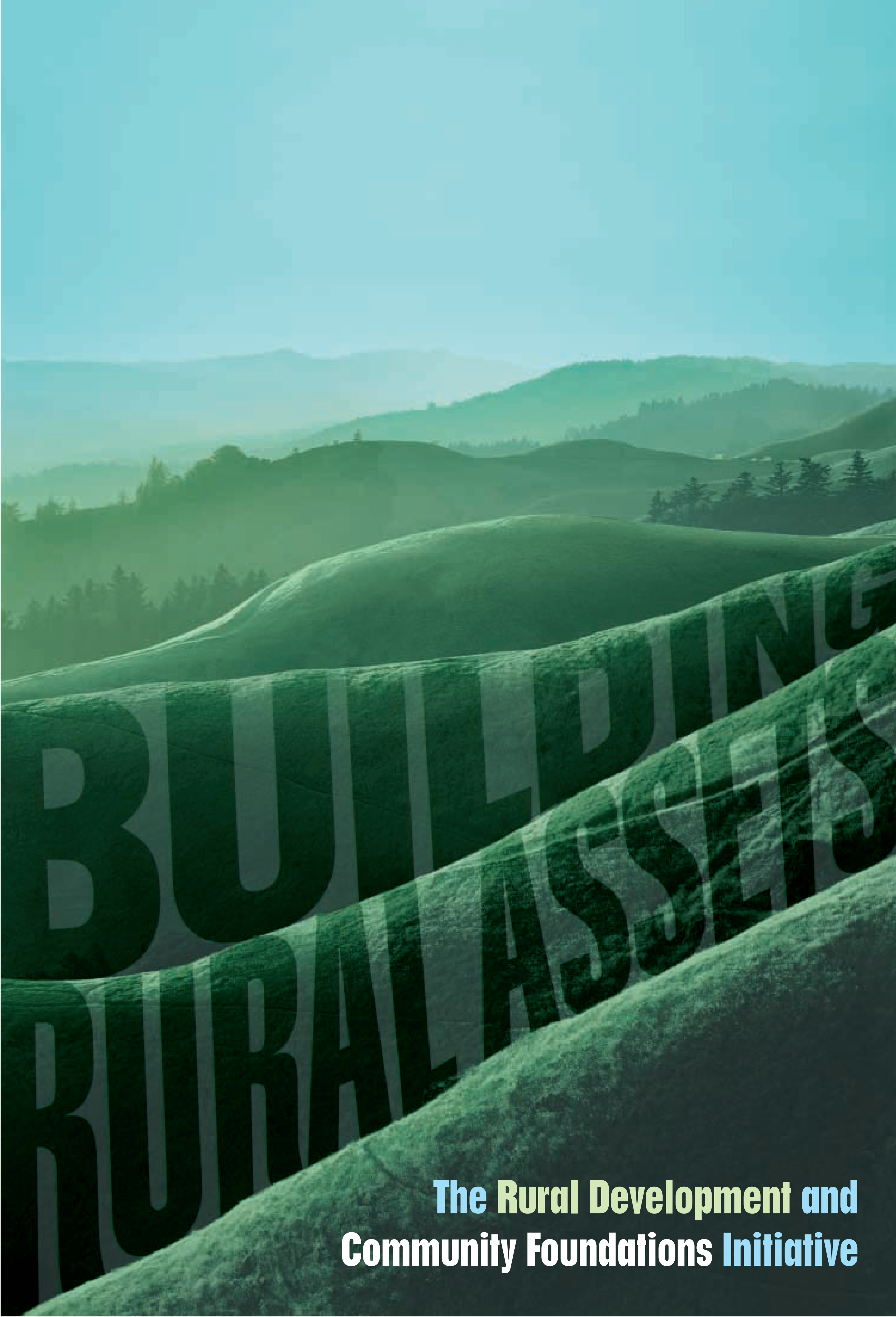


BUILDING RURAL ASSETS

The Rural Development and Community Foundations Initiative

The Rural Development and Community Foundations Initiative (RDCFI) is a multi-year initiative sponsored by the Ford Foundation and managed by the Rural Economic Policy Program of the Aspen Institute. RDCFI aims to demonstrate that enduring human, institutional, natural and financial assets can be developed in rural communities in the United States, specifically by engaging and developing the capacity and role of statewide and regional community foundations in rural community economic development.

RDCFI seeks to address four key questions:

- **How can statewide and regional community foundations raise significant endowment funds from and for rural communities?**
- **How can community foundations use their grantmaking and program activities to enhance the economic security of low-income rural families and communities?**
- **How can community foundations help build a region's awareness that its identity, prospects, and economic and social well-being embrace and depend upon both its rural areas and metropolitan areas?**
- **What management, structural and governance challenges and options face community foundations that seek to more fully serve their rural areas?**

In the process, the Initiative also seeks to offer lessons and guidance to the community foundation and rural development fields, with the expectation that they will discover each other, work together, and so improve economic prospects for rural America and *all* its people.

Community foundations have become an indispensable asset in virtually every urban center in the United States. Unfortunately, the same cannot be said for rural America.

One of the fastest growing categories of philanthropic institutions nationwide, a community foundation offers its designated geographic area two major services.

- **A community foundation is a *one-stop shop for local donors* who wish to contribute their cash, trusts, bequests or real property to create permanent endowments that will benefit the community in perpetuity.**

- **Using the investment earnings on each endowed fund, a community foundation *makes grants and builds capacity within the community to address local needs and opportunities.***

Many rural communities in the United States are missing the benefits of the growing community foundation movement—either because they have no community foundation or because they get limited attention from the statewide or regional community foundations that may serve them.

At the same time, community foundations have shied away from grantmaking and program activity targeted at *community economic development*—largely because it seems too complex and requires a long-term view.

The resulting opportunity—and challenge—for America's community foundations and for rural communities is clear.

Community foundations, particularly statewide and regional ones that encompass large rural expanses, must learn how to provide full endowment and grantmaking services to their rural territories.

Rural communities that are working to improve local economic prospects for all their citizens must learn how to make good use of these community foundations in their efforts.

Since 1993, these two challenges have framed the work of the Rural Development and Community Foundations Initiative.

> **Community foundations are positioned to do what few other community organizations, government agencies or outside foundations can do: help organize the human, institutional, financial and natural assets with which rural communities can build their future.**
>
> **—Betsy Campbell, Director, Community and Resource Development, The Ford Foundation**

Helping Rural Communities Help Themselves

A focus on rural community economic development offers a particularly promising niche for statewide and regional community foundations.

Today, rural communities and families face a changing array of conditions and prospects, both economic and social. Some rural communities have built a solid, diversified regional economy but still labor to help poor and less-advantaged residents gain access to opportunities. Other once-prosperous rural communities have since lost the jobs that supported their economies, as declining natural resource industries or footloose basic manufacturing firms have shut down or moved away—and young people with them.

Ironically, many rural locales, because they are so pleasant or beautiful, suffer from growing *too* fast. Their overwhelming population and business growth, fueled by affluent outsiders moving in, is not delivering prosperity to long-time residents. In these and other places, economic transition is intensifying divisions between haves and have-nots, races and ethnicities, the old guard and emerging leaders, long-time residents and newcomers.

However, rural areas possess critical advantages that make them fertile ground for community economic development innovation and learning. Although rural problems may be just as tough as urban, the variables and connections to be managed are fewer. Rural towns typically are small enough that regular citizens can produce visible change within fairly short periods of time. Rural communities tend to be "can-do" places, built on the barn-raising tradition where everyone bands together to get a job done, contributing whatever skills or resources they possess. Perhaps because they are remote or less connected to mainstream resources, rural communities respond enthusiastically—if skeptically at first—when outsiders pitch in to help strengthen the often impressive array of existing local capacity, whether it be individual skills, community organizations, links across communities in a region, development options, or community decisionmaking methods.

Even so, there is one key asset that rural areas typically lack: locally controlled financial capital for long-term community investment. Many rural communities live hand-to-mouth, depending on the community's annual income (tax revenues) and local charitable drives to meet just the basic and immediate community priorities. Often, when more extensive community investment is necessary, local leaders must appeal *outside* the community for funding, from sources like state government or private foundations, which tend to be unpredictable and inflexible.

In short, despite the fact that local needs and opportunities may be well defined, and a community's energy strong, the missing piece in many rural communities is a solid base of locally controlled, permanent philanthropic assets on which they can build their future.

If rural communities are to pursue sensible local development strategies, to encourage communitywide action, and to build and invest their own resources for a better future, they must look to themselves in new ways. And they must find new partners that can help in this critical work. Statewide and regional community foundations may be such a partner.

Statewide and Regional Community Foundations: One Piece of the Solution?

Community foundations are tax-exempt, private, philanthropic organizations that raise and manage a wide range of permanent endowment funds; in turn, these endowments generate a stream of revenues to support charitable activities within the geographic area served by the foundation.

At a community foundation, local donors may establish a wide variety of permanent endowed funds; the donor may either specify the purpose for which a fund must be used or leave it to the foundation's discretion.

A person or organization may establish an endowed fund at a community foundation through donations of cash, real property (like land or art collections), stocks, or other financial assets (like wills or trusts). The community foundation takes responsibility for setting up the endowed funds, investing the principal, and then using the investment revenue from the funds to make

Things happen. There are natural disasters, and man-made ones, like the collapse of a major employer. But if communities have organized themselves and built their capacity, they'll weather those changes better. And if they've saved, by building an endowment, they're even more able to bounce back.

—Sue Talbot, Board Member, Montana Community Foundation

grants in the community that will achieve the funds' specified purposes. These endowed funds, held and invested by the community foundation, function much like permanent community savings accounts, where the community—personified in the foundation's board and decisionmaking bodies—has the say over how to distribute the earned interest.

Community foundations have been around for more than 75 years. In recent years, however, their numbers and visibility have surged. Their assets have surged as well—so much so that they now constitute one of the fastest-growing sectors for charitable contributions in this country. Indeed, the 500-plus community foundations in the United States now boast at least $20 billion in permanent endowment assets.

As their numbers and resources have grown, so too has their geographic coverage. Although most community foundations remain attached to individual cities, towns or counties, close to half the states now have a statewide community foundation. In addition, regional foundations that cover multi-county areas or cross state lines are increasing in number. Today, these statewide and regional community foundations cover wide swaths of rural America.

For these reasons, statewide and regional community foundations can be important players in rural economic development. But community foundations possess other promising features:

- A community foundation is, by definition, place-specific. Its endowment building and grantmaking are intended to benefit a specific community or region—and, as noted, many of those communities and regions encompass rural areas.

- Community foundations are donor-service organizations, designed to help guide the philanthropic impulses of the many individuals or organizations that have concern for the community. A community foundation's assets come from numerous, widely diverse sources with local interests—individual donors or their estates, local public and private organizations, governments and private foundations. Thus, by definition, they differ from their better-known corporate or private foundation cousins.

- Community foundations occupy a central, grounded and non-partisan position in the community. Through its board, staff and donors, as well as its grantmaking and endowment-building activities, a community foundation is knowledgeable about the people, institutions, resources, successes, challenges and capacities within its geographic region.

- Community foundations can undertake a wide and comprehensive set of activities to nurture change. In addition to servicing donors, building endowments and making grants, community foundations can convene community stakeholders, foster unique partnerships, broker technical assistance, leverage other resources, and build bridges between people, places and organizations—a real capacity-building aide for communities that are striving to help themselves.

Often, individual donors don't have enough perspective to see connections and patterns between things. I think statewide and regional community foundations uniquely can see these patterns in geography, stages of development and innovation.

—Marion Kane, President, Maine Community Foundation

As a result of these factors, community foundations are positioned to do what few other community organizations, government agencies or outside foundations can do—*organize community assets. Community foundations can develop through targeted endowment building and deploy through strategic grantmaking the local human, institutional, natural and financial assets with which rural communities can build their future.* They are thus positioned to connect local resources and needs; forge links among local, regional, state and national agendas; and offer support to rural community-based organizations.

In short, statewide and regional community foundations are perfectly positioned to tap the sleeping giant of individual charitable giving and transform it into strategic rural philanthropy.

The potential is enormous. But the obstacles are sizable as well:

- Typically, even statewide and regional community foundations have urban bases, and many have given only limited attention to the rural regions they also encompass. Most statewide and regional community foundations still raise the bulk of their endowment and do most of their grantmaking and marketing in metropolitan areas. Before these foundations can be of service to their entire region, they may have to make significant changes—in their endowment-building and grantmaking strategies, and in their structure, management and governance.

- Because their traditional focus is urban, or because they are young and short on experience and resources, many community foundations lack knowledge of rural areas, their people, prospects, culture and options—not to mention the working relationships the foundation may need to function effectively in rural communities. Both the learning and the contacts take time—or strategic hiring or partnering—to develop.

- Although many community foundations target their efforts at low-income populations, relatively few have experience with grantmaking or program activities designed specifically to spur community economic development. Taking on this new focus requires significant learning about rural economic development strategies and alternatives in a changing world.

Once you start raising an endowment, you really begin to get people's attention, and they start asking serious questions about what they want the community to become.

—Tom Cote, Beacon Community Foundation of Daniels County, Montana Community Foundation

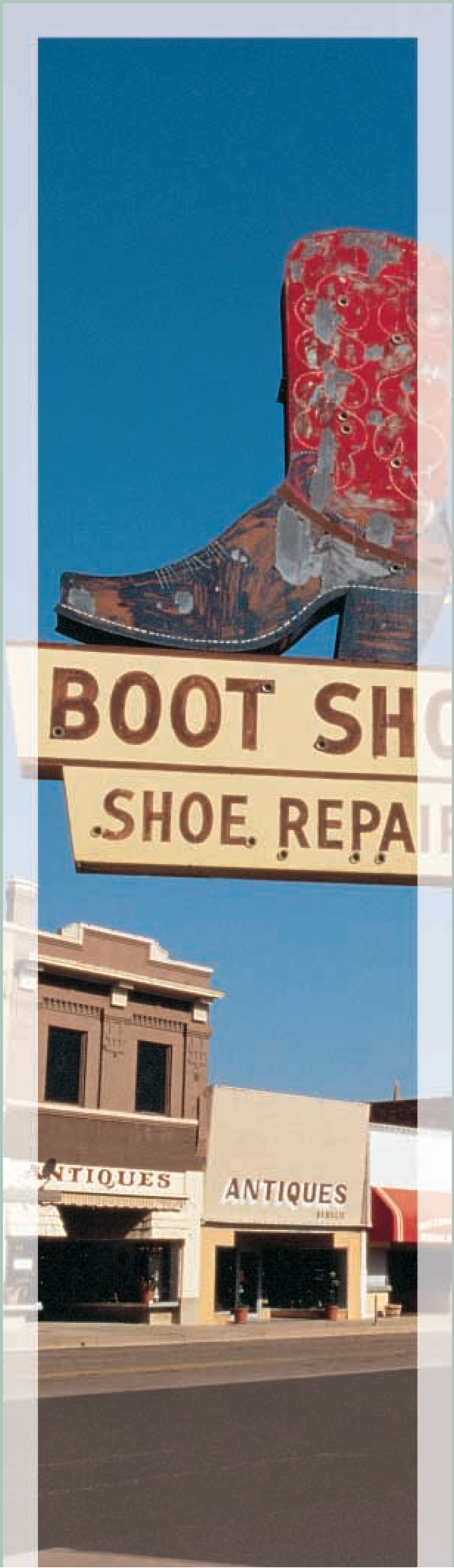
RDCFI: Charting a New Course for Statewide and Regional Community Foundations

The Rural Development and Community Foundations Initiative (RDCFI) is designed to advance statewide and regional community foundation practice in organizing rural community assets so as to improve economic prospects for the rural poor. The Ford Foundation launched the Initiative in 1993 to investigate four key questions:

- **RURAL ENDOWMENT BUILDING:** Can statewide and regional foundations—and especially those serving low-income or more isolated rural areas—raise significant permanent endowment funds devoted to improving rural community and economic development?

- **PROGRAM AND GRANTMAKING:** How can community foundations use their grantmaking and other program tools (for example, acting as a convener, partner or information broker) to enhance the economic security of low-income rural families and the vitality of the communities where they live?

- **COMMUNITY BUILDING.** What can community foundations do to build a region's awareness that its identity, prospects, and economic and social well-being embrace and depend upon both its rural and its metropolitan areas?



ORGANIZATIONAL CAPACITY. What structural, management and governance challenges and options face community foundations that seek to accomplish these purposes—and to more fully serve their rural areas?

Obviously, these questions are umbrellas for myriad smaller questions that each community—and each community foundation—must answer on its own. Just for starters:

- How can statewide and regional community foundations—which often have very small staffs—address the geographic challenges of rural endowment building and grantmaking, when one foundation serves a very large region? Should they target some efforts at a particular region or population? Partner with other organizations? Develop affiliates?

- What institutional partners can help design or implement a rural development program? How does working with a partner affect a community foundation's structure, staffing, and community role and relationships?

- What type of rural development approach should the grantmaking and program efforts use to address rural poverty? Build civic capacity? Increase the viability of local businesses? Protect and enhance natural and cultural resources? Support asset-building strategies that directly aid low-income rural families?

- In a particular community, is it more effective to work with grantees that are existing organizations, or to spark new and diverse working teams of community leaders and volunteers?

- In general, who makes decisions about program design? How are those decisions made?

- Is there something "different" about rural endowment building? What categories of donor should be approached and what strategies make sense for each? Are there hidden or unrecognized assets that might be tapped in rural areas?

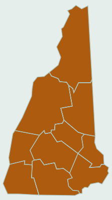
The Challenge: Probing the Potential of Rural Philanthropy

For most community foundations—and many communities—these questions represent uncharted territory. With the first two phases of the Initiative, the Ford Foundation has engaged nine partners—the Aspen Institute's Rural Economic Policy Program (REPP), which is managing the Initiative, and eight selected community foundations—as a front-line of explorers and surveyors.

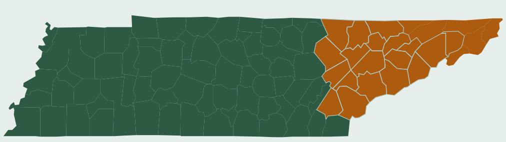
This Initiative is about changing the vocabulary of what we do as a community foundation, about articulating that endowments can be seen as community wealth, that foundations can move from charity to investment, that assets can be more than just financial, that giving can be more than something that just the rich do, and that local donors can see themselves as stewards of the community.

—Katharine Pearson, Former Executive Director, East Tennessee Foundation

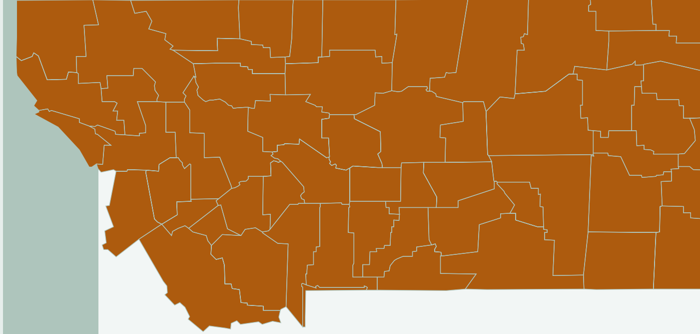
THE PARTICIPATING FOUNDATIONS. The eight community foundations vary in their endowment sizes and structures, management and governance systems, and grantmaking experience. In 1993, four foundations joined Round 1 of the Initiative:



■ The New Hampshire Charitable Foundation (NHCF) operates in a relatively small and largely rural state, with several seemingly prosperous regions that, in reality, mask the wide economic variation of wealthy part-time second-home owners living side-by-side with under- and unemployed long-term rural residents. The foundation itself is the oldest of those participating in the Initiative, and has the largest endowment. NHCF began the Initiative as a 31-year-old institution with $75 million in total assets, a staff of 18, and a fairly sophisticated system of regional "divisions" covering much of the state.



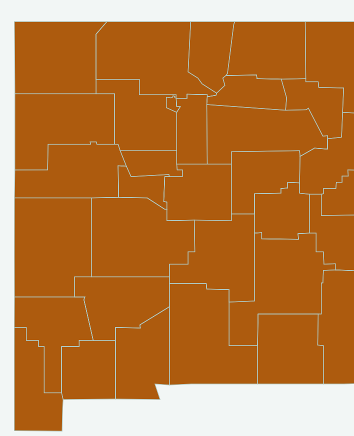
■ The East Tennessee Foundation (ETF), also well-established at the start of the Initiative, serves 18 rural counties in the heart of Appalachia, a region that has lower average wages and population growth, and higher levels of unemployment and poverty, than statewide averages—which themselves lag far behind the nation as a whole. Eight years old when it joined the Initiative, ETF had $10 million in assets, a staff of eight and a strong pre-existing commitment to rural development programming and rural endowment building.



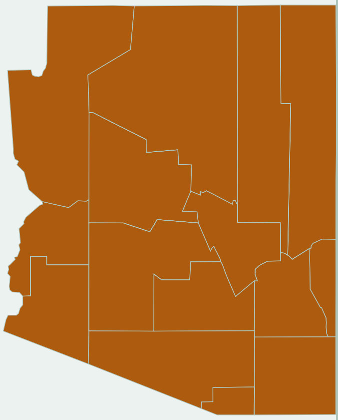
■ The Montana Community Foundation (MCF) serves a gigantic state with extremely low population density—and the lowest per capita earnings in the Northwest. In 1990, Montana's poverty rate was 20 percent higher than the nation's average, and was far higher on its seven Native American reservations. The Foundation itself was five years old at the outset of the Initiative, and had $7 million in total assets, a staff of three, no experience with grantmaking, and the considerable enthusiasm of a young, vibrant organization with an engaged board of directors.

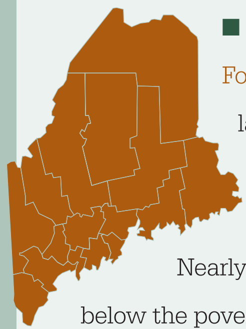
■ The New Mexico Community Foundation (NMCF) serves a diverse state that includes Anglo, Hispanic and Native American populations. New Mexico is home to long-term low-income residents throughout the state, the newer poor of the colonias along the Mexican border, and an influx in the north of affluent second-home owners and newcomers from other states. Founded in 1980 to focus on areas of New Mexico beyond Albuquerque and Santa Fe, NMCF had a history of program support in rural areas, but no experience with building endowment. It began the Initiative as a thirteen-year-old foundation with only $250,000 in assets and a staff of four.

Another four foundations joined in Round 2 of the Initiative, launched in 1996:

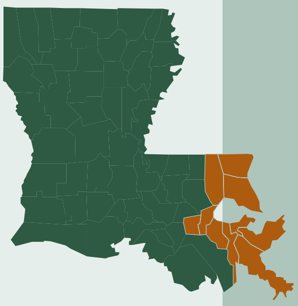


■ The Arizona Community Foundation (ACF) serves a state in which most of the population is urban and most of the geographic area is rural. Despite strong, technology-driven urban economies, poverty in the state is on the rise in rural areas, especially among Arizona's 26 Native American tribes and in communities along the Mexican border. The foundation is the largest of the Round 2 foundations—not just in geography, but in endowment and staff as well. Founded in 1978, ACF had a growing network of affiliates when it joined the Initiative, assets of $82 million, and a staff of nine.



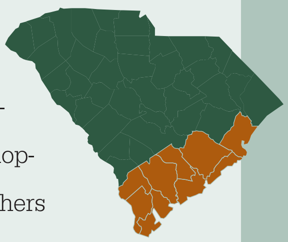


■ The Maine Community Foundation (MCF) also serves a large, thinly populated state. Maine's poverty level is the highest in New England. Nearly three-quarters of the people below the poverty line are working poor, especially in rural areas that rely on seasonal natural resource-based industries—commercial fishing, timber, agriculture and tourism. Founded in 1983 in rural Ellsworth, and committed primarily to rural communities, MCF had assets of $30 million in 1996—including six small county-level funds—and a staff of six.



■ The Greater New Orleans Foundation (GNOF) was also founded in 1983. In a state that perennially ranks among the highest in poverty and illiteracy, GNOF serves the New Orleans area and the nine surrounding rural parishes, a region that is almost one-third African-American. Having built its assets to some $44 million by 1996, and its staff to nine, GNOF today is committed to better serving these rural parishes and to developing productive relationships, economically and culturally, between the rural areas and the urban core.

■ The Community Foundation Serving Coastal South Carolina (TCF), like GNOF, serves a region that is roughly one-third African-American and is characterized by a thriving urban core surrounded by poorer rural communities. Founded in 1974 and energized in 1982 to address the aftermath of Hurricane Hugo, the foundation has historically focused on the three counties surrounding Charleston. In 1996, with assets of $14 million and a staff of 10, TCF joined the Initiative to expand rural community-based economic development in these counties and others along the South Carolina coast.



These eight community foundations are stretching hard to more fully serve their rural areas. Each has used the same word—*transformation*—to describe the effect on their organizations. What they've learned can inform other statewide and regional community foundations that seek to serve their rural territory, and it can energize folks who do the hard work of community economic development in rural America.

—Janet Topolsky, Director, Rural Development and Community Foundations Initiative, The Aspen Institute

THE INITIATIVE COMPONENTS. To begin the process, the Ford Foundation has provided each Round 1 and Round 2 community foundation:

- A $500,000 challenge grant, which can be applied flexibly over a three-year period to rural endowment-building and grantmaking activities, and to building the foundation's organizational capacity to more fully serve its rural areas.

- Semi-annual "peer-exchange institutes," organized by REPP, which bring several staff and board members from each participating foundation together with each other and with experts in the fields of rural community and economic development, organizational development and endowment building.

- Site visits and technical assistance arranged or provided by the REPP staff.

- Access to a technical assistance fund, also managed by REPP, for staff and board training and other RDCFI-related needs.

In return, each community foundation has committed to:

- Match Ford's $500,000 seed grant 2:1 over the same three-year period, by raising at least $1 million in permanent regionwide and/or community endowment funds, broadly dedicated to the purpose of enhancing the economic security of low-income rural families and the vitality of rural communities where they live.

- Design and launch a rural development grantmaking program, dedicated to the same purpose, which ideally includes community-level as well as regionwide activities.

- Participate in the Initiative's semi-annual peer-learning institutes throughout the program's three-year timeframe.

- Work with REPP to identify and address the challenges that the Initiative creates for community foundations, and to chronicle the foundation's and region's activities and progress during the Initiative.

LEARNING IN PROGRESS. The Initiative is the beginning of a long-term learning and transformation process for the participating foundations, as they attempt to identify, chronicle and address the challenges created by their expanding rural focus. Though their work is still in the early stages, and the specific tactics each has chosen to pursue vary with local conditions, the foundations have learned a number of broad lessons:

RURAL ENDOWMENT BUILDING. With imagination and persistence, the participating foundations are proving that, even in remote rural areas, they can raise significant endowments to support community and economic development—not just from a handful of affluent residents, but also from less affluent residents, second-home owners, corporations, other foundations, and even emigrants from the community. To do so, the foundations are pushing beyond the tried-and-true methods, exploring new asset sources, testing new fundraising strategies, and setting up new fund vehicles.

PROGRAM AND GRANTMAKING. As Lew Feldstein, president of the the New Hampshire Charitable Foundation, puts it, "A community foundation is unique in its ability to put wealth in the service of the community. It isn't necessary for the foundation to actually *do* community economic development, but to foster a process that ensures that *someone* does and to organize wealth to make it happen." Generally, the participating foundations prefer to support community economic development projects through grants to existing organizations, while assisting those efforts that need revamping,

Because of the work the New Mexico Community Foundation has done to strengthen other organizations and communities around the state, people don't think of it as a private foundation; they think of it as *their* foundation.

—Owen M. Lopez, Executive Director, McCune Charitable Foundation

We have the opportunity with this Initiative to reach some places we haven't before—like the upscale Island folks, retirees, vacation home folks—who may not know about us. The communities where we are doing program work touch right on theirs. This gives us a hook to reach in to build endowment—*and* our reputation.

—Gladys Washington, Program Officer, The Community Foundation Serving Coastal South Carolina

wider participation or expansion. But the foundations have found they sometimes must generate new initiatives, diverse community teams, or institutional structures where no effective ones currently exist. In every case, the community foundations sense that funding civic capacity building efforts within and across communities *in conjunction with* individual project funding is critical to producing long-term community impact.

COMMUNITY BUILDING. Each foundation is finding that its endowment-building, program and grantmaking activities boil down to…community building. "The key is *relationships,*" says Ben Johnson, president and CEO of the Greater New Orleans Foundation. "If you're going to be a hybrid organization like this—part philanthropic, part programmatic—then you have to build relationships." By working to convene stakeholders, to broker new relationships among existing community organizations and donors, to support training, and to engage both the usual players and the traditionally disenfranchised, the foundations are demonstrating that communities—even those where economic hardship and social mistrust have long persisted—can indeed build *all* their assets "from the inside out."

■ **ORGANIZATIONAL DEVELOPMENT.** Though their commitment has not wavered, all eight community foundations are learning that their expanded rural philanthropy requires significant internal organizational changes, new technical skills for foundation staff, exceptional levels of board commitment and staff time…and patience. A lot of patience.

The Next Challenge: Applying the Lessons

These are some of the questions and early answers that the Rural Development and Community Foundations Initiative has uncovered. In the next phase of the Initiative, we will work to document and transfer this learning to a new generation of statewide or regional community foundations that seek to extend rural philanthropy, to regional associations of grantmakers, and to the rural development field.

For more information on the Initiative, the individual participants, the lessons learned, and technical assistance opportunities for other community foundations, please contact:

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The Lessons, in Brief

Organizational Development: "The community-building work of this Initiative has really changed the community foundation. We realize we have to go deeper. We can't just sit there and bring in money, we must understand how the state is changing and get involved." —Mary Hays, Board Member, Arizona Community Foundation

Building Community: "Isolation is the critical factor in rural areas. We're isolated from the rest of the world and we're isolated from each other. People build their little fortresses to survive, but those same fortresses wall them off. The New Hampshire Charitable Foundation's rural initiative provided us training and created a forum that showed us we had things in common and that if we pooled our resources we might actually be able to get some things done." —Monica Nagle, Member, Mid-Lakes Task Force, New Hampshire

Endowment-Building. "The fact is that, in community after community, the same person who tells you that the community is too poor to raise an 'endowment' can point to a farmer who has donated land for a community center or a retiree who has made a significant charitable gift to the local hospital or school." —Terry Holley, Director of Regional Development, East Tennessee Foundation

Program and Grantmaking: "Focusing on community capacity building changed how our staff and board think about our work. We realized it was about more than giving a grant for a local food bank or a fire house; it was about bringing people together to plan for the future of the entire community and, for that matter, multiple communities. We redefined our objectives for endowed philanthropy and community development and created an entirely new set of grant guidelines." —Sidney Armstrong, Executive Director, Montana Community Foundation

The RDCFI is an initiative of the Ford Foundation's
Asset Building and Community Development Program,
and is managed by the Rural Economic Policy Program of The Aspen Institute.

An independent non-profit, non-governmental foundation founded in 1936,
the Ford Foundation is a resource for innovative people and institutions worldwide.

Established in 1985 at The Aspen Institute, the Rural Economic Policy Program
fosters collaborative learning, leadership and innovation to advance
rural community and economic development.

The Aspen Institute