

The Power of Persuasion: Getting More Foundations to Fund Rural



When the Council on Foundations convened a summit on rural philanthropy in Montana in August 2007, about 170 foundation leaders from across the country attended. For an organization whose annual conference draws upwards of 2,000 attendees, the turnout was disappointingly low. The conference's potential value to draw new funders into the fold was lost—the event largely catered to current rural grantmakers.

From what I can tell, the lack of attendance from funders who aren't already committed to funding in rural areas wasn't an accident. The Council knows how to get a good turnout when it wants to, and it could have found a way to interest more than the usual suspects if the goal of the conference was to increase funding for nonprofits providing assistance to rural areas. So what happened? Essentially, it boils down to this: There is an aversion at the Council on Foundations, and throughout the sector, to any serious debate about what causes are worthy of funding and where foundations' priorities should lie. It's as if there is some unwritten rule that says you can't suggest to another foundation what they should do with their money, let alone make a compelling case for a shift in the focus of their grant-making. As a trade association, the Council is especially reluctant to tell its members what to do. Discussion of a redistribution of current dollars has been off the table even as the Council tackles the issue of how to grow new philanthropic resources for rural America.

If we're serious about philanthropy being relevant to the most pressing issues facing our nation, it's time to abandon that unwritten rule and engage in some serious discussions about where philanthropic dollars can do the most good. We won't see a sizable increase in philanthropy for rural areas without putting redistribution of current dollars on the table. The same holds true about the lack of funding for other marginalized groups. Creating African-American giving circles, promoting Native American philanthropy and increasing giving among Latinos are all important and necessary. Growing rural endowments is important, too. But none of these measures is sufficient to meet the needs of these communities.

It's time to get serious about asking and answering: *Who benefits from philanthropy?* This is a legitimate question raised with increasing frequency by the media and policy-makers. If foundation boards, however, don't wrestle with this question on their own and determine whether or not a sufficient percentage of their grant dollars are benefiting marginalized groups, then the Council on Foundations, affinity groups, the media and watchdog groups like my own, the National Committee for Responsive Philanthropy, should pressure foundation leaders to conduct that examination. Every foundation should be willing to ask whether their current grantmaking is doing enough to meet the needs of society while staying true to its mission. Many foundations ask these questions on a regular basis and are leaders in providing funding for rural communities or for other disadvantaged groups. But far too many foundations never ask the question in a serious way, and their peers let them get away with that lazy, comfortable approach to philanthropy.

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If we want to see real growth in rural philanthropy, we're going to have to convince some established foundations to recognize the potential positive impact that giving in rural America can have and to change their priorities. It's an argument that can be won on its own merits—no one needs to mandate from above more giving for rural communities—but leaders in the philanthropic sector need to have the courage to make the case to their peers as to why foundations should be investing more in rural and other marginalized communities.

No one can seriously argue that there isn't a problem with the lack of philanthropic dollars for rural America. A quick look at the numbers gives a snapshot of the disparity: In 2005, North Dakota nonprofits received the fewest grant dollars of any state—\$8.8 million. In contrast, their New York counterparts received 254 times that and the most of any state—\$2.24 billion.¹ When the dollar amounts are distributed across the number of grants given in each state, North Dakota averaged \$40,000 per grant, compared with \$135,000 in New York and \$121,750 nationally. To break it down even further, the money amounts to \$116 of grant funding per capita in New York and \$13.80 per capita in North Dakota. Part of this stark difference can certainly be attributed to the difference in foundation presence in each state. In New York, 9,016 foundations held a total of \$91.4 billion in assets in 2005; North Dakota's 80 foundations held just

¹FC Stats: The Foundation Center's Statistical Information Service, "Geographic Distribution of Grants Awarded and Grants Received by State, circa 2005," http://foundationcenter.org/findfunders/statistics/pdf/03_fund_geo/2005/08_05.pdf The population of New York is about 30 times that of North Dakota.

over \$193 million that same year.² However, just showing the need won't convince anyone to fund in rural communities who isn't already doing so.

Five Obstacles to Rural Grantmaking

Earlier this year, the National Committee for Responsive Philanthropy released a publication that helps explain the underlying real-world challenges behind these numbers. In the report *Rural Philanthropy: Building Dialogue from Within*, NCRP identifies five major obstacles to rural grantmaking and four strategies being employed to address those challenges.

The first obstacles deal with perceptions of rural life in America. In conversation after conversation, rural nonprofit leaders identified overly positive or overly negative perceptions as hindering access to foundation dollars. They lamented the “backwater” image that many Americans—including foundation staff—associate with rural America. This perception ranges from the romanticized and idyllic to the unsophisticated and uncultured. The former includes assumptions that rural communities are self-sufficient with little need for philanthropic dollars, while the latter conjures a less-than-attractive picture that turns off potential donors.

Our research also found that foundations perceive a lack of organizational capacity in rural nonprofits that translates into a bias when it comes to grantmaking. In evaluating potential grantees, foundations choose not to fund rural organizations due to a perception that they are lacking in a range of essential capacities, from leadership structure to staff specialization to financial controls. In many cases, the perceived lack of capacity is simply false—many rural nonprofits have greater competence than it appears. In other cases, the perceived lack of capacity is accurate, yet few foundations have been willing to invest in ways that will help rural nonprofits build their capabilities.

The third major obstacle faced by rural nonprofits is that they are disadvantaged when competing with organizations based in urban areas for foundation resources. Traditional foundation funding and program assessment relies heavily on a model that weighs impact by measuring the number of clients served. For foundations funding initiatives in rural areas, the quantitative return on investment makes such a venture appear undesirable. Many funders who have decided to fund in rural areas use different approaches for considering impact.

In a sector where fundraising and development relies heavily on cultivating relationships with funders, rural nonprofits are often isolated by distance from

²FC Stats: The Foundation Center's Statistical Information Service, “Fiscal Data of Grantmaking Foundations by State, circa 2005,” http://foundationcenter.org/findfunders/statistics/pdf/01_found_fin_data/2005/01_05.pdf

major grantmaking institutions and lack the resources to attend conferences or other opportunities to meet with foundation staff. Unlike urban nonprofits, there are few opportunities to network locally.

Finally, rural nonprofits often do not have access to nonprofit professional associations, forums and events that their urban counterparts enjoy as an essential part of operation. This weak local infrastructure is a serious obstacle to grantmaking.

Four Strategies to Strengthen Rural Philanthropy

Understanding the challenges is important so that we can overcome them. NCRP's research identified four strategies to strengthen rural philanthropy and assessed the effectiveness of those strategies.

One strategy being used to strengthen rural grantmaking is the provision of multi-year general operating support. Rural nonprofits absolutely need this kind of long-term funding, which can be parlayed into a capacity-building tool. Multi-year flexible support with technical assistance allows rural organizations to increase staff, plan for the long term, and build institutional capacity. Foundations benefit from building and sustaining strong rural nonprofits that run successful programs and help transform communities.

Another popular strategy is to fund intermediaries. In the case of rural nonprofits, helpful types of intermediaries include regranters, capacity-building organizations or a combination of both. Our research found that this strategy comes with a few caveats: to be most effective, foundations need to choose the right intermediaries and should not forgo building a direct relationship with rural nonprofits. Intermediaries shouldn't substitute for direct exposure to foundations, especially considering this type of support tends to be episodic rather than long-term.

The establishment of collaboratives that draw new foundations in to rural grantmaking and build on the strengths of current funders is another strategy being employed. Funder collaboratives rely on pooled resources to achieve a greater impact on an issue area than any one single member could otherwise effect. In terms of rural philanthropy, funder collaboratives, whether regional or national in scale, represent an opportunity for rural areas to benefit from significant untapped philanthropic wealth. In 2002, two national funders—the W.K. Kellogg Foundation and the Ford Foundation—accounted for nearly half the total giving categorized as “rural development grants.”³ Clearly,

³FC Stats: The Foundation Center's Statistical Information Service, “Fiscal Data of Grantmaking Foundations by State, circa 2005,” http://foundationcenter.org/findfunders/statistics/pdf/01_found_fin_data/2005/01_05.pdf

funder collaboratives diversify available funding, allow new foundations to explore rural philanthropic ventures and increase opportunities for rural nonprofits to access foundation dollars.

Finally, locally controlled funding streams are essential to the long-term viability of rural nonprofits. Local endowments engage communities, build a sense of ownership over the fundraising process and create money that is available to local-interest projects that would otherwise have difficulty winning dollars from national grant opportunities. Additionally, endowments are permanent, interest-generating funds with the potential to enhance rural nonprofit infrastructure and sustain programs in the long term. Our research found that while these developments are exciting for the future of funding for rural nonprofits, there is still a vast monetary divide that cannot wait for local endowment campaigns. Local endowments for rural communities are no substitute for immediate support from national and regional foundations.

But the most promising approach to increasing funding for rural America comes from Colorado, where the Anshutz Family Foundation has been leading Rural Philanthropy Days for the past 15 years. Their efforts have helped quintuple giving to rural parts of the state during that time period. In a disciplined and systematic approach, they engage politicians, foundations and nonprofit organizations in regular site visits throughout the state. The visits show how effective rural grantmaking can be and help build new relationships that often lead to funding. The Anshutz Family Foundation and their partners seek out new investors strategically. They are not afraid to suggest to a foundation that there is both a need and an opportunity in rural grantmaking.

So if we truly want to see real growth in grants to rural areas, we need to throw out the unwritten rule that says we can't suggest to other foundations what they should fund. We need courageous leaders who will ask their peers to examine their grantmaking priorities and find ways to include rural nonprofits in their giving portfolio.

Aaron Dorfman is Executive Director of the National Committee for Responsive Philanthropy, a national watchdog organization whose mission is to promote philanthropy that serves the public good, is responsive to people and communities with the least wealth and opportunity, and is held accountable to the highest standards of integrity and openness. A former community organizer, Dorfman studied political science and grassroots social movements at Carleton College under the direction of the late Senator Paul Wellstone and did his graduate work in philanthropic studies at Indiana University's Center on Philanthropy.