

FEATURES

Where is Rural Philanthropy Heading and Where in the World are its Partners on the Journey?

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RICK COHEN

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At the 2006 national conference of the Council of Foundations in Pittsburgh Senator Max Baucus (D-MT) challenged philanthropy to double its grantmaking to rural communities in five years. His call spawned the Council's national Rural Philanthropy Conference – an annual meeting which was held this week in Kansas City, Missouri. The final plenary speaker, Tom Vilsack's remarks were reminiscent of the Baucus challenge, with the USDA Secretary once again calling for increased foundation grantmaking—in this case, in partnership with the Agriculture Department itself.

The message from those concerned about rural area to funders remains the same five years later, but results are elusive. In the interval between Baucus and Vilsack, the rural philanthropic grantmaking of major foundations as a proportion of their philanthropy and overall foundation giving has not doubled per Baucus' charge, but instead decreased. . . Despite the energy and enthusiasm of rural philanthropists gathered in Kansas City, the absence of major national foundations was evident—and much discussed in the attendees' hallway conversations, but generally not much broached in formal presentations. The plenary appeared to be dominated by the agenda of the participating community foundations, who are themselves fundraisers, looking to find new resources tucked away in the intergenerational transfer of wealth, to boost rural philanthropy.

Maybe this year the context for discussing philanthropy was a little disheartening. It's

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hard to get attention focused on future philanthropic investment in rural American when our nation's leaders are playing a game of chicken, not just with other lawmakers, but with the American economy. Expecting Secretary Vilsack to talk about new USDA funding commitments when his department faces cuts well into the billions is probably more than a bit unfair, especially as he seemed to be pleading for a reverse leveraging, to attract foundation dollars to do what missing federal appropriations cannot. If all things remain equal, and the nation not only sidesteps default but also a downgrading of the nation's creditworthiness, the challenges to rural philanthropy will continue.

Despite the lack of progress on the Baucus challenge, and the uncertain economic climate, several major themes or "aha moments," emerged at the Council's rural -conference that are important to consider:

Rural America is actually several rural Americas, ranging from amenity-rich growth areas to persistently poor rural areas of the South or population-depleted areas of the Great Plains. It isn't clear that philanthropy writ large has a powerful idea of what to do about these conditions, particularly issues of race, class, culture, and power that were highlighted as core themes of the rural philanthropy conference.

There is a big movement among rural community foundations to capture a portion of the intergenerational transfer of wealth for community-controlled philanthropic endowments and giving. The notion is what advocates call "rural development philanthropy," the creation of new philanthropic resources and funds whose operations are directed by community leaders.

Studies suggest that there is an intergenerational transfer of wealth looming, perhaps some \$73 trillion by the year 2060, that has not been wiped out by the prolonged recession. In fact, the major losses of household wealth in the U.S., largely concentrated in residential housing, tend to be less prevalent in rural areas where wealth is held in businesses and land, asset categories that have not plunged during the recession like housing.

To effectively access and tap the transfer of wealth for rural development philanthropy, rural areas need to develop a rural organizational infrastructure. While some rural community foundations, such as the Nebraska Community Foundation, have gotten out ahead of the curve with the creation of well over 100 "affiliate funds" in rural counties, in others the community foundation apparatus is weak or in some cases just about nonexistent. As a result, the Council on Foundations is promoting a [Rural Philanthropy Growth Act](#) through which the Department of Agriculture would incentivize and support rural philanthropic capacity-building.

Multiple visions of rural America

The nation's top interpreter of Census information about rural demographics has long been the remarkable Mil Duncan of the Carsey Institute of the University of New Hampshire. She doesn't simply report and track census data, but she explains what they mean. Too many people simply lump all rural areas together as an undistinguished rural mass without seeing the differences within.

These differences suggest four different rural areas: amenity rich areas (where the baby boomers want to retire), transitioning areas with amenities (places that had mills or mining, but have the potential to capitalize on amenities), declining resource-dependent

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areas (where there is a lot of population decline and not much job growth), and chronically poor communities (with high poverty and educational underinvestment). The declining resource-dependent areas are typically the Great Plains and center of the country. The chronically poor areas are in the south and the southwest (the Delta, Appalachia, the Alabama “black belt”, etc.).

But despite the outmigration of people in the Great Plains and the outmigration of young people in all rural areas, the Carsey survey found that 80 percent of survey respondents (19,000 residents from all four rural area types) have no intention of leaving rural America. They want to stay. Even in declining rural areas, people are committed to making a life there.

Duncan identifies three major challenges for rural areas: economic challenges (loss of blue collar jobs), demographic changes (aging population, the outmigration of young people, increasing immigration), and environmental pressures. She compares poor rural areas to poor inner city areas and calls on funders to support education and invest in youth. Additionally, Duncan calls for foundations to help manage growth in amenity-rich areas so that they don't become like many two-tiered resort communities, with a population of very rich people served by a population of poor people.

For all the work that foundations and government have done to promote entrepreneurial activity, there isn't much progress in rural areas. Bob Graves, the head of the U.S. Census Bureau since 2009, shared state maps of entrepreneurial activity (areas with high proportions of employment in young firms) to demonstrate how much of the declining formerly resource-dependent rural areas and the chronically poor areas lack entrepreneurial growth. These declines were occurring before the Great Recession, but declines in entrepreneurial activity and overall economic activity in rural America have sped up since the economy tanked. Foundations may struggle with how to use the 2010 Census findings, reported to the Council's gathering by Bob Graves. He suggests the definition of rural is critical, but choosing a definition that leaves out all areas with “urbanized” communities of 2,500 or more or 10,000 or more or 15,000 or more leaves much of rural America without a demographic home. It tends to omit rural communities within metropolitan areas (think of some of the rural areas of southern Dade County and parts of Palm Beach County) and it omits areas surrounding small cities of 15,000 to 30,000 that can't fit public policy definitions of “rural” and find themselves competing for funding against the likes of New York, Chicago, and Los Angeles (think of what happened to rural groups in communities, such as community action agencies in Iowa, that didn't qualify for the rural preference in the Promise Neighborhoods program).

Where is the Intergenerational Transfer of Wealth Hiding?

In the realm of rural philanthropy, the Nebraska Community Foundation's Jeff Yost is the avatar of how community foundations can identify, find, and tap rural philanthropic assets. Yost asked his meeting colleagues, what are rural philanthropic assets in a part of this nation that some would say has a difficult time attracting and capturing investment capital from government, business, and frequently mainstream philanthropy? And, is the purpose simply the generation of more charity and philanthropy, or does the generation of rural philanthropic assets contain both different dimensions of what philanthropic grantmaking in substance and process might mean? How does a philanthropist like Yost conceptualize a kind of philanthropy that takes rural areas in a different direction of process and products compared to traditional philanthropy.

Conference panelist, Janet Topolsky of the Aspen Institute Community Strategies Group

articulates a vision of philanthropy that seems to capture what the Nebraska Community Foundation has been doing for some years now to identify and mobilize rural philanthropic assets—a practice of rural development philanthropy, not just rural philanthropy per se. Her concept—or the concept of the rural philanthropy agenda that her organization and others have worked on together for several years—is that rural development philanthropy seeks rural community transformation, builds a community's ability to shape a community's future, and promotes the well-being of all community members. It isn't hard to hear as the subtext of Topolsky's conceptual framework of rural development philanthropy as tied to a more small "d" democratic dynamic.

She asks, is it just about the money to build a new playground or about stimulating community people to lead and direct the effort. Rural development philanthropy as opposed to simply rural philanthropy seeks to bring community people to the table, to create and strengthen community organizations, and to "honor and channel" diverse community voices. Topolsky's concept is fundamentally one of community-controlled philanthropy, with community leaders empowered to think about and make, what she describes as "transformational" philanthropic investments. Two of the examples that Topolsky used to highlight the distinctiveness of rural development philanthropy contrasted transformational grants with the less transformational notions of donor-directed grants to individual organizations or grants to people in need so that they can access and purchase needed services (such as health and dental services or job training).

Topolsky asks, if rural areas just had more money, would things just get better? She argues that total assets are less important than the participatory measures of the numbers of donors, new donors, repeat donors, diversity of donors, geographic spread of donors, proportion of population as donors. In some ways, these measures of rural development philanthropy are a philanthropic reflection of basic community organizing principles. She infers that the generation of local participation will lead to, or at least can be measured against, results that "focus on issues 'critical' to locals" and lead to "local low-wealth families, firms, and communities doing better."

Can rural communities really operate on this kind of cooperative model, across social class lines to achieve benefits and results where the first element on Topolsky's dashboard is the benefit of rural development philanthropy improving the well-being of low-wealth families, presumably a euphemism for the now increasingly unpopular term of families in poverty? Do philanthropic donors become more egalitarian because of their participation in philanthropy when their personal and business activities might not be so focused on social equity?

Transfer of Wealth Scenarios

Alternative Transfer of Wealth scenarios, predicated on different estimates of GDP growth, immigration, and so forth, forecast a major intergenerational transfer of wealth occurring in the U.S. The COF rural philanthropy plenary session on "keeping the transfer of wealth at home in rural America" focused on capturing some portion of rural wealth not just for rural philanthropy, but, as described by Jeff Yost and Janet Topolsky the previous day, for rural development philanthropy, a kind of democratized, community-controlled, community-directed deployment of philanthropic resources.

Don Macke of the Center for Rural Entrepreneurship (at the Rural Policy Research Institute) outlined the latest thinking about the transfer of wealth (TOW), addressing the concern that many people have that the recession has wiped out a big chunk of

household wealth. It has, but Macke pointed out that it has largely been in residential real estate. He suggested that residential real estate is a big part of the assets of lower net worth households, but for the transfer of wealth, the important assets are in equity and business, which typically characterize the donate-able wealth of high net worth individuals. In rural areas, Macke says, a higher proportion of people are involved in business.

The numbers are too big to grasp. Just for the sake of comparison, remember that President Obama is trying to cut the national deficit by \$4 trillion. The original transfer of wealth estimates generated by the researchers at Boston College had put the TOW through 2052 at a high of \$136 trillion, a medium level of \$73 trillion, and a low estimate of \$41 trillion. RUPRI has recalculated the transfer of wealth, incorporating the effects of the recession, at a high of \$91 trillion and a more likely low of \$75 trillion between 2010 and 2060 (in 2010 inflation-adjusted dollars). Macke characterized RUPRI's TOW estimates as conservative, built on a low single-digit (was it 3 or 3.5 percent?) estimate of annual GDP growth.

The subsequent presentations and conversations of the panelists—Bob Sutton of the South Dakota Community Foundation, Jeff Pickering of the Kern Community Foundation in California, Donnell Mersereau, the vice president for community foundations at the Council of Michigan Foundations, and Jeff Yost of the Nebraska Community Foundation—highlighted, maybe unintentionally, a kind of duality to rural community foundations' relationship with the transfer of wealth.

Macke suggested that foundations' focus on transfer of wealth issues was—or should be—primarily to “increase community engagement” and “give back to build better communities in rural America.” But some of the presentations felt more like traditional fundraising panels on how to work with high net wealth individuals. There was little mention, in this part of the conference, about the concepts introduced by Yost and Topolsky. For example, Pickering talked about his foundation's efforts to help people organize their giving for the charitable interests that they are committed to, a concept that sounded different from the giving to community funds whose philanthropic outflow would be community directed and would prioritize, as Yost and Topolsky urged, positive outcomes for households of the least wealth.

There were elements in the presentations that recognized some of the differences in rural wealth and rural philanthropy, for example, Kern's elimination of a minimum threshold for establishing a fund at the foundation, but there still it sounded like a strategy of attracting more donor-advised funds than building community-controlled endowments. Perhaps the strategy is that by getting people to establish new funds in the foundations builds a culture of philanthropy that would lead to their legacy or estate pledges that would go to the unrestricted community endowments that Yost and Topolsky describe and promote. In contrast, Yost described the Nebraska Community Foundation strategy of offering challenge grants to small communities which would be matched by local contributions for clearly unrestricted funding pools.

Maybe it is hard to avoid talking about tapping a portion of the transfer of wealth from high net worth donors, particularly whose wealth is from business, without talking about creating donor funds rather than unrestricted community endowments, but there was little feel to the conversation that reflected the kind of rural development philanthropy concept that has so powerfully captured the attention of the philanthropic sector.

Another discomfiting perspective, perhaps unintentional, emerged in part of Yost's

concluding presentation. On the positive side, Yost's continuing vigor and enthusiasm for foundations' tapping the transfer of wealth is encouraging. Resisting the drumbeat that the era of ever-increasing American prosperity may be behind us, Yost sees the U.S. becoming a wealthier nation, with a peak transfer of wealth occurring not at the outside years of 2050 or 2060, but by 2020 or 2025. The wealth may not be liquid, it may not be conspicuous or visible, but it can be tapped, as Yost says, to give rural communities "a greater chance of controlling their destinies."

Yost also said that it was inevitable that the "federal government will be giving less money to rural places in the future than it is today," a statement that it appeared was generally accepted. That was, to this writer, part of the troubling subtext. In the context of lower governmental capital infusions into rural America, Yost asked how philanthropy can build capacity to make their advancement and sustainability a "self-fulfilling prophecy."

We'll guess that Yost didn't quite mean that rural America is going to pull itself into and through the future by its own bootstraps without external capital infusions, that rural America can accept an ever-deepening government disinvestment in rural communities and simply go it alone. In this conference, there was precious little mention of the existing wealth of private foundations, national foundations, as having a role to play in promoting rural giving. The Nebraska Community Foundation's own TOW efforts were built not by NCF dollars alone, but boosted by a big grant from the Ford Foundation. Big national funders like Ford and others have retreated from rural in varying degrees. Building rural community endowments is all well and good, but the notion that rural America can progress without increasing support from federal government funding and from non-rural national foundations is not justifiable. Some portion of rural philanthropy in fact has to address policy advocacy, including reversing the nation's paltry funding commitment to rural America.

Public Policy Considerations

Secretary Vilsack told NPQ that the losses in foundation grantmaking for rural in the past few years may be attributable to rural America's absence from the radar screens of foundations and much of the American public. Unless some funders are really thinking that they can solve poverty in 10 years, the reality is that both new philanthropic capital and outside foundation funding are essential to rural communities, not sufficient on their own, but to be characterized by extensive participatory governance to ensure that these rural funds do not ending up as the same old, same old. Rather, the advocates of rural development philanthropy look to outside funding and outside partnership as not simply numbers, but a different kind of resource that reduces the cycle of dependency that characterizes the relationship of so many rural communities to federal agencies.

Understanding outside funding: Did Ford or Kellogg money "create" the Nebraska Community Foundation transfer of wealth strategy? No. The ideas, the conceptual framework, the infrastructure for NCF's approach was generated in Nebraska, by Nebraskans. Ford money for example allowed NCF to, as we were told, "scale-up" the program, but the idea was Nebraska's, not Ford's. At the same time, the strategy of tapping outside revenues isn't eschewed by rural philanthropic leaders, but one that looks to capital from national foundations to be sought on rural terms, not dictated from New York or other major cities. The challenge is to not let national funders off the hook. Nearly everyone noted that national foundations have been unfortunately retreating from rural funding commitments. If strategies such as NCF's work, they should be building the capacity of rural areas to seek or leverage outside capital as needed and directed by rural communities themselves. Nonetheless,

the lower or nonexistent profiles of some national funders that were once mainstays promoting the growth of rural philanthropy overall is palpable.

Understanding foundation partnerships with government: The enthusiasm for partnerships with USDA, HUD, EPA, DOT, and Interior among foundation participants at the COF rural philanthropy conference is palpable. But foundations may have to walk into partnerships cautiously. As some observers noted, in conversations outside of the workshops, Foundations have policy advocacy agendas or fund nonprofits with policy advocacy agendas that might require criticizing USDA, HUD, or other agencies at the same time they might be trying to fashion partnerships. Does the ability of foundations (or their grantees) to criticize government agencies get compromised when they are also simultaneously looking for government partnerships? It is a question that needs debate.

Rural development cutbacks: As the White House and Congress dicker over the debt reduction and budget cutbacks, there is discussion—though generally not at the conference—that both parties have large cuts in mind for the USDA budget to the tune of several billions. As the foundations gathered to discuss the future of rural philanthropy—or the future of building rural philanthropy—the news of the day (beyond the federal budget stalemate) was the announcement by the [U.S. Postal Service](#) regarding the potential closing of 3,700 retail postal stations. The Postal Service's characterization of the typical post office that will close was the "village post office." It's not hard to see rural communities losing their postal facilities. The potential actions are both symbolic and substantive messages to rural America and to rural foundations.

Undoubtedly, the map of proposed postal closings should give a shudder to most rural advocates. Secretary Vilsack talked enthusiastically about the interagency Rural Council that he chairs and its mission to fix how competing federal agencies clash swords around whether or how to collaborate. Though there have been three meetings of the Rural Council to date, Vilsack said that the council was too new to have looked at anti-rural dynamics like the Social Innovation Fund's grantmaking pattern that skipped much of the central, rural part of the country—and totally bypassed Vilsack's home state of Iowa.

Perhaps the Council on Foundations, through its national and local foundation advocacy and mobilization, might be able get Congress to consider the not-yet formally introduced and scored Rural Philanthropy Growth Act or replications by other states of the foundation fundraising incentive programs in Iowa, Montana, Michigan, and elsewhere. But it is hard to imagine that state legislatures and Congress will give rural philanthropic public policy issues much of a hearing if they perceive that the sector's institutional leaders, the top ten or twenty or fifty foundations, have not achieved the track record in rural philanthropy that Vilsack and his colleagues have been hoping for.

Rural America has needs and assets, but it faces the ultimate problem, as Vilsack sees it, of simply being invisible to the entities that control public and private capital investment. If those institutions cannot see their way to increasing grant and loan resources in rural communities, it is hard to imagine Congress bolstering its commitments and standing up for rural America. --Rick Cohen

Comments



Nancy Straw 2011-07-28 16:09

Rick provides an excellent summary of the Rural Philanthropy conference held in Kansas City this week. His comments about the Social Innovation Fund (SIF) strike very close to home. A group of rural advocates, including me, spent considerable time and effort communicating with those designing the SIF application process and guidelines, pointing out a number of ways they could make the application process and funds accessible to rural areas. The matching requirements they proposed, for example, put SIF out of reach for nearly all rural areas. Our group ultimately drafted and submitted a white paper, at the invitation of those designers, outlining ways the SIF could be structured to be more accessible. I do not believe any of those suggestions were implemented. While I understand the importance of economies of scale, the truth remains that a child who is homeless or living in poverty in rural America is facing as many difficulties as any child who is homeless or living in poverty in an urban setting. Funding streams like SIF should not be structured to flow more readily to areas that already have significant funds available, which is exactly what happens when matching requirements are 3:1.

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