

Urban Wire :: Race and Ethnicity

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Addressing Racial Funding Gaps in the Nonprofit Sector Requires New Data Approaches

Shena Ashley, Claire Boyd | *March 11, 2021*

In recent months, many foundations and corporations have committed to advancing racial equity, which included supporting organizations led by or serving people of color. The new administration has also signaled a willingness to support these organizations through its [executive order on racial equity](#).

These commitments could bring much-needed capital to systematically underresourced organizations that are, in many cases, on the front lines of racial equity work. If part of the task of advancing racial equity depends on investing in the work of these organizations, we need better data to measure investments in those organizations. But more fundamentally, we need to be able to identify them.

and set the strategy, the second builds on the assumption that organizations located in communities of color are serving those communities and focuses on location as a result, and the third identifies organizations based on the orientation of their mission toward positively affecting communities of color or focusing on advancing equity.

No matter how funders identify these organizations, serious data gaps prohibit the field from tracking progress on corporate, philanthropic, and federal investments. These gaps need to be addressed to better support and hold accountable the people making investments and to take steps toward closing the nonprofit racial funding gap.

Exploring a new approach for addressing the data gaps

The Urban Institute's [Racial Equity Analytics Lab](#) (REAL), with funding from the Wallace Foundation, is developing a national database of arts organizations of color. These data will track investments in a field where just [4 percent of funding](#) is allocated to groups whose primary mission is to serve communities of color.

The Urban research team is constructing a national database by using a machine-learning model to identify arts organizations of color by mission focus and location. The model draws on Form 990 data from the [National Center for Charitable Statistics](#), supplemented with information on organization missions and key activities found on organization websites and extracted from electronically filed and paper 990 forms.

More data and estimation approaches are needed

Although a national database of arts organizations of color is a good start, this information is needed for all subsectors and across the different ways funders identify organizations led by or serving people of color.

Disaggregated demographic data for organizations' executive directors, boards, and broader management teams would allow funders to better identify these organizations. One way to gather these data could be adding [new data fields](#) for leadership race and ethnicity to the Form 990, which already lists the names of organization leaders. But political and administrative challenges make this approach unlikely.

Imputing racial identifiers to the Form 990 could be another approach, as imputation methods have generated disaggregated data in other cases, such as an analysis of racial gaps in financial outcomes that matched banking records with voter registration records to collect [self-reported race information](#). Other researchers have used [surname techniques](#) for race imputation. These approaches are promising but are untested with nonprofit data, so groups like Urban's REAL could test these methods.

Better data are also needed to determine whether organizations are in communities of color and to define what a community of color means. More precise information on

[works in that community](#) or orients its work toward serving people of color.

Although these data challenges present definitional and technical challenges, we are excited to test new approaches. Finding creative solutions to identify and track the investments made in organizations led by or serving people of color are the first steps toward closing racial funding gaps and increasing racial equity nationwide.

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