportsummary.htm).

The situation is worsening: from 2004 to 2008, foundation giving for domestic rural development declined by over 3 percent, even while grant making overall increased over 43 percent.[8] Despite its outsized political voice, rural influence does not always translate to greater funding. Various researchers have examined underinvestment in rural areas from the perspective of mental health,[9] public infrastructure investment,[10] education,[11] and pollution,[12] just to name a few.

Four Key Questions

What does the nonprofit sector look like in rural areas?

Size

While rural areas account for 18 percent of the total population and 22 percent of nation's poor, they comprise only 8 percent of the total spending in the nonprofit sector (a pattern that holds in the subset of nonprofits directly focused on issues of human services). Looked at another way, the nonprofit sector is three times smaller in the rural US on a per capita basis than it is in urban areas. (See Table 2 on page 6, Table 3 on page 7, and Table 4 on page 8.)

We believe that this huge difference in the amount spent per capita means that people in rural areas are at a real disadvantage relative to people in urban areas. While cost of living is lower in rural areas (by one calculation, the Fair Market Rate Index, urban areas exhibit a 23 percent higher cost of living than non-urban ones), this is hardly enough to explain the threefold advantage that urban nonprofits have in terms

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[8] Rick Cohen, "No Surprises, Rural Philanthropy Still Lags Behind," *The Nonprofit Quarterly*, Feb. 21, 2011 (http://www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=9876:rural-philanthropy-still-lags-behind-no-surprise-here&catid=149:rick-cohen&Itemid=991).

[9] Dr. Dianne Travers, Kim Preston, and Julia Hudson, "Mental Health Overlooked and Disregarded in Rural America," Center for Rural Affairs, May 2009 (http://files.cfra.org/pdf/Mental-Health-Overlooked-and-Disregarded-in-Rural-America.pdf).

[10] David L. Chicoine, Steven C. Deller, and Norman Walzer, "The Size and Efficiency of Rural Governments: The Case of Low-Volume Rural Roads," *Publius,* 1989 (http://publius.oxfordjournals.org/content/19/1/127.abstract).

[11] Jessica D. Ulrich, "Education in Chronically Poor Rural Areas," Carsey Institute, University of New Hampshire, Spring 2011 (http://www.carseyinstitute.unh.edu/publications/IB-Ulrich-Education-Poor-Areas.pdf).

[12] "Rural Air Pollution Often Overlooked," UC Berkeley Center for Occupational and Environmental Health *Bridges,* July 2006 (http://coeh.berkeley.edu/docs/bridges/2006JulyBridges.pdf).

of per-capita budget size.[13] Similarly, while some rural areas are undoubtedly served by nonprofits headquartered in urban and suburban areas (our analysis classified nonprofits by the location listed on their IRS forms), it is unlikely that these investments are sufficiently large to explain the huge discrepancies in rural and urban spending.

Table 2: The Nonprofit Sector by Rural-Urban Classification

	% of all nonprofits (by number)	**% of nonprofits (by budget)**	**% of human service nonprofits (by number)**	**% of human service nonprofits (by budget)**
Urban	45%	61.6%	44%	54.3%
Suburban	39%	30.6%	38%	35.3%
Rural	16%	7.8%	18%	10.4%
Total	**100% (344K)**	**100% ($1.3T)**	**100% (100K)**	**100% ($183B)**

Note: Includes all nonprofits that filed a Form-990 in 2007.

[13] The Fair Market Rate Index establishes a cost of living index based on rental costs across the US. Though limited in scope, it presents an advantage in that it is available for both urban and rural communities nationwide. A more thorough cost of living index calculated for the State of Indiana alone showed that urban areas exhibited only 18 percent greater costs than urban ones, suggesting that, if anything, the rental index would tend to overstate the advantage rural areas enjoy through a lower cost of living. Sources: Dean Jolliffe, "Cost of Living and Geographic Distribution of Poverty," USDA, September 2006 (http://www.ers.usda.gov/publications/err26/err26.pdf). "Unlocking Rural Competitiveness: The Role of Regional Clusters," Appendix IV (http://www.statsamerica.org/innovation/reports/sections/appendix_IV.pdf).

Table 3: For every dollar spent (per capita) by a rural nonprofit, how much is spent (per capita) by an urban nonprofit?

Science & Technology	$40
Medical Research	$16
Social Science	$14
Diseases, Disorders & Medical Disciplines	$13
Mutual & Membership Benefit	$12
International, Foreign Affairs & National Security	$ 8
Philanthropy, Voluntarism & Grantmaking Foundations	$ 8
Arts, Culture & Humanities	$ 6
Food, Agriculture & Nutrition	$ 5
Civil Rights, Social Action & Advocacy	$ 5
Public & Societal Benefit	$ 5
Education	$ 5
Youth Development	$ 4
Crime & Legal-Related	$ 4
Average	$ 3
Health Care	$ 3
Religion-Related	$ 3
Animal-Related	$ 3
Recreation & Sports	$ 3
Housing & Shelter	$ 3
Mental Health & Crisis Intervention	$ 2
Employment	$ 2
Environment	$ 2
Unknown	$ 2
Human Services	$ 2
Community Improvement & Capacity Building	$ 2
Public Safety, Disaster Preparedness & Relief	$ 1

Table 4: Size distribution of human service nonprofits by Urban-Rural

	<=$500K	$500K-1M	$1M-5M	$5M-10M	>$10M	Median budget
Urban	61%	12%	18%	4%	5%	$296K
Suburban	65%	12%	16%	4%	4%	$228K
Rural	73%	9%	12%	3%	2%	$156K

Still, even though rural nonprofits are significantly smaller than their urban counterparts (with a median budget of $156K versus $296K for urban nonprofits), they appear to be at least as hardy.

Financial health

By key financial measures, rural nonprofits actually exhibit better financial health than urban ones. They are less likely to run an operating deficit (39 percent versus 41 percent) and they have relatively more in reserves. While 38 percent of urban nonprofits have less than three months' cash on hand, only 30 percent of rural nonprofits are similarly ill-equipped. (See Table 5.)

Table 5: Fragility of human service nonprofits by Urban-Rural

	% of nonprofits with a deficit in 2007	% of nonprofits with less than 3 months of reserves
Urban	41%	38%
Suburban	40%	33%
Rural	39%	30%

Revenue

A review of the operating revenue sources across all categories of nonprofits revealed few differences in the mix of funding sources for rural and urban nonprofits. (See Table 6.)

Table 6: Revenue mix by Urban-Rural for human service nonprofits

	Fee for Service (includes government contracts)	Contributions (includes foundations, corporations, and individuals)	Other
Urban	52%	39%	9%
Suburban	52%	38%	10%
Rural	53%	41%	6%

Survival

On average, rural nonprofits tend to be roughly the same age as their urban counterparts. The average urban nonprofit has been around for 20 years since its date of nonprofit determination from the IRS—the average rural nonprofit just short of 19. (See Table 7.) While rural nonprofits are being born at roughly the same rate as urban ones (32 percent of rural nonprofits and 32 percent of urban nonprofits have been created since 2002), they tend to die off at a slower pace: While 16 percent of urban nonprofits present in 2002 no longer appeared by 2007, only 13 percent of rural nonprofits disappeared over that same five-year period. (See Table 8)

Table 7: Average age

	Years since nonprofit rule date for human service organizations
Urban	20.3
Suburban	20.2
Rural	18.6

Table 8: Birth and death of nonprofits by Urban-Rural classification

	% of nonprofits in 2007 that were not yet in business in 2002	**% nonprofits in 2002 that were out of business in 2007**
Urban	27%	16%
Suburban	26%	14%
Rural	26%	13%

Why does the nonprofit sector look like this in rural areas?

Our research indicated that rural nonprofits face significant scarcities in funding and leadership and the challenge of serving a population dispersed over a large area.

Funding

Rural nonprofits appear to suffer from a shortage of financial “nutrients”: They lack local funding sources, connections to outside funding sources, and capacity to go after both. The Big Sky Institute has shown that the states with the fewest philanthropic assets are those states that are the most rural,[14] and our case study comparison of two affiliates of the nonprofit Communities in Schools (CIS) supports this. (See Appendix B: A Case Study of Rural and Urban Nonprofits on page 20.) Studies also have shown that less funding flows to rural areas. As mentioned earlier, a 2006 analysis of foundation giving showed that "grants to rural America accounted for only 6.8 percent of overall annual giving by foundations."[15] Similarly, a 2000 study of corporate giving showed that rural organizations received only 1.4 percent of the 10,905 grants made by Fortune 500 companies.[16]

As our analysis demonstrates, rural nonprofits are smaller per capita and have roughly the same mix of revenue as urban nonprofits—indicating that they also receive less government funding per capita than urban nonprofits. (See Table 6 on page 8 for these findings.)

What makes this lack of funding even more problematic is that it's a self-reinforcing cycle. A $1-million nonprofit is just reaching a minimum level of capacity to add specialist staff to its programs, hire professional staff to manage internal operations, and have resources to invest in fundraising. Fewer than 20 percent of rural nonprofits have a budget of $1 million or more. (See Table 4 on page 8).

Leadership

The rural nonprofit leaders and staff we interviewed consistently cited the challenges they face in hiring and retaining talented staff and board members. First, smaller budgets make it hard to offer qualified job candidates attractive salaries. Many qualified candidates look to move to more urban areas for more attractive pay. This so-called "brain drain" has been the topic of much recent discussion.[17] Second, lower rates of educational attainment in rural areas, where 17 percent of the rural workforce has a four-year degree, compared to 34 percent of the urban workforce, reduce the qualified pool of candidates both for

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[14] Big Sky Institute, "The Philanthropic Divide," 2005.

[15] James A. Richardson, Jr. and Jonathan K. London, "Strategies and Lessons for Reducing Persistent Rural Poverty: A Social-Justice Approach to Fund Rural Community Transformation," *Journal of the Community Development Society,* Spring 2007. (http://hcd.ucdavis.edu/faculty/webpages/london/Richardson_LondonVol38-14mar07.pdf).

[16] C. Fluharty, "Challenges for innovation in rural and regional policymaking in the USA," *synopsis*, 2005 (http://www.iica.int/Esp/organizacion/LTGC/DesRural/Publicaciones%20Desarrollo%20Rural/Sin04_2005.pdf).

[17] Patrick Carr and Maria Kefalas, *Hollowing Out the Middle: The Rural Brain Drain and What It Means for America* (Beacon Press, 2009).

staff jobs and for roles on boards of directors.[18] Finally, even when talented candidates are hired, it can be hard to retain them. Smaller budgets mean less potential for raises, and smaller organizations can mean fewer opportunities for training, development, and advancement.

Distance

On average, in rural America, there is one nonprofit for every 50 square miles, while in urban areas there is one nonprofit every half of a square mile. This fact, coupled with what we know about the sheer size of rural America, suggests that, in general, rural nonprofits serve much larger swaths of land than urban ones. This disparity creates two distance-related challenges for rural nonprofits: The population is highly dispersed, and low-cost public transportation is rare. Nonprofit leaders, then, are faced with the difficult decision of whether to limit their services to the population that can easily reach them, expect beneficiaries to travel long distances, or take the services to the beneficiaries, which can be expensive and time consuming. For example, staff from Teach for America's (TFA) South Dakota regional office sometimes has to travel 250 miles round trip just to visit one of its teachers. (Table 9 provides more detail on the service range of rural nonprofits.)

Table 9: Square miles per nonprofit by Urban-Rural

	Square miles per nonprofit
Urban	0.5
Suburban	4.8
Rural	49.1

Note: Square miles per nonprofit derived by dividing total area by number of nonprofits.

Cross-cutting problems

Given the high need and low per-capita budgets, nonprofit leaders also must struggle to reconcile a desire to offer a broad array of services with the need to ensure that the services they do offer are adequately staffed and delivered. As our interviews indicated, offering a wide variety of programs may represent both an attempt to serve beneficiaries' unmet needs and to tap into enough different funding sources to sustain the organization. The challenge of operating many different programs is that it limits the opportunity to build up experience, improve the provision of services, and ensure that meaningful

[18] This is slightly different than the figure quoted in the introduction, which is a percent of total population, not workforce.

outcomes are reached. At the same time, the alternative of focusing on a limited set of services also has its drawbacks. Progress along one dimension, such as employment, may not stick if progress is not made on another, such as substance abuse.

What can be done to increase nonprofits' impact in rural areas?

The overall sturdiness and financial health of rural nonprofits is a testament to their ability to adapt to this challenging climate.

Overcoming funding challenges

The nonprofits we interviewed highlighted three strategies for overcoming the rural funding gap. First, they're strategic about seeking grant opportunities, investing effort in pursuing grants that have the potential to grow into large, long-term commitments and putting much less effort into one-off grants with limited long-term potential. They also avoid "off strategy" grants when possible, going after them only when no other options exist to cover a short-term revenue gap.

Second, they aggressively pursue government funding. For example, CIS of Berrien County (a rural county in Georgia) has more than doubled its budget by securing new streams of revenue from federal, state, and local funders, including significant grants through the Safe Schools Healthy Students and Drug Free Communities programs. Interestingly, this does not appear to be a strategy that all rural nonprofits are pursuing. As shown in Table 6 on page 8, rural nonprofits do not have significantly more government funding that their urban counterparts.

Third, all of the rural nonprofit leaders we spoke with spend a large amount of their time networking outside their communities because, by and large, that is where the money is. These leaders understand that they can't wait for funders to find them. Mac Hall of the National Indian Youth Leadership Program (NIYLP) spends close to half of his time away from headquarters in Gallup, NM, raising the organization's profile and cultivating funders. As a result, he has sustained long-running relationships with the W.K. Kellogg Foundation and the New Mexico state government. He also has succeeded in having NIYLP's Project Venture certified as a "model program" by the federal government in 2004—a designation that has opened up new streams of public funding.

Resolving the leadership deficit

Some rural nonprofits have succeeded in assembling very strong leadership teams and boards of directors. To do so, they report that they often seek candidates with strong connection to and credibility in the local community. Interestingly, though, that didn't just mean lifelong residents. Two other sources of leaders also have proven successful. One source comprises individuals from the community who currently live elsewhere but who understand the culture and have relationships from earlier in their lives or through their families. A second is individuals who are currently employed by or are alumni of the organization. While looking to current employees may be obvious, reaching out to past employees or alumni may not be. TFA of South Dakota, for example, found a new executive director (ED) in a former Corps member (a TFA participant who teaches for two years) who had taught in South Dakota. Leaders with a strong connection to the local community are not only more likely to accept the job and be effective at it, but also more likely to stick around.

Succeeding despite the distance

Several nonprofits have altered their program design to minimize the amount of travel required. One approach is bringing the program to a location where the beneficiaries already convene, such as a school or church. A second approach is scheduling the program to maximize the ratio of hours of programming to hours of travel, for example, by moving programs from after school to weekends or other uninterrupted blocks of time. NIYLP pursued both of these tactics, shifting some of its program elements from after school to in school, and moving the more intensive activities to weekends and holiday periods. More rural nonprofits also are using phone, videoconference, or the Internet to deliver services long distance.

Cross-cutting best practices: coordination, collaboration, and affiliation

The challenge of breadth versus depth is particularly salient, given the constraints on leadership in rural areas. Yet we've seen rural nonprofits respond effectively by collaborating with other local nonprofits to ensure coordination of programs—or even merging with another local nonprofit. Such mergers may have several benefits. First, a combined organization needs only to find one ED and one board of directors from the limited pool of qualified candidates. Second, fewer organizations means less competition for funding, and a bigger organization may have a bigger voice in policy discussions. Finally, one organization can more seamlessly coordinate program services and share (and afford) internal infrastructure, such as fundraising and grant management staff. There are, of course, many challenges to this approach. A complementary organization may not exist. A valuable brand may be lost. There may not be enough focus on a given program to ensure it creates results. There may not be cost savings or opportunities to secure greater revenue. Finally, the boards may not be interested in merging. The challenges of consolidation are many, but the benefits could be significant.

Another strategy that cuts across funding, leadership, and program challenges is affiliating with a state or national nonprofit network. In terms of funding, networks offer a brand and reputation that funders recognize and trust. Ken Quezner, chief executive officer (CEO) of the Boys & Girls Club of Fresno

County noted: “We have a tremendous advantage over nonprofits [not in a network]… I wouldn’t do this work without a network like BGCA [Boys and Girls Clubs of America]. BGCA has been a tremendous marketing asset; it’s given us a name, which allows us to raise funds.” Many networks also offer their members assistance in applying for grants, providing guidance on how to apply, supplying helpful information, and reviewing draft proposals. And some networks even provide pass-through funding to affiliates. For example, BGCA gives the Fresno County club about 8 percent of the club’s annual revenue. When we looked at rural nonprofits’ budgets in California and New Mexico, those that were affiliated with national networks tended to be larger than their unaffiliated counterparts.[19]

Networks also offer at least four major benefits to rural nonprofits looking to attract, retain, and develop high quality talent. Most offer training and professional development opportunities. Maureen Pierce, CEO of BGCA of the North Valley, noted a program that pairs high potential management staff with CEOs from different clubs. Pierce noted that this program and others that focus on developing staff have helped her club improve its staff retention. Networks also offer an opportunity for leaders to build relationships with their peers, sharing ideas and helping to locate potential candidates. Many networks offer recruiting assistance and can provide access to a larger alumni network. Finally, networks can increase retention and development by offering more career opportunities. For example, the former ED of CIS of Berrien County now works at CIS’s national headquarters.

In addition, networks can provide access to proven programs, evaluation, and performance measurement tools. This not only can increase program effectiveness but also can help save the cost of developing a program from scratch.

A few nonprofit networks have experimented with unique structures for serving rural areas, but it’s unclear as yet whether these innovations are effective and sustainable. These have included encouraging urban affiliates to reach out into neighboring rural areas, bringing neighboring urban and rural affiliates together in a partnership or merger, setting up multi-rural county affiliates, and creating one statewide organization instead of a state office and multiple local affiliates. All of these approaches require an increased level of collaboration between affiliates, which can't be forced. CIS, as well as other national nonprofits like Big Brothers Big Sisters of America, have observed that top-down mandates for collaboration and consolidation frequently fail. Nonetheless, their willingness to experiment is encouraging.

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[19] Barry Newstead and Pat Wu, The Bridgespan Group, “Nonprofits in Rural America: Overcoming the Resource Gap,” 2009 (http://www.bridgespan.org/rural-funding.aspx).

Of course, affiliation isn't for everyone. For many rural nonprofits, there may not be an obvious network to join. What's more, not all networks provide real benefits to their members. And network affiliates face challenges in rural areas, as CIS's experiences attest. But they also have knowledge and expertise across the network that organizations can leverage.

From the network's perspective: the value of rural affiliates

Given the challenges of working in rural areas, why have so many of the nation's largest nonprofit networks—CIS, Boys and Girls Clubs, TFA, the Local Initiatives Support Corporation (LISC)—invested so heavily in rural communities? In fact, these networks find that there are real benefits from choosing to invest in rural communities. First and foremost, many of these networks feel compelled by their missions to "fill in the gaps," expanding their services to rural areas exhibiting high levels of need and low levels of existing service. Second, rural affiliates can be an incubator of program innovation. Financial constraints force rural affiliates to be highly disciplined and creative with their resources, leading to the development of new and innovative solutions. Third, rural nonprofit affiliates are much more likely to be a "big fish in a small pond" and be able to work closely with key local decision makers to align resources. Finally, they often find new access to political channels, given the influence of legislators representing rural areas at both the state and national levels. Working in rural areas can improve their access to government funding.

Conclusion

Surviving in a tough environment, some nonprofits in rural areas have been able to overcome challenges through mergers, collaborations, and network affiliations. But to truly scale what works, their private funders, and the policy makers who shape the environment for government funding will need to continue to break new ground and free up more financing to fuel these innovative strategies in order to mount a response that matches the challenges that rural communities face. Consider:

- For *funders,* there is a clear opportunity to direct more resources to rural nonprofits, particularly insofar as these investments target the root causes of the rural nonprofit service gap: funding, leadership, and distance.
- For *policy makers*, there is a need to recognize that the burden for shoring up the nonprofit sector in rural communities shouldn't fall solely on the philanthropic community and to recognize how certain burdens for human services fall disproportionately on rural providers (that is, our society asks them to do more with less).
- For *researchers and others who study rural America*, there is much that remains unexplored. Just consider what we don't know:

- What other challenges are rural America's nonprofits facing and what best practices are being demonstrated to overcome these challenges?
- How do the size and sturdiness of rural nonprofits that are affiliated with national networks compare to those that are not?
- What, exactly, does the funding landscape for rural nonprofits look like? Through what channels are they pursuing funding when research suggests that philanthropic resources devoted to these communities are comparatively less?
- What can be learned from the experience of other countries that face similar (and, at times, greater) challenges in reaching rural communities?

To be sure, some federal and state government agencies (most notably, the United States Department of Agriculture) have stepped up their efforts to address inequities between rural and urban areas. And many faith-based organizations, corporations, and individuals also are working hard to overcome the challenges faced by rural communities. But the fact remains that there is a clear need for additional nonprofit support, and big questions exist about how nonprofits can operate more easily, contribute more substantively, and grow in rural areas.

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Appendix A: The Challenge of Defining "Rural"

The definition of the term "rural" is the subject of much debate. No less than 10 different definitions exist, factoring in elements such as population density, total population, proximity to an "urban" area, and commuting patterns. We have used the definition that, while not the most widely used, is one we believe to be the most accurate.

"Rural" is most commonly defined as "not metropolitan." The White House Office of Management and Budget (OMB) defines Metropolitan Statistical Areas (MSAs) using population and population density data from the US Census Bureau. OMB considers US counties "metropolitan" if they contain an urbanized area of 50,000 or more people or are "adjacent" and "integrated" with those that do.[20] Because integration is broadly defined, metropolitan areas commonly contain several surrounding counties that often do not look urban in character. MSAs offer the advantage of considering economic integration with an urban area; counties adjacent to an urban core might "look" rural but still be economically and socially integrated with their neighboring city. Despite their popularity as a policy tool, critics often complain that MSAs are overbroad, pointing out that the Grand Canyon is within an MSA.[21] Further, the MSA definition is fairly binary—either counties are metropolitan or not—and there is no accepted way of distinguishing levels of urbanicity among them.

Another common way to define "rural" comes from the United States Department of Agriculture. It uses population, MSA status, and distance from metropolitan areas to create a more granular typology called Rural-Urban Continuum Code (RUCC). The nine RUCC codes range from very urban—"counties in metro areas of one million population or more" to very rural—"completely rural or less than 2,500 urban population, not adjacent to a metro area." Because the system style relies on MSAs to create its three most urban categories, it also tends to overstate what is urban. In other words, even the most rural county within a metropolitan area is still considered urban by virtue of its being an MSA.[22]

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[20] "Metropolitan and Micropolitan Statistical Areas," US Census Bureau (http://www.census.gov/population/www/metroareas/metroarea.html).

[21] Andrew Isserman, "Enhancing Economic Opportunities in Rural America," November 2003 (http://www.cfare.org/updates/texasisserman.ppt).

[22] "Measuring Rurality: Rural-Urban Continuum Codes," USDA Economic Research Service (http://www.ers.usda.gov/Briefing/Rurality/RuralUrbCon/).

Because of the drawbacks of these government definitions, several researchers have created their own definitions of “rural.” The late Professor Andrew Isserman of the University of Illinois (Urbana-Champaign) developed a classification that breaks all counties into four categories based on their “rural-urban character.”

Table 1: Isserman “Rural-Urban Character” classification

Rural-Urban Character	Characteristics of the County
Urban	* Population Density (per square mile)>=500 * 90% of the county population in urban areas * 50,000 or more residents in an urbanized area or 90% of county population in an urbanized area
Mixed-urban	* Not urban, not rural * Population Density >=320
Mixed-rural	* Not urban, not rural * Population Density <320
Rural	* 90% of the county population in rural areas or no urban area with a population of 10,000 or more * Population Density <500

Isserman does this by first defining each county’s urban or rural character through density and population and then combining these definitions with MSA status. In this way, researchers can know the true urban or rural nature of a county while preserving the MSA’s power to account for economic and social integration.

For the purposes of this research, we have used the Isserman Typology, as it is specifically designed for social policy research.[23] We then layer on the OMB’s designation of metro or non-metro, to account for proximity to an urban area. This leads to seven categories (metro and non-metro for each of Isserman’s four, minus one category with no counties). We have conducted our analysis along these more granular seven levels. But, for the purposes of this paper, we have grouped these categories into our own “urban,” “suburban,” and “rural” categories to facilitate comparison. (See Table 2 on page 19 for this grouping).

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[23] Andrew Isserman, “In the National Interest: Defining Rural and Urban Correctly in Research and Public Policy,” *International Regional Science Review*, October 2005: 465-499.

Table 2: Breakdown of US Counties by Rural-Urban and OMB classification

<table>
<tr><th>Bridgespan</th><th>Isserman</th><th>OMB</th><th># of counties</th><th>Total pop.</th><th>Poverty rate</th></tr>
<tr><td>Urban</td><td>Urban</td><td>Metro</td><td>172</td><td>123M</td><td>12%</td></tr>
<tr><td rowspan="4">Suburban</td><td>Mixed-urban</td><td>Metro</td><td>146</td><td>60M</td><td>11%</td></tr>
<tr><td>Mixed-urban</td><td>Non-metro</td><td>11</td><td>0.2M</td><td>12%</td></tr>
<tr><td>Mixed-rural</td><td>Metro</td><td>467</td><td>64M</td><td>12%</td></tr>
<tr><td colspan="2">Suburban total</td><td>624</td><td>124M</td><td>12%</td></tr>
<tr><td rowspan="4">Rural</td><td>Mixed-rural</td><td>Non-metro</td><td>555</td><td>27M</td><td>15%</td></tr>
<tr><td>Rural</td><td>Metro</td><td>1,486</td><td>7M</td><td>13%</td></tr>
<tr><td>Rural</td><td>Non-metro</td><td>304</td><td>21M</td><td>16%</td></tr>
<tr><td colspan="2">Rural total</td><td>2,345</td><td>55M</td><td>15%</td></tr>
<tr><td colspan="3">Grand total</td><td>3,141</td><td>302M</td><td>13%</td></tr>
</table>

Appendix B: A Case Study of Rural and Urban Nonprofits

The experience of Communities In Schools (CIS), a nonprofit youth development provider with 194 local affiliates serving urban and rural areas in 27 states, provides a fairly representative contrast between the urban and rural nonprofit landscape. CIS was founded in Atlanta, GA, in 1972, originally under the name Cities In Schools. Its mission is to connect community resources with schools to help young people successfully learn, stay in school, and prepare for life. CIS provides two types of services to schools: 1) intensive case management services for the 5 to 10 percent of students most vulnerable to low achievement or the risk of dropping out, and 2) widely accessible prevention services for the entire school population. CIS relies on partnerships with other nonprofits, government agencies, businesses, and individuals to deliver many of these services.

On its urban roster, CIS has a strong operation in Fulton County, which is the principal county of the Atlanta metropolitan area. Fulton covers 535 square miles and has more than one million residents, which means it has almost 2,000 people per square mile. The median income for a family in Fulton is $58,000, 41 percent of the population has a four-year degree, and about 14 percent of the population lives under the federal poverty line. Atlanta is home to some of the world's largest companies, including Coca Cola and Delta Airlines. And Fulton's economy is diverse: Professional services are the leading form of employment with 11 percent of jobs; accommodations and food services follows at 9 percent. There are 1,815 nonprofit organizations in the county, with a total annual budget of $10 billion. Human service nonprofits number 539. There are also more than 800 foundations. According to the Foundation Center, organizations in Fulton County received over $2.5 billion in foundation grants, or about $2,500 per capita, from 2003 to 2008.

In Fulton, CIS of Atlanta has grown to support over 60 schools. The organization has an annual budget of $5 million, employs 94 full-time staff, and facilitates more than 600 partnerships. The schools it serves have an enrollment of almost 35,000, and CIS reaches 74 percent of students with broad services and focuses intensive services on 11 percent of students, in line with CIS's range of 5 to 10 percent of students, on average, being most at risk. Much of this growth has been fueled by local funding. Over three-quarters of CIS's budget comes from the local school district, and only two percent comes from state or federal government. The payoff for this investment? Of the students who receive the intensive services, 59 percent improve their academics and 77 percent are promoted to the next grade.

Now consider a CIS rural affiliate. One hundred and forty miles southeast of Fulton—and about halfway between Macon and Savannah—lies its affiliate in Laurens County, GA. Laurens covers an area nearly twice as big as Fulton (812 square miles) but has a total population of under 48,000. Laurens' population density comes out to about 59 people per square mile, well below the cutoff point of 300 people per square mile that often designates rural areas. The median income for a household is approximately $36,000; 14 percent of the population has a four-year degree; and about 23 percent of the population lives under the federal poverty line. Laurens' economy was historically based on cotton, corn, and soybeans, but agriculture now accounts for less than one percent of jobs. Today, manufacturing is the largest source of employment, accounting for 16 percent of jobs. There are 41 nonprofit organizations in Laurens, with a total annual budget of $13 million. Thirteen focus on human services. There are six foundations in Laurens County. From 2003 to 2008, organizations in Laurens received only $230,000, or $5 per capita, in grants from foundations over the six year period. (Table 1: A Comparison of Fulton and Laurens Counties on page 22 provides additional detail.)

In Laurens, the picture for CIS is different, but not wholly discouraging. It's also typical of an average rural CIS affiliate. Resources are thinner and strategy more focused, yet results are comparatively strong. In Laurens County, CIS has a budget of just over $400,000, four staff members, and 17 schools to support with enrollment of almost 10,000. The state government provides two thirds of the annual budget; none comes from the local district. Despite a budget one-tenth the size of Atlanta's, CIS reaches a full third as many students, focusing intensive services on 3 percent (less than its target for at-risk students but per the schools' direction as to who needs it most) and providing comprehensive services to a broad 82 percent. Laurens' CIS affiliate benefits from fundraising knowledge, leadership, and program strategy infusions from the CIS national network. The program is in no danger of closing, and its outcomes for the students it serves shine as brightly as Atlanta's: 53 percent of students receiving intensive services improve their academics and 88 percent are promoted to the next grade. Yet the Laurens program's growth, like a pygmy tree, appears topped out at "small," and kids who could greatly benefit from its services can't have them. (Table 2 on page 22 provides a comparison of CIS of Atlanta versus CIS of Laurens County.)

Table 1: Comparison of Fulton County and Laurens County

	Fulton County, GA	Laurens County, GA
Total population (2008 census est.)	1,014,932	47,848
Geographic area (land, 2000)	529 sq. mi.	812 sq. mi.
Population density (2008)	1,933 people/sq. mi.	59 people/sq. mi.
% White / Black or AA / Other (2008)	51% / 43% / 6%	64% / 34% / 2%
% Latino (of any race) (2008)	8%	2%
% high school graduates (2000)	84%	70%
% with a 4-year degree or more	41%	14%
Median household income (2007)	$58,052	$36,092
% persons living in poverty (2007)	14%	23%
Largest employment sector (%, 2008)	Prof. services (11%)	Manufacturing (16%)
Second largest employment sector (%, 2008)	Accommodations and food services (9%)	Retail (14%)

Table 2: Comparison of CIS of Atlanta versus CIS of Laurens County

	CIS of Atlanta	CIS of Laurens Co.
Staff (full time)	94	4
Volunteer hours	18,696	4,112
Partners	632	20
Annual budget	$5.3M	$0.4M
Revenue breakdown: Federal	1%	8%
State	1%	67%
City	0%	0%
School district	78%	0%
Corporate	6%	17%
Foundation	7%	1%
Individuals and Events	4%	0%
Nonprofits and other	3%	6%
Sites (schools)	65	17
% of students receiving broad services	74%	82%
% of students receiving intensive services	11%	3%
% of students w improved academics	59%	53%
% of high school non-seniors promoted	77%	88%

Research Notes

In order to assess the relative presence and performance of nonprofits in rural, suburban, and urban areas, we analyzed 2007 data from the National Center for Charitable Statistics' (NCCS) Core Data File.

1. We accessed the entire 2007 Core Data File for public charities, which supplies IRS-Form 990 data for all 501(c)3 organizations filing in that year. The data was accessed on 12/4/09 from NCCS's online DataWeb at http://nccs.urban.org/tools/dataweb.cfm (requires membership).
2. We removed a very small subset (~800) of ineligible nonprofits, including those based overseas or in US territories, leaving 343,851 charities for analysis.
3. We assigned each charity an "urbanicity" code based on its county of record. We cross-walked nonprofit records with county urbanicity codes using the Federal Information Processing Standards (FIPS) Codes, which assign all US counties a unique identifier. For more information on how urbanicity codes were derived, see the note on defining urbanicity in Appendix A on page 17.
4. We used the SPSS statistical software package to "cut" data according to urbanicity and National Taxonomy of Exempt Entity (NTEE) codes, along a number of dimensions discussed in this paper.
5. Though all cuts were performed on the entire population, we focused our analysis on a subset of nonprofits that we believe provide the most direct services to disadvantaged populations. For ease of reference, we have called these nonprofits "human service" providers throughout the article. These include:

NTEE Code	Description
F	Mental Health & Crisis Intervention
J	Employment
L	Housing & Shelter
O	Youth Development
P	Human Services
R	Civil Rights, Social Action & Advocacy
S	Community Improvement & Capacity Building