

# The Trouble With Rural

## *Philanthropic Giving to U.S. Rural Areas Disproportionately Low*

By Rick Cohen

Some of the most productive and successful nonprofit community development corporations (CDCs) in the United States serve rural communities. Coastal Enterprises in Maine, Self Help Enterprises in California, the Mountain Association for Community Economic Development in eastern Kentucky and central Appalachia, Quitman County Development Corporation in Mississippi, and Rural Opportunities in Upstate New York come to mind as stellar examples.

How responsive is philanthropy to the needs of rural development in the U.S.? The Southern Rural Development Initiative (SRDI) and the National Committee for Responsive Philanthropy recently conducted research into rural development grantmaking and philanthropy for the annual Stand Up for Rural America program of Rural Local Initiatives Support Coalition.

What do we think we know about philanthropic grantmaking for rural development? For sure, there isn't much. NCRP's review of foundations making U.S. rural development grants came up with 184 foundations accounting for \$100,509,561 in 2001 and 2002 combined.

That isn't much compared with the \$1.28 billion total for community improvement and development grantmaking of foundations for those years, plus \$435 million for housing and shelter. Rural development grantmaking is a small slice of foundations' grantmaking budgets, indeed.

The paucity of rural development grantmaking exemplifies what Mike Schechtman of Montana's Big Sky Institute calls "the philanthropic divide," with North Dakota, Montana, South Dakota, West Virginia, Mississippi and others mostly in the Rocky Mountain areas or the Appalachians ranking at the bottom in total foundation assets, foundation grantmaking per capita, and foundation grant dollars received.

SRDI's research matched foundation assets with America's rural counties to discover \$15.1 billion in assets in rural America held by 7,527 foundations. But 10 rural counties accounted

for more than \$4 billion of the \$15.1 billion total, or 27 percent of all rural philanthropic assets. Carter County in Oklahoma held more than \$1 billion of the total because the politically conservative Samuel Roberts' Noble Foundation calls Ardmore, Oklahoma, home. Six hundred seventeen rural counties, or 33 percent of all rural counties, registered no philanthropic assets, and another 622 counties each contained less than \$1 million in foundation resources.

Contrary to some ill-informed city perspectives, rural America is hardly demographically homogeneous, and not surprisingly, the intersection of race and rural exacerbates rural America's philanthropic undercapitalization. SRDI concluded that the per capita philanthropic capitalization of rural counties whose populations were 20 percent or less nonwhite was \$313, but for populations over 50 percent nonwhite, it was only \$96. If Taos, New Mexico, and three Hawaiian counties are subtracted from the majority-minority counties, the per capita philanthropic assets of these counties drop to \$77.

Rural foundations do not necessarily deploy their resources to address rural community and economic development. In terms of rural development, the largest grantmakers by far are the W.K. Kellogg Foundation and the Ford Foundation, accounting for more than 40 percent of all rural development grants, followed by the William and Flora Hewlett Foundation, California Endowment, Blandin Foundation, F.B. Heron Foundation, Charles Stewart Mott Foundation and Walton Family Foundation. Rural development accounted for more than 10 percent of only three of the top 20 rural development grantmakers—Hewlett, Mott and the Houston Endowment.

Where are rural development grants going? Mississippi received the lion's share of rural development grants in 2001 and 2002, largely because of some huge grants from the Kellogg Foundation to the Enterprise Corporation of the

Delta, which not surprisingly was the nation's largest rural development grant recipient by far. Subtract the grants to the Enterprise Corporation of the Delta from the Mississippi total, and the result is almost no other direct rural development grantmaking to Mississippi. Factoring out the Mississippi grant anomaly, the largest rural development grant recipient states were California, Minnesota, Virginia, North Carolina, the District of Columbia (because of the presence of national intermediaries) and Arkansas.

The presence of local funders committed to rural development explains the state rankings. Minnesota ranks high because of the active roles of the Otto Bremer Foundation, the Blandin Foundation and the McKnight Foundation. Similarly, North Carolina's rural developers benefit because of the strong commitments of the Mary Reynolds Babcock Foundation and the Z. Smith Reynolds Foundation.

Much has been rewritten about the increasingly difficult economic challenges facing rural America. A responsive philanthropic sector would be mobilizing its charitable largesse to a degree more than the trifling rural development grantmaking level of \$50 million a year. What deters philanthropy from making more grants to rural America?

First and foremost, foundations aren't rural. For the most part, they're metropolitan, urban,

suburban, or even located in small or midsize cities, but they're certainly not located in rural America. Program officers and foundation trustees tend to be geographically and emotionally distant from the dynamics and rhythms of rural America.

That goes double for corporate grantmakers. The top corporate foundations in rural development were largely banking and financial services players—Fannie Mae Foundation, Washington Mutual, Wachovia, Citigroup, Bank of America and others. No one doubts that bank motivations reflect two factors that lending and investment in rural areas are good business for banks and that the banks respond to the incentive provided by the Community Reinvestment Act (CRA). Only a few nonbank players—Wal-Mart, Hitachi and Weyerhaeuser—made it into the list of the top 20 corporate rural development grantmakers in NCRP's analysis.

With an Arkansas base and an exurban and rural constituency, Wal-Mart's presence on the list is no surprise, plus it may well be the nation's largest corporate grantmaker in terms of cash grants. But surprisingly few rural-identified corporations show up as major rural development grantmakers. Even though they may be engaged in agricultural and extractive industries whose raw materials come from rural America, for the most part they are headquartered in

Top 20 Rural Development Funders	State	Total rural development grantmaking, 2001-2002
W.K Kellogg Foundation	MI	\$31,213,802
Ford Foundation	NY	\$10,475,500
William and Flora Hewlett Foundation	CA	\$4,550,000
California Endowment	CA	\$4,391,125
Blandin Foundation	MN	\$3,924,650
F.B. Heron Foundation	NY	\$3,390,000
Charles Stewart Mott Foundation	MI	\$2,943,698
Walton Family Foundation	AR	\$2,677,000
Duke Endowment	NC	\$2,200,000
Richard King Mellon Foundation	NY	\$1,600,000
Bill and Melinda Gates Foundation	WA	\$1,545,458
Claude Worthington Benedum Foundation	PA	\$1,379,000
Otto Bremer Foundation	MN	\$1,336,200
Rockefeller Foundation	NY	\$1,274,470
Jessie Smith Noyes Foundation	NY	\$1,180,000
Robert Wood Johnson Foundation	NJ	\$1,110,850
Houston Endowment	TX	\$1,100,000
Mary Reynolds Babcock Foundation	NC	\$1,091,500
Fannie Mae Foundation	DC	\$1,021,800
William Randolph Hearst Foundation	NY	\$985,000

major cities and increasingly give there. Frequently, the corporate funders turn to intermediaries or networks for rural funding, with the chapters and affiliates of Habitat for Humanity being a common rural grant recipient.

Physical distance doesn't help, to be sure. The far-flung geography of rural America makes program officers' site visits—their primary mechanism for gaining knowledge and familiarity with potential grantees—arduous. That explains why 12 of the top 20 recipients of foundations' rural development grants in 2001 and 2002 were financial intermediaries or regranteeing organizations such as the Local Initiatives Support Corporation, the Rural Development and Finance Corporation, First Nations Development Institute and Southern Financial Partners. Rather than instantaneously conjure up their own rural development staff bureaucracies and expertise, the major foundations purchase the services of specialist organizations possessing in-depth knowledge and organizational relationships, with the array of nonprofits addressing the community economic development needs of rural America.

Second, rural isn't "hot," at least at the moment. Funders look for some kick or ripple from their grantmaking, increasingly in the form of press coverage. There aren't many major or even secondary media outlets dedicated to serving and covering rural issues. Perhaps "smart growth" debates, linking the survival of inner cities with the minimization of sprawl into suburbia and quasi-rural exurbia, might reawaken funders to rural development issues, especially as smart growth continues to grow as a political issue around the nation. But press coverage of rural issues in the mainstream, mostly big-city media, remains sporadic.

Third, given the relatively low level of rural development grantmaking, rural funders perhaps more than others are acutely aware of the need for leverage. The median-sized rural development grant in 2001-2002 was only \$77,000. With many grants going to intermediary organizations, many of these grants get regranted in much smaller sums to rural community developers.

At these relatively tiny grant levels, using foundation capital to leverage private sector investment and, more importantly, government program expenditures, is critically important. As the Bush administration has

Top rural development grant recipient states, 2001-2002	Rural grant dollars received
Mississippi	\$24,382,325
California	\$12,902,789
Minnesota	\$6,398,150
Virginia	\$5,797,750
North Carolina	\$5,728,800
District of Columbia	\$5,475,116
Arkansas	\$4,377,695
Montana	\$3,175,000
Washington	\$3,096,075
Kentucky	\$2,555,000
Texas	\$2,452,185
Maryland	\$2,284,098
Pennsylvania	\$2,184,622
New York	\$2,110,154

hacked away at the discretionary spending programs of the U.S. Department of Agriculture (USDA) and the Department of Housing and Urban Development (HUD), federal dollars are increasingly scarce. Moreover, "rural" is hardly synonymous with "agriculture" anymore, as rural areas diversify their economies, but the flow of other federal resources toward rural community development is erratic and inadequate.

With limited leveraging potential, rural funders might be well advised to support the array of nonprofits engaged not simply in rural development, but also rural policy advocacy, fighting the Bush administration's cuts in the Farmers Home Administration (FmHA) programs and the rural housing programs of HUD (slashed by the administration as redundant and duplicative of USDA programs).

At the Stand Up for Rural America program on May 18 in Washington, D.C., any participating funder would have encountered scores of nonprofit community developers with strong track records of constructing and upgrading rural housing, attracting and bolstering new industries, and building assets for small town and rural households—and advocating for policy changes, notwithstanding the tax- and program-cutting ethos currently dominating Capitol Hill and the White House. Impressive models of rural community developers abound, but are frequently absent from the radar screens of otherwise progressive and thoughtful foundation program officers. ○

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