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Small-Town Philanthropy

Charities, grant makers, and politicians seek more support for rural causes

By Suzanne Perry

When it comes to foundation assets, few states rank lower than Montana.

But the sparsely populated Western state has one asset that no other state can claim — Sen. Max Baucus, chairman of the powerful Senate Finance Committee. And when Senator Baucus started expressing concern about alleged disparities in grant making to rural areas more than a year ago, the foundation world took note.

Citing research by Montana's Big Sky Institute for the Advancement of Nonprofits that showed a "philanthropic divide" between states with large foundation assets and those without, Senator Baucus challenged grant makers to significantly increase their giving to rural America.

"When it comes to grant making, many in rural America feel they are in the wilderness," he told the Council on Foundations' 2006 annual meeting in Pittsburgh.

Senator Baucus asked foundations to make specific pledges to increase their giving to rural areas, while in return promising to work to make federal programs that help rural America more effective. Next month, more than 100 foundation leaders from across the country will gather in the senator's home state to consider ways to meet his challenge.

The conference in Missoula, planned by the senator and the Council on Foundations, will work to create a "21st-century agenda for philanthropy and rural America" in areas such as health care, education, the environment, and economic development.

Rural advocates say the time is ripe to carve out a strategy to revitalize rural areas, many of which are suffering from problems such as population loss and poverty, because an enormous transfer of wealth is expected to take place over the next half century as people die and leave money to their heirs — a projected $41-trillion, according to one study.

If even a fraction of that money could be tapped, they say, it could help transform rural America. In fact, the W.K. Kellogg Foundation, in Battle Creek, Mich., is considering a major grant of $30-million to help community foundations across the country convince people in rural areas to leave a small percentage of their estates to their towns.

Small Budgets

While different parts of the country face different problems, what unites rural areas, say philanthropy experts, is that their charities have a harder time getting foundation money than their urban counterparts. Many operate on shoestring budgets, cover vast geographic areas, and are located far away from big urban foundations.

"Our programs in such a rural state are so small, they don't have the economy of scale that is needed for some of the big national funders," says Shannon Cunningham, president of the West Virginia Grantmakers Association, who is helping to plan the Montana conference. Long distances made it so difficult for the state's small number of fund raisers to gather that West Virginia just lost its chapter of the Association of Fundraising Professionals, she adds.

Scarce Support

The Big Sky Institute, in Helena, Mont., has been working since it opened in 2001 to raise awareness of the barriers that hamper grant making to charities in rural states.

When Michael Schechtman, the institute's executive director, moved to Montana in 1983 to take a job running a charity, he discovered the state had no large foundations and money from national grant makers was scarce for the kind of small, local charities that operated there. While Montana is rich in natural resources, he notes, many of the people who developed them have been from out of state and have taken their wealth elsewhere.

After working for about eight years as a fund-raising consultant in the state, Mr. Schechtman got tired of "trying to help groups get a larger piece of a smaller pie."

Finally, he and a small group of other nonprofit leaders created the Big Sky Institute to help charities strengthen their operations.

"Leaving Montana stuck was unacceptable," he says. "If we really cared, we had to find ways of making change."

With money from foundations — including the Otto Bremer Foundation, in St. Paul, and the Carnegie Corporation, Rockefeller Brothers Fund, and Surdna Foundation, all in New York — the institute created the Montana Nonprofit Association to provide grants and management help to the state's charities and foundations.

It also created the Philanthropic Divide Project to highlight regional disparities in foundation assets. Using 2004 data for the 50 states and the District of Columbia from the Foundation Center, in New York, the institute calculated that the bottom 10 states hold 1.4 percent of total foundation assets, with an average of about $700-million per state — while the top 10 states hold 72 percent, or $34-billion per state.

The institute began calling the bottom 10 — Alaska, Maine, Mississippi, Montana, New Hampshire, North Dakota, South Dakota, Vermont, West Virginia, and Wyoming — the "divide states" and recruited a network of philanthropic and nonprofit leaders from those states to work to increase their foundation assets and their grants from national and regional foundations.

Big Sky argues that the absence of in-state foundations with large assets is a huge disadvantage for charities — for example, when they need big grants for a capital campaign and must compete with other groups that need the money for operating costs.

Furthermore, geographic distance makes it difficult for charities in "divide states" to cultivate the kind of relationships they need to get money from national grant makers, Mr. Schechtman says.

"You typically don't have significant foundation conferences in rural areas or philanthropic-divide states," he says.

Montana's seven American Indian reservations have particularly suffered from the "philanthropic divide," with few nonprofit groups or grant makers helping them despite their high levels of unemployment and poverty, says Big Sky, which is now working with the governor's office to strenthen philanthropy to the reservations.

Rural grant making is also hindered by stereotypes and misunderstandings, other philanthropy experts say.

Richard Foster, vice president for programs at the Kellogg foundation, says when Kellogg conducted a poll of individuals and state and federal legislators about rural America a few years ago, it found that people had "bipolar" views.

The first, he told a recent conference on rural issues: "People living there are hard-working people, they're self-sufficient, self-reliant." They turn to their neighbors when they need help and are too proud to accept outside aid.

The second: "Everybody's name is Bubba, and they're not intelligent at all." They operate methamphetamine labs and produce high rates of teenage pregancy and youth drug abuse and "really don't deserve our help."

"In either scenario," he said, "there's not a lot of help coming to rural America."

A study about rural philanthropy conducted in 2004 for the Center for Rural Strategies, in Whitesburg, Ky., found other barriers: Foundations were unsure how to define "rural" and tended to prefer regional grant-making efforts focused on particular charitable missions.

Many questioned whether rural groups had the capacity to manage grants and carry out programs effectively. And some were troubled by the absence of a "critical mass" of donors in rural areas.

Rural Challenges

Despite the obstacles, momentum is growing in some quarters to devote more attention to rural issues.

Almost 300 nonprofit leaders, philanthropists, elected officials, American Indian tribal leaders, and artists gathered in Chantilly, Va., in June for a National Rural Assembly, organized by the Ford Foundation, the Kellogg Foundation, and various rural groups. Their goal: to build stronger networks to promote policies to help rural areas deal with "economic and social stresses."

The Carsey Institute, a think tank at the University of New Hampshire, presented a report to the assembly that fleshed out the strains on rural communities:

- Loss of population, especially young people, as manufacturing industries decline in the face of technological change and overseas competition.
- Migration of immigrants, primarily Hispanics, to take low-wage farm and food-processing jobs.
- Renewed interest in coal production as a result of rising oil prices, risking environmental degradation.
- Movement of retirement-age people and others to rural areas for "quality of life" reasons, bringing new skills but also contributing to real-estate sprawl, driving up housing costs, and requiring additional health care and transportation.
- Chronic poverty in regions such as central Appalachia and the Mississippi Delta.

Some foundations have kept rural challenges clearly on their radar screens.

For example, the National Rural Funders Collaborative, in Dallas, unites 11 grant makers — including the California Endowment; the Annie E. Casey Foundation, in Baltimore; Ford; Kellogg; and the Northwest Area Foundation, in St. Paul — who pool their money for projects to fight rural poverty.

Jim Richardson, the executive director, recalls that when the group issued its first request for proposals in 2001, it hoped to get 30 or 40 good applications — but got almost 300.

"It confirmed, beyond what we imagined, that there was not only a clear need for more funding and more-strategic funding, but also that there were a lot of nonprofits across the country doing good work."

The collaborative, which supports regional projects that involve multiple organizations, gave about $3.3-million to 17 projects in 15 states during its first phase, from 2002 to 2006. These included projects to promote entrepreneurial businesses in areas such as tourism and cultural heritage in Appalachia; to help American Indians in New Mexico bring back buffalo herds as a source of revenue; and to train health-care workers in remote Alaska.

The collaborative plans to spend at least $1-million a year over the next five years on a new round of projects, narrowing its giving to three regions — the rural South, California and the West, and the northern Great Plains.

One of the new goals, for example, is to help seasonal farm workers in California develop small businesses. To measure whether the projects are making a difference, the group has asked a program called Success Measures, a division of NeighborworksAmerica, a nonprofit group in Washington, to help grant recipients compile data on actions they have taken to influence public policy, involve people in rural communities in raising money and determining how it is spent, and remove racial and class barriers.

The group's goal is to attract $100-million from its own members, other foundations, and government agencies for its projects over 10 years. So far, its own grants have sparked an additional $40-million to $45-million in giving, Mr. Richardson says.

'Community Endowments'

The Nebraska Community Foundation, in Lincoln, has pioneered a program to tap into the transfer of wealth that will take place over the next few decades. The foundation has calculated that rural Nebraskans will leave $94-billion to their heirs through 2050 — much of which will leave the state. It is working to convince farmers, ranchers, and others to leave at least 5 percent of their estates to "community endowments," which will pay for projects such as school improvements, youth programs, business entrepreneurship, and leadership training.

Almost 90 special funds, affiliated with the foundation, have been set up for such endowments and have so far received about $35-million in gifts and pledges, says Jeffrey G. Yost, the foundation's president. The approach has started to spread. Eleven states have conducted similar wealth-transfer studies, Mr. Yost says.

The Kellogg Foundation, which along with the Ford Foundation has given money to the Nebraskan project, proposes, subject to board approval, to spend about $30-million over five or six years to help community foundations in other states adopt the Nebraska approach, says Mr. Foster of Kellogg.

He says the goal is to "undergird the economy" so that people stay and run businesses — for example, by enticing doctors to set up practices by offering to pay their student loans.

But some philanthropy experts warn that relying on community foundations to build local endowments is not the whole solution, especially in the poorest regions — and that national foundations must do their part.

"If you tell rural areas, 'This is your solution and don't look to any kind of redistributive philanthropy,' you're telling poor counties to pull themselves up by their bootstraps, and in some cases they don't have any bootstraps to pull on," says Rick Cohen, former executive director of the National Committee for Responsive Philanthropy, who is now a national correspondent for *The Nonprofit Quarterly*.

Furthermore, he says, because the money is directed by individuals, "there's no guarantee those funds will address poverty, social displacement, and equitable development."

Setting Targets

When Senator Baucus raised his concerns about the lack of philanthropic money for rural areas, he asked grant makers to meet specific targets: Foundations should generally try to double their grants — or if they have previously done little or no such grant making, devote at least 5 percent to 10 percent of their grants — to rural America within five years.

Steve Gunderson, president of the Council on Foundations, says the council wants to promote more rural philanthropy, especially through innovative projects that do things that government can't. But the organization, Mr. Gunderson says, will not endorse specific money goals.

"It's not the role of the council to tell any foundation where to fund or how much to fund," he says.

Whatever the foundations agree to do at the Montana conference, the Big Sky Institute is enjoying its day in the sun.

The buzz created by Senator Baucus has not only added fuel to its cause, it has also helped it attract more grants this year — including $80,000 from the Kellogg Foundation; $112,000 from the Steele-Reese Foundation, in New York; and $150,000 from the Ford Foundation.

"At times I feel I should pinch myself and make sure I'm not dreaming," Mr. Schechtman says. "But I won't pinch myself because if I'm dreaming, I don't want to wake up."

FOUNDATION ASSETS:
A STATE-BY-STATE RANKING

	2005 assets
New York	$91,430,190,000
California	83,759,417,000
Washington	38,339,167,000
Texas	29,756,668,000
Michigan	24,852,573,000
Pennsylvania	23,998,829,000
Illinois	23,657,024,000
New Jersey	19,600,828,000
Florida	16,939,674,000
Ohio	15,908,227,000
Indiana	15,818,467,000
Massachusetts	14,414,868,000
Maryland	11,939,957,000
Minnesota	11,902,594,000
North Carolina	11,739,430,000
Georgia	9,918,675,000
Missouri	8,944,218,000
Oklahoma	8,471,739,000
Colorado	8,031,521,000
Wisconsin	7,357,486,000
Virginia	7,016,308,000
Connecticut	6,551,609,000
District of Columbia	5,178,972,000
Tennessee	4,618,223,000
Oregon	4,296,391,000
Nevada	3,958,607,000
Delaware	$3,864,798,000
Arizona	3,806,946,000
Nebraska	2,798,500,000
Iowa	2,670,474,000
Arkansas	2,629,877,000
Louisiana	2,473,714,000
Rhode Island	2,220,587,000
Kansas	2,125,897,000
Utah	2,064,558,000
Alabama	2,042,792,000
South Carolina	1,690,189,000
Kentucky	1,687,846,000
Hawaii	1,599,290,000
Maine	1,540,397,000
Wyoming	1,233,711,000
New Mexico	1,230,045,000
New Hampshire	1,191,069,000
Idaho	1,084,813,000
West Virginia	1,027,909,000
Mississippi	986,813,000
Alaska	681,304,000
Vermont	459,310,000
Montana	442,782,000
South Dakota	359,615,000
North Dakota	193,113,000