

Growing Local Giving *and* Living: Community Philanthropy in Rural Places

A new crop is emerging in rural America, quiet and steady, growing in size, scope and impact: rural community philanthropy.

The Lay of the Rural Community Philanthropy Land

In rural places across the nation, community-based philanthropy is on the rise. Exactly what distinguishes philanthropy as *community-based*? It includes any philanthropic fund created through giving and investment from local or outside sources that is dedicated to benefit a specific rural place and its people. These funds may be endowed—or not. But they must be under some form of local decision making—meaning that the fund decision makers are *based in* and *of* the community.

There are three long-standing, well-known forms of rural community philanthropy. Individual charitable giving—the donated time, treasure and talent of local people—traditionally leads this list, and is still going strong. In addition, Family and Corporate foundations dot the rural landscape, typically established by well-to-do families and firms with strong ties to the place where they started or grew their fortunes.

But newer forms of rural community philanthropy are taking hold. They offer rural people of all means the opportunity to give with meaning. The most compelling forms aim to produce specific, long-lasting community improvement. Among these new forms are:

- **Rural Donor-Advised Gift Funds.** Following the urban trend, more rural people are setting up charitable funds based at financial institutions, targeting their giving on rural places and causes.
- **Rural Hospital Conversion Foundations.** Proceeds from the sales of public hospitals to private operators have created many new “health conversion foundations” that work to improve community health, often very broadly defined, within rural service regions.



Judith Johnston

- **Rural Giving Circles.** Self-organized groups of rural givers are pooling their funds and their thinking to benefit people and organizations in their communities.
- **Rural Community Endowments and Funds.** Perhaps the greatest promise lies in the recent rapid development of rural community funds, usually held in some form by community foundations. These funds, the focus for the rest of this article, can strengthen a new and promising field of practice: Rural Development Philanthropy.

Rural Community Endowments and Funds

Rural community endowments or funds (used interchangeably in this discussion) are typically organized in one of two ways—as a free-standing independent community foundation or as a geographic affiliate of an existing “lead” community foundation headquartered elsewhere.

Why do Community Endowments matter in rural communities?

- **They create a local capture mechanism for philanthropic dollars.** Often, rural communities have no existing mechanism that allows them to “give back to the community.” As a result, rural people often give—especially legacy gifts—to an alma mater the next state over, or to some national organization fighting disease. Having a community endowment can capture some of that philanthropic leakage for hometown benefit.
- **They enable rural communities to leverage other resources into the community**—for example, by providing a local fiscal agent, or a local match that attracts funds from some inside or outside source.
- **They build community assets.** Yes, financial assets are important. But as important in rural areas are the community fund’s help in building organizational assets (the community endowment plus the nonprofits it helps strengthen); leadership assets, in the form of the board, advisory committees and volunteers that the community fund energizes in the community; and action assets, when it incubates or operates essential programs to address persistent problems or emerging issues.
- **They give local people the control over the strategic direction the community endowment takes,** as well as the geographic freedom to create and address a “region that makes sense.” This is amazingly critical in rural regions where neighboring and overlapping jurisdictions share challenges and opportunities but have no governance system to address them together.

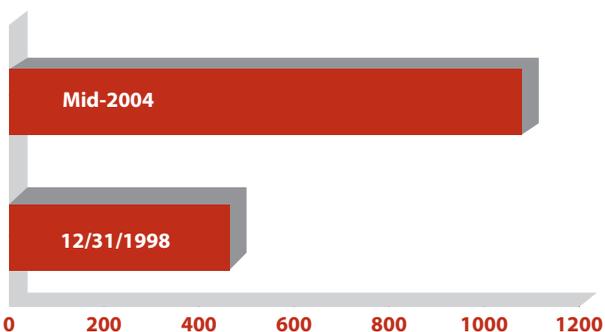
- **They build community.** Growing an endowment and determining how to do it requires that you friend-raise as you fund-raise and action-raise. Low-population rural areas must tap every resource possible to build a sizeable endowment, so they are motivated to work across class and race and culture boundaries to build them together.
- **They grow hope.** Once rural funds get going, and the resulting grantmaking and community investment begins to do good work, it can break rural communities out of a cycle of dependency. It flips the psychology in declining rural places that believe help must come from outside. By generating early small wins, and then bigger wins, community success breeds on itself into a repetitive upward spiral. In some places, the act of building endowment is indeed transformative.

How big is this Community Endowment phenomenon in rural places?

Who knows for sure, but it sure is growing. More than 50 percent of the 700-plus existing U.S. community foundations have been launched since 1990. The vast majority of these newer community foundations serve smaller cities, towns and rural communities.

More telling, perhaps, is the recent boom of rural community fund affiliates hosted by established community foundations. Growing Local Philanthropy, a 2004 survey of all U.S. community foundations conducted by my organization, the Aspen Institute Community Strategies

**Locally Governed Geographic Affiliates:
Change in Number held by 241 Responding
Community Foundations, 1998-2004**



Group (CSG), documented a dramatic growth trend in the incidence of locally governed geographic affiliate funds. Among the 241 responding community foundations (a healthy 36 percent survey response rate), 64 percent reported holding at least one geographic affiliate; collectively, they held 1,071 GCFs—and 75 percent of those GCFs were primarily rural.

More to the point, the number of geographic affiliates in that sample had increased by 132 percent in under six years. Since then, plenty more have launched. In Iowa alone, state legislation helped spawn an explosion of 90 rural affiliates since the survey. CSG plans to update the survey this year.

What's causing this rural surge?

As Jeff Yost explains in the next essay, our nation is in the midst of a \$41 trillion inter-generational transfer of wealth passing from parents and grandparents to...someone or something. And that transfer is taking place even more quickly in rural areas. Snaring even a small portion of this transfer into a community endowment can create a significant kitty of flexible assets for a rural place.

But other reasons contribute to this surge. Rural America is the last, best uncharted territory for urban and regional community foundations that have nowhere else to expand. Incentives from major private and family foundations (e.g., the Lilly Endowment; the Ford, W. K. Kellogg and Walton Family Charitable Support Foundations) and other donors have jump-started some rural endowments. Governments, through tax incentives and other programs, also are sparking charitable giving, sometimes even targeted at rural areas, as in Iowa.

Last, but certainly not least, rural community funds are useful, practical, flexible community development institutions that can handle all sides of a deal—whether it's convening to identify issues, organizing, leveraging or raising resources and action partners, making grants, serving as fiscal agent, even running a program if need be. Rural leaders looking for new ways to get things done have seen the light and want one in their community's tool kit!

What is different and challenging about growing and operating rural community endowments?

Of course, most rural community endowments are relatively new and small, many struggling to maintain their footing. Five primary challenges face them.

- **Understanding endowment and philanthropic potential.** It can be harder to get community funds started in rural places, where the population typically knows little about endowments, and has limited familiarity with planned giving. Moreover, rural experience with organized philanthropy often is based on hearing about large givers in big cities. Many rural people react skeptically to the idea of building a community endowment: "Philanthropy? That's what rich people do." It takes a fund's organizers time and creativity to change this perception.
- **Growing endowment in different ways.** Some resources are held differently in rural areas than in urban. Rural families are more likely to be cash-poor and land-rich. Their average gift is smaller. To serve a small population in a large geographic

area, rural funds must engage a broader base of donors to succeed—that’s more staff- and time-intensive. Because the number of givers is an important metric, to grow endowment rural funds favor traditional fundraising more than metro foundations. In fact, many rural fund leaders turn the traditional endowment pyramid upside down, focusing significant effort on recruiting many small givers that will give more over the years, rather than devoting the bulk of their effort to a small set of “donors with means.” Rural funds value any act of giving because it represents understanding and belief in “my community’s foundation.” The upside of this is what Southern Rural Development Initiative’s director Alan McGregor long ago dubbed The Democratization of Philanthropy. In other words, in rural areas, everyone can be a philanthropist.

- **Developing a working business model for fund sustainability.** Seasoned community foundation leaders report that serving rural community endowments costs more than the typical fund. One reason: serving fewer people spread across a large geography adds time and travel costs to each transaction. Dealing with many small transactions magnifies this challenge. And contrary to what many think, fostering change can require extra work in rural places because wide approval of the fund’s purposes and plans are critical to its success; if a few people say “no,” it might not fly. So gaining initial acceptance of the community fund idea and managing the fund’s initiatives in rural areas can mean a larger than average transactional effort—you have to meet with many more leaders to cross the “go ahead” threshold.
- **A working model for rural leadership sustainability.** Each rural community fund has a board, advisory groups and other volunteers involved in making local decisions. These staff and advisory boards of rural community funds are an amazing, organized, engaged AND HUGE distributed leadership network in rural America—local affiliate leaders total more than 2,000 in Nebraska alone! The challenge? They all need orientation, training, organizing, energizing—and replacing when their terms are up. Efforts to help this leadership base are ad hoc, sporadic and largely local. So much untapped, underutilized power for positive change!
- **Becoming a community change agent.** The largest challenge facing this legion of rural community fund leaders: Endowment for What? It’s a lot harder to learn how to use financial assets to help communities change for the better than it is to build the assets in the first place. The emerging rural leadership network seeks help on a huge learning curve for good methods to understand the dynamics of

their economies; to bridge race, culture and class in their work and make inclusion their hallmark; to make grants, run programs, convene, broker and leverage for positive community change.

What's next on the opportunity-scape?

Danger and opportunity abound here. Rural community funds could grow up to be standard-issue, primarily donor-focused U.S. community foundations unless we seize the day now.

At the first international gathering of community foundations in Berlin a few years back, Emmett Carson of the Silicon Valley Community Foundation offered a vision for emerging community foundations in other countries that is just as applicable to rural community philanthropy in the U.S. In the States, he said, community foundations are just a field—but community foundations outside the U.S. are becoming a social justice movement.

Emerging inspirations and precedents offer great hope for rural community funds over the next decade. Among them are a set of rural-focused community foundations that strive, as my Aspen Institute colleague John Molinaro maintains, not just to do good,

Rural Development Philanthropy: inclusive, community-led processes and practices that unite the tools of community development and philanthropy to build a better and more just future for a rural place and all its people.

but to do better. Among these innovative rural community change pioneers are the Nebraska Community Foundation with its nearly 100 community affiliates and companion *HomeTown Competitiveness* program; Wisconsin's Community Foundation of South Wood County, which helps lead a comprehensive *Community Progress Initiative* in a region wracked by industry exodus and decline; the Black Belt Community Foundation, which has brought community leaders together in new ways across race, class and geographic lines to "take what we have to make what we need" in the heart of Alabama; Humboldt Area Foundation, which acts as the network hub for the four-

county *Redwood Coast Rural Action*; the Hopi Foundation, which offers mini-grants to low-income Hopi people starting sustainable businesses; and Minnesota's West Central Initiative, which conducts business lending, workforce development and early childhood programs. Many of these efforts are documented through other essays in this journal.

These foundations and others embody what many are coming to call Rural Development Philanthropy: inclusive, community-led processes and practices that

unite the tools of community development and philanthropy to build a better and more just future for a rural place and all its people.

In the RDP movement, rural community funds large and small are proving what Leslie Lilly, recent president of the Foundation for Appalachian Ohio, so aptly claims: “Small [rural] foundations help stimulate abundance in places for which scarcity is endemic but opportunity is high.”

**Rural community funds can help other foundations localize their work
...So how can other philanthropy help advance rural community funds?**

Support the capacity of specific community endowments through:

- Operating support (annual funding and endowments)
- Challenge grants (for endowment, operations, grantmaking)
- Program support
- Pass-through grantmaking
- Special assistance (strategic planning, travel, professional development, board development)
- Partnering with or converting assets from existing family or health foundations

Support tools and data for the movement that:

- Help people believe there is philanthropic potential
- Help people understand how to grow endowment
- Help community leaders pursue community change that is appropriate to their place and people
- Help do the basic everyday work of community endowments

Support learning and innovation for the movement through:

- Peer-learning workshops, networks and mentor initiatives
- Innovations that address critical structure, program and business model issues
- Study tours and exchanges
- Web resources that make it easier to find information they need when they need it
- Stories that inspire; guides that walk them through things.

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