

Reversing the Current of Underinvestment in Rural Communities

Keynote address by Aaron Dorfman, Executive Director of the National Committee for Responsive Philanthropy, to the 2016 Central Minnesota Nonprofit Summit, Minnesota Council of Nonprofits

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Good morning. Thank you for that kind introduction. It's always great to be in my home state of Minnesota.

Let me begin by saying that I really shouldn't be up here this morning. Rick Cohen should be giving this keynote. Many of you knew Rick, who led NCRP from 1999 to 2006 and who most recently was national correspondent for *Nonprofit Quarterly*. His writing about rural philanthropy was prolific, smart and passionate, and he pulled no punches. Rick died suddenly late last year, and his voice on this important topic will be sorely missed. I'll do my best to give remarks today that would make him proud.

In the short time we have together this morning, I promise you two things. My first promise is that you're going to get mad, maybe even really mad, about how, in spite of the noble efforts of many, there is still a chronic under-investment in rural communities by the vast majority of our nation's grantmaking foundations. My second promise is that I'll suggest a handful of ideas about how we can all help turn around this terrible situation.

It's no secret that outside America's cities people are faring worse than their urban counterparts. Rural Americans are more likely to be poor on nearly every measure. Rural children are poorer, rural senior citizens are poorer, rural single mothers are poorer, and rural people of color are poorer. One in five children in rural America are living in poverty. One in three Black Americans in rural areas is living in poverty. Nearly *half* of households headed by a single mother in rural America are living in poverty. And perhaps the most distressing statistic: fully 85 percent of the counties designated by the USDA as "persistently poor" over the last 30 years are rural counties. We know this is just the tip of the iceberg. The rural poor are likelier to have less access to healthcare, to quality education, to fulfilling work, to healthy food and to all the other opportunities that contribute to economic mobility and general well-being. Nowhere are those conditions worse than in places with concentrated, decades-long entrenched poverty. The Great Recession reversed the trend of improving rates of poverty in rural areas. To put it bluntly: Our rural communities are being left behind in an economy and a political environment that has not prioritized their needs.

And what are the nation's grantmaking foundations doing about it? Sadly, not much.

In fact, we face chronic under-investment in rural communities by philanthropy. The philanthropic community could help begin to address the challenges in rural American but hasn't. It is an issue that is important to many of you who work in rural Minnesota, and one that NCRP has been calling attention to for years. Unfortunately, since we released our report

[Rural Philanthropy: Building Dialogue from Within](#) in 2007, very little has changed. The philanthropic sector continues to neglect rural communities. A changing national economy, entrenched racial inequity and foundations' reliance on a strict interpretation of strategic philanthropy has meant philanthropic resources for rural communities are few and far between, just when the opportunities for change are most urgent. This has to change if we want to see progress on the issues we all care about.

So how much funding do rural organizations get from foundations? Not very much. A [previous study by NCRP](#) found that only about one-half of one percent of all foundations in the U.S. make any grants that even have the word "rural" in the grant description. That means that 99.5 percent of all foundations make zero grants where the word "rural" is in the grant description. A rigorous study by the U.S. Department of Agriculture released in 2015 estimates, generously, in my opinion, that about 6 percent of all grant dollars given by U.S. foundations primarily benefit rural populations. Six percent might sound not too bad until you consider that 19 percent of the U.S. population resides in rural areas. My sense, and I think other observers agree, is that the amount of funding for rural communities has probably been declining in recent years, in spite of some much publicized conferences on the subject sponsored by the Council on Foundations.

There are, it's only fair to note, some foundations right here in Minnesota who are bucking this trend of underinvestment and leading the way for their peers when it comes to rural funding. The McKnight Foundation, the Otto Bremer Foundation, the Charles K. Blandin Foundation and the Northwest Areas Foundation are real leaders in this regard and should be commended. Together, over the last 10 years, these funders gave almost 10 percent of their grant dollars in the rural northern third of Minnesota. In many communities, one or more of these funders provide the only foundation funding that reaches that community. Now some of you may know I have been [critical of the excessive compensation at Otto Bremer](#), and I still think what they're doing on that front is outrageous. But their commitment to funding in rural communities is exemplary and should be applauded.

Why do institutional grantmakers refuse to invest in rural areas? I suspect it's for a few reasons. Philanthropy has a structural bias toward cities and away from rural America, for one. The philanthropic sector is largely built on industrial wealth, concentrated around urban populations and infrastructure. It recruits talent from highly educated urban centers and has its roots in urban charity. Marquee foundations – and the philanthropists behind them – are indelibly linked to cities, be they big or small. Names like Ford, Rockefeller and Gates conjure up for many of us images of twinkling office towers in bustling cities. Even community foundations, spawned out of a desire to make philanthropists out of the common citizen, are creatures of cities. Beyond this, a handful of more concrete challenges prevent philanthropists from seeing the potential in rural communities. I'll cover a few of those challenges now.

One of the simplest but toughest challenges has to do with geography and relationships. Most rural nonprofits, however, have little to no access to large national foundations, simply due to a lack of proximity. Foundations and rural nonprofits are separated by a physical and logistical gulf. It is incumbent on foundation staff to meet nonprofit partners where they are, not assume those nonprofits will bridge the divide themselves. But it doesn't happen very often.

Another big barrier has to do with a perceived lack of capacity. Our research finds many funders have unsubstantiated concerns about the ability of rural organizations to implement strategies and achieve goals. When funders talk of making grants in rural communities, we hear the same refrain again and again: Rural nonprofits, and by extension rural Americans themselves, lack the capacity to receive and act on foundation support. I don't want to dismiss these concerns out of hand. Sometimes funders are right to be concerned about the lack of organizational capacity in under-invested rural networks. But foundation staff must begin to see this lack of capacity as an opportunity for investment, not a reason to remain unengaged. They must see it as a mandate to step into the gap left by philanthropic neglect, not a reason to perpetuate the gap itself.

There are challenges around infrastructure. Many foundations cite the lack of rural infrastructure as a major barrier to investment. And they are right that rural communities are less likely to have access to the kinds of nonprofit networks and public-private partnerships that can leverage foundation investments for amplified impact. Scaling up a successful program or community-based solution is a worthy goal, but we cannot let the desire to scale up quickly and efficiently keep us from investing in rural communities in the first place. With the right partners and new models for leveraging their investments, foundations can achieve immense impact.

There are also issues with strategy. The rise of strategic philanthropy in the last 30 years has meant an increased reliance on technocratic, top-down, philanthropic models that put data, feedback loops and academic expertise above lived experience and local autonomy. Bound by metrics, stifled by bureaucracy and kept at an intentional distance from its beneficiaries, this approach to philanthropy is far from the word's true meaning. Rural nonprofits feel this keenly when they are asked to provide irrelevant and cumbersome data and when choices about strategy are made in a conference room far away by people who may never have set foot in their communities. Truly strategic philanthropy builds power at the grassroots to determine and execute the solutions to local issues. If long-term change is the goal for strategic philanthropists working in rural communities, foundation staff must rely on the communities themselves to set the strategic agenda.

And finally there are issues with bias. Whether implicit or explicit, many people who live outside rural communities make assumptions about the people who live there and the issues that matter there. These misperceptions about rural America often grow into a negative bias. Rural Americans are backwards, many foundation program officers and executives believe. They assume rural folks are stubbornly conservative, are unfriendly to outsiders and are intent on helping themselves and each other rather than accepting outside assistance. I think it's outrageous that foundation staff and trustees make these kinds of assumptions rather than

making it a priority to listen and learn about the history of rural communities and the vision for the future that people in those communities have.

Are you angry yet? Raise your hand if you agree with me that it's outrageous how little foundations are investing in rural communities and if you think the obstacles keeping them from investing are pretty much just lame excuses.

Well let's pivot now and talk a bit about what is needed and how we can all help make it happen.

The first step is to be clear about what is needed. Yes, we need more money from foundations for rural communities. But more money isn't enough. There are ways foundations can engage with rural nonprofits and the communities they serve to bring about lasting equitable change. It starts with funding strategies that follow a few basic principles of social justice philanthropy.

[Flexible long-term](#) funding is essential for any philanthropic endeavor to see real results. Without sustained core support, free from the constraints of programmatic funding and year-to-year fundraising appeals, rural nonprofits' capacity will remain diminished. Imagine a nonprofit sector in a rural community that is sustained by a long-term commitment to building leadership and technical capacity. Imagine the impact of a five- or 10-year commitment from a foundation to partner together to work toward shared goals. With more general operating support given with multi-year support, rural nonprofits can begin to close the capacity gap and achieve lasting impact.

Collaboration is essential, too. A funder located in Chicago or Minneapolis may not know the particular social, political or economic context of rural Northern Minnesota. Foundations can have greater and more sustainable impact when they form equitable partnerships with local intermediaries and re-granting organizations. This requires humility, and it requires hard work. Building a relationship with rural funding intermediaries will take time and trust, but the end results will be better for the funder and for the grantee.

Funders should also consider peer collaborators when they embark on a rural strategy. They can identify shared goals and seek out the funding partners whose strategies can complement theirs. Imagine, for example, a foundation whose goal is building infrastructure in a rural area, and another whose goal is building technical capacity. If those foundations work together – the first funding an intermediary with general support, and the second funding a breadth of organizations through that intermediary with support for building technical capacity, both can accomplish their goals, and the rural nonprofit ecosystem is more robust and resilient as a result.

Most importantly, we need foundation [funding for advocacy, community organizing and civic engagement](#) in rural communities. With funding of those strategies, foundations can help rural communities to empower themselves and fight for their fair share of government resources. It could be a game-changer for so many problems facing rural areas.

I said earlier than NCRP has been banging the drum on rural philanthropy for years, and we're not the only ones. Leaders in the philanthropic sector and in government have been working for sustainable funding for rural communities for a long time. In 2007, then-Montana Sen. Max Baucus, chair of the committee with legislative oversight of the foundation sector, called for a doubling of philanthropic investment in rural communities. This was followed by silence and a disappointing lack of follow-up from Baucus himself. Rural philanthropic investment declined. In 2011, the Council on Foundations — arguably then the most powerful organization in the sector — signed a memorandum of understanding with the USDA to inject capital and other resources into rural communities. A handful of summits and research products followed, but once again rural philanthropic investments declined.

It's time we acknowledge that institutional philanthropy is unlikely to embrace rural funding through a top-down approach. In hindsight, Senator Baucus's demand looks like cynical political posturing. And the Council is, to a large extent, governed by its foundation members, not the other way around.

I want to offer four suggestions for what can be done to improve the situation.

My first suggestion is something that Minnesota funders and nonprofits could begin to implement on their own. In Colorado, they've been doing something called Rural Philanthropy Days. Year in and year out, they gather funders and take them around the rural parts of the state and introduce them to the nonprofits doing really innovative work. The funders and potential grantees are able to develop relationships that otherwise elude them, and the funders get excited about potential projects. The systematic repeating of this effort year after year has produced results and has dramatically increased investments by Colorado funder in rural nonprofits. I don't want to get in trouble with Jon Pratt and the staff at the Minnesota Council of Nonprofits, but perhaps MCN and the Minnesota Council on Foundations could partner to organize this kind of effort.

My second suggestion has to do with building assets right in your own communities. This has been done quite successfully in Nebraska. They realized that their state was unlikely to become attractive to national funders, and so they started building satellites of the Nebraska Community Foundation all across the state. They're getting local people with only modest wealth to invest in their communities. Folks are setting up bequests that will provide philanthropic capital for their communities for decades to come. It's an extremely long-term play and won't produce much now for the urgent needs in rural Minnesota communities, but it could be promising for the long run. To be successful, it requires a visionary leader who will stick with the plan for decades — just like Nebraska has with Jeff Yost.

My third suggestion is to do a better job connecting the work you're doing to the issues and causes that large national funders care about. Learn and understand what the Ford Foundation is trying to do to combat inequality in this country. Then make a pitch about how your work will help the foundation achieve its goals. The Wyss Foundation cares about land conservation, and

they also have been funding campaigns to raise the minimum wage. Are Minnesota nonprofits up for a campaign to raise the state's minimum wage? If so, Wyss might be a potential funder. You get the idea. Figure out what the large national funders care about and see if there is a good connection to your work.

My final suggestion is to build a grassroots campaign in rural communities across the country and demand foundations live up to their public trust and move institutional philanthropy toward a more just, effective strategy in rural America. Such a campaign could start with you all in this room today, but it would also require partnership with nonprofit leaders from other states.

A campaign for rural philanthropic investment would mobilize underrepresented voices to educate foundation leadership about the reality of life in rural America and about the opportunities that exist there. It would build the power of rural nonprofits, connecting them with one another and national funders. It would suggest ways to measure impact that don't rely on raw numbers or the potential to rapidly scale-up. And it would remind foundations that they ought to invest in rural social sector capacity – instead of using its relative weakness to excuse their neglect. A campaign for rural philanthropic investment would highlight the work of rural intermediaries who are ready to bridge the divide between rural nonprofits and national funders. And it would articulate a vision for a rural nonprofit sector that is robust, resilient and accountable to rural residents.

This movement can start with nonprofit leaders like yourselves. Explain to the foundations in your network that funding for rural communities is a must if we are serious about addressing poverty, racial inequity, health disparities and educational reform in our country. Explain that rural communities are hotbeds of opportunity and not backwaters of stubborn problems. Demand that foundations be responsive to the needs of rural Americans, just as they are responsive to the needs of the people down the street from their offices. Take them to your communities and show them where those opportunities exist, and introduce them to the rural leaders who can help capitalize on the opportunities with the right support. Issue report cards showing which Minnesota foundations invest in rural communities and which ignore them.

I understand these conversations are not easy for nonprofits to have. There is a real, potentially disruptive power imbalance between the grantor and the grantee that can interfere with honest dialogue like what I'm suggesting. But honestly, what do you have to lose? Additionally, know that you are not alone in this fight. NCRP stands with you, and our research, our advocacy and our platform can help you demand more rural support. If you decide to move forward on this kind of campaign, I pledge that NCRP will be right there with you.

Investing in rural communities offers foundations a chance to strengthen rural nonprofit infrastructure and leverage strategic investments to realize immense impact. Rural communities are full of organic social networks, political know-how and natural resources. They are bound together by traditions of mutual aid and community living. In short, they are places

full of opportunity if the right philanthropic partner makes the right investments. If foundations form true partnerships with rural nonprofits and elevate rural voices, we can begin chipping away at the entrenched poverty that's taken root in rural communities.

But that's not where the impact will stop. Rural communities and urban ones are increasingly intertwined. The divide between urban and rural has been and is now a permeable one, and what's good for rural communities is good for the urban centers that rely on them for human, natural and agricultural resources. That's why when foundations invest in sustainable long-term change in rural communities, their impact will ripple outward and what they learn through their rural grantmaking will benefit their urban strategies as well. As the editorial board at the Cedar Rapids, Iowa, Gazette put it, "There's a compelling case to be made ... that answers to some of our biggest collective issues – climate change, clean energy and global food security – will be found not in a city center, but farther afield." Our rural communities are full of potential. I know it, and you know it. It's time for the philanthropic sector to realize it, too.

Thank you.