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Social Capital, Civic Capacity and Leadership in Rural Nebraska

In a 2010 issue of Cornhusker Economics (October 27, 2010), we demonstrated the way in which the governance of public agencies and private nonprofits create an especially high demand for citizen leadership among smaller, rural populations. As noted in that report, it can be postulated that:

“Population losses have left many rural communities with a shortage of residents willing and able to take on the public and volunteer leadership roles required to keep their communities running smoothly. As a result, individuals are often asked not just to participate in local government and voluntary organizations, but also to accept positions of authority and responsibility in their operation. The outcome, according to conventional wisdom, is that capable and involved citizens can be “burned out” by the demands made on their time, with local leadership often being left in the hands of a few individuals. This phenomenon, it is argued, can foster apathy and limit innovation, especially in rural communities where many public services are essentially run by volunteers.”

In this paper we explore this issue in more detail, asking if the size of rural leadership pools can be demonstrated to have an impact upon social capital and civic capacity.

The indicator of social capital that is used here is the number of registered nonprofit organizations supported within Nebraska counties of various sizes. As an indicator of social capital, nonprofits provide a high level of face validity. For a nonprofit organization to be formed and registered, individuals must come together

Market Report	Yr Ago	4 Wks Ago	11/8/13
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$123.89	\$ *	\$131.06
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.....	162.60	*	188.29
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	140.89	*	166.56
Choice Boxed Beef, 600-750 lb. Carcass.	193.14	*	204.47
Western Corn Belt Base Hog Price Carcass, Negotiated.	77.88	*	82.13
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.....	85.88	*	93.83
Slaughter Lambs, Ch. & Pr., Heavy, Woolled, South Dakota, Direct.	92.63	*	151.00
National Carcass Lamb Cutout, FOB.	303.30	*	330.03
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	8.53	*	6.68
Corn, No. 2, Yellow Nebraska City, bu.	7.44	*	4.15
Soybeans, No. 1, Yellow Nebraska City, bu.	14.31	*	12.54
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	12.57	*	7.18
Oats, No. 2, Heavy Minneapolis, MN, bu.	3.79	*	3.62
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	255.00	*	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	215.00	*	140.00
Grass Hay, Large Rounds, Good Nebraska, ton.	212.50	*	115.00
Dried Distillers Grains, 10% Moisture, Nebraska Average.	285.25	*	205.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	107.25	*	60.00
* No Market			
* USDA Website Down Due to Government Shutdown - 4 Wks Ago			



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in the pursuit of a shared mission. They must invest the time and financial resources required to adopt a charter, develop bylaws, identify and elect a governing body and meet the legal requirement of registering with the Internal Revenue Service (IRS). This is exactly the kind of activity that defines social capital formation.

Two indicators of capacity will be used. The first is the number of registered nonprofits that reported revenue or assets to the IRS using Form 990. The argument here is that better organized, better managed, more active nonprofits are more likely to acquire and to manage resources, indicating a greater level of capacity for the organization.

The financial threshold for such reporting is very high, with reporting for the tax year 2010 being required only if the organization received revenues of \$200,000 or more; had assets in excess of \$500,000; the organization has unrelated business gross income of greater than or equal to \$1,000; the organization maintained donor advised funds during the year; or the organization was related to a Controlled Entity. Of course, many nonprofits do not meet any such threshold, but some of those filed Form 990 anyway. Indeed, in 49 Nebraska counties, the average filing nonprofit is below the filing threshold, and in 33 counties average assets are below the filing threshold. This suggests that filing an IRS Form 990 may be an action that is in some cases aspirational as much as it is bureaucratic.

Nonprofit organizations with revenues of \$25,000 or assets of \$50,000 are allowed to file using a different form: Form 990N. Statewide, this adds 3,251 to the total count of filing organizations in 2010. However, 990N filings are not included in the revenue or asset totals reported by the data source used here, and have for that reason not been included in the total count of filing organizations reported here.

The second measure of capacity used is reported revenue and assets. The argument for this interpretation is straightforward: more resources equal more capacity to act. Now, many nonprofits would have no reason to even attempt to accumulate money at a level that would require filing Form 990 with the IRS. Bowling leagues, for instance, are very common 501C organizations with a mission that would not require very large donations to survive. This does not negate their role in the formation of social capital (they're not, after all, bowling alone), but it does suggest a limited capacity to effect significant change in the communities where they are located.

Population size is clearly associated with each of the indicators considered here, as seen in Table 1 (at end of article), where these data are aggregated by county population size and density.* According to the National

Center for Charitable Statistics, Nebraska was home to 13,493 registered nonprofit organizations in 2010. Of these, 7,058 (52%) were located in the state's nine Metropolitan counties. This concentration is slightly below that of the state's population (59 percent of which was Metropolitan in 2010), despite a 19.3 percent increase in Metropolitan nonprofits between 2000 and 2010.

Non-Metropolitan counties were found to be home to 6,435 nonprofits, and to have seen a 0.4 percent reduction in the number of such organizations between 2000 and 2010. That rate of decline in nonprofit numbers was led by Nebraska's 28 Frontier counties, which saw 9.2 percent fewer registered nonprofits in 2010 than were found in 2000. Those most rural of Nebraska counties were home to a total of 638 registered nonprofit organizations in 2010. By this measure of social capital formation, rural places appear to be at a distinct disadvantage.

The same relationship can be found in the two capacity indicators. The percent of nonprofits filing a Form 990 ranges from a high of 43 percent in Metropolitan counties, to a low of 19.1 percent in Frontier counties, changing in essentially linear fashion with the size of a county's population. The same is true of nonprofit revenues, ranging from a high of \$8,123 per capita in Metropolitan counties, to a low of \$876 per capita in Frontier counties.

The picture for total assets is only slightly less clear, with reported assets ranging from \$8,123 per capita in Metropolitan counties, to a low of \$1,618 in Small Town counties (having no population center as large as 2,500).

As before, there appears to be a clear advantage in these capacity indicators to be found among counties with larger populations. There is probably no real mystery to this. Larger populations provide more potential donors, both individual and corporate. Moreover, large foundations with broad missions that can attract grants and donors from a regional or national pool are more likely to be found in large population centers.

This pattern is somewhat altered when looking at a decade of change in per capita revenues, where Non-Metropolitan growth (183.2%) was more than three times greater than that seen in the Metropolitan counties (52.6%). However, greater growth in per capita revenues has not necessarily translated to similar growth in assets. For that indicator, growth was indeed fastest in rural Small Trade Center counties (64.6%). Still, in general, Non-Metropolitan counties did not see their assets grow at the rate found in Metropolitan counties.

For Frontier counties, nonprofit assets per capita grew by only 10.1 percent over the decade.

Again, Non-Metropolitan and especially very rural counties appear to be at a disadvantage, with the exception of having seen more growth in revenue per capita than that found in large urban centers. This does suggest that rural residents are willing to support their nonprofit sector.

Is this the result of a limited leadership pool that comes with declining populations? Clearly, one could add that to the list of suspects. However, one item seems to put that in doubt. As demonstrated in Table 2 (at end of article), when counting nonprofits per 100 residents, the most rural (Frontier) portions of the state support the most organizations (1.23 per 100 residents). In fact, they support nearly twice the density of nonprofits than that found in Metropolitan counties.

One might hypothesize that given an already stretched leadership pool, this additional nonprofit burden would result in a reduction in activity. But, using the act of filing an IRS Form 990 as a measure of such activity, there is no obvious reason to suspect such an effect. There is very little difference in the number of nonprofits with such filings based on population size. Metropolitan counties do lead in this measure, with 0.28 such filings per 100 residents. But, even the most rural Frontier counties are not far behind with 0.23 filings per 100 residents.

What we are left with is a mixed picture. Population size seems certainly to affect the total number of nonprofit organizations that can be supported, and also to affect the financial resources that those organizations are able to secure and retain. At the same time, the willingness of rural residents to make financial contribu-

tions to the nonprofits that serve their areas seems to have grown faster than that found in urban areas, since revenues per capita grew faster in rural places. They also appear to be willing to support relatively more such organizations on a per capita basis. Most importantly, the capacity of rural organizations as measured by 990 filings is not significantly below that found in more urban locations. They also appear to be willing to support relatively more such organizations on a per capita basis. Most importantly, the capacity of rural organizations as measured by 990 filings is not significantly below that found in more urban locations.

So, can we conclude that the stress of civic leadership in rural areas with small populations results in reduced effectiveness? From these data we would argue no. While the ability of rural places to grow the financial capacity of civic organizations seems to clearly be diminished by a small population base, the willingness of citizens to participate financially and the effectiveness of leadership for those organizations do not.

*County types: 1) Metropolitan as designated by the Office of Management and Budget; 2) Micropolitan Core, containing a city of 10,000 or more; 3) Small Trade Center, containing a community with a population of 2,500 or more; 4) Small Town, containing no community as large as 2,500, and; 5) Frontier, having no community of 2,500 and fewer than 6 people per square mile.

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Table 1. Non-Profit Characteristics by County Type: 2010

County Group	Registered Nonprofit Organizations April, 2010	Percent Change in Registered Organizations May 2000-April 2010	Percent Filing Form 990 2010	Revenue Per Capita 2010	Assets Per Capita 2010	Percent Change in Revenue Per Capita May 2000-April 2010	Percent Change in Assets Per Capita May 2000-April 2010
Nebraska	13,493	9.0	36.5	\$5,899	\$16,239	75.3	66.8
Metropolitan	7,058	19.3	43.0	\$8,123	\$24,509	52.6	63.3
Non-Metropolitan	6,435	-0.4	29.4	\$2,743	\$4,502	183.2	37.6
Micropolitan Core	2,462	2.2	37.2	\$3,793	\$5,175	140.2	22.4
Small Trade Center	2,105	0.4	28.5	\$2,459	\$5,502	315.8	64.6
Small Town	1,226	-1.4	21.0	\$943	\$1,618	229.4	45.3
Frontier	638	-9.2	19.1	\$876	\$2,291	166.1	10.1

Source: National Center for Charitable Statistics and Bureau of the Census.

Table 2. Nonprofit Organizations and Population by County Type: April 2010

County Group	Registered Nonprofit Organizations Per 100 Population 2010	Nonprofit Organizations Filing Form 990 Per 100 Population 2010	Percent Change in Population 2000-2010	Population Per Organizational Role 2010
Nebraska	0.74	0.27	6.7	27.7
Metropolitan	0.66	0.28	13.7	34.3
Non-Metropolitan	0.85	0.25	-1.8	21.9
Micropolitan Core	0.68	0.25	3.1	30.2
Small Trade Center	0.95	0.27	-4.4	19.8
Small Town	1.01	0.21	-7.3	16.2
Frontier	1.23	0.23	-8.5	13.3

Source: National Center for Charitable Statistics and Bureau of the Census.