



# Committee On Finance

Max Baucus, Ranking Member

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**Statement of Senator Max Baucus  
at the Council on Foundations Annual Meeting  
Pittsburgh, Pennsylvania**

On the Plains of Moab, on the other side of the Jordan, Moses told the Children of Israel: "Every man shall give as he is able, according to the blessing that the Lord your God has given you."

And that is what you at the Council on Foundations help to make possible. You help foundations to give. And you help them become able to give more, and better. I thank you for your good work.

Moses spent all of his life on the other side of the Jordan. He died in the wilderness. He never made it to the Promised Land.

Today, I want to talk with you a bit about a river that runs through philanthropy. I want to talk with you about how, when it comes to grant making, many in rural America feel that they are in the wilderness. Many feel that they can never cross the River Jordan to the place where grants are made. Many feel that rural America can never get to philanthropy's Promised Land.

Some call it "the rural philanthropic divide." Montana's Big Sky Institute has described the divide by the numbers. This is what they found:

The ten states that receive the least funding from foundations are all rural states. They are: Montana, North Dakota, South Dakota, Alaska, Wyoming, Mississippi, West Virginia, Maine, Vermont, and New Hampshire. Some call these "the divide states."

Differences in population do not explain the gap. In 2005, grants nationwide averaged \$104 per capita. But grants in these ten rural states averaged \$35 per capita. Head for head, grants to the populations of these ten rural states were only a third of the national average.

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In contrast, in 2005, grants to the states where foundations are located averaged \$147 per capita. Compare that to the \$20 per capita that went to Montana.

The top ten states where foundations are located had an average of \$32.5 billion in assets per state. The ten rural states had an average of \$0.6 billion.

The ten rural states share a common history of providing coal, timber, food, and other resources. These resources have created wealth in other states. But none of these rural states has a major metropolitan area.

For example, with a little more than 100,000 residents, Billings is the biggest city in Montana. The absence of big metropolitan areas makes the rural states different from states like Pennsylvania that have both rural areas and big cities like Pittsburgh and Philadelphia. Big cities have a wealth of people, expertise, and money. And those assets benefit the rural areas of their states.

And it is not for lack of needs that rural America remains in philanthropy's wilderness. The needs of rural America are great. Consider these facts: Median family income in rural America is 25 percent lower than in metropolitan areas. The share of the population living in poverty in rural America is 28 percent higher than in metropolitan areas. Of all poor counties in America, 95 percent are in rural America. More than a third of rural African Americans live in poverty. More than a third of rural Native Americans live in poverty.

Young people are leaving rural America. Left behind is an aging population, with fewer financial resources. The median age in rural America is four years older than in metropolitan areas.

Rural populations are spread out. In Montana, 50 of 56 counties have fewer than six people per square mile. Think about how much longer it takes to deliver meals to 50 elderly people in Montana than it does in the city.

Rural America has serious employment problems. Montana ranks 50th in the nation for wages per job. And Montana and Wyoming are tied for third in the nation for the share of people working three jobs.

Rural America has the need. But rural America has not received the grants. That just does not seem fair.

Rural America and urban America depend on each other. Rural America provides food, energy, and water to urban America. And rural America has the great natural wonders that renew urban spirits. Rural America is calling on foundations to give it greater attention.

Now, if your foundation is going to put money into rural areas, you want to know that it will be effective. Some creative trailblazers in rural philanthropy are showing what works. Montana and Nebraska provide good examples.

In Montana, we understand successful rural philanthropy. In 1997, Montana enacted our Tax Credit for Planned Gifts to Qualified Endowments. The credit has prompted big increases in gifts to endowments. It provides tax credits up to \$10,000 per person, per year, depending on the present value of the gift.

Last year, for the Montana Community Foundation alone, this tax credit brought in over \$800,000. The Montana Community Foundation now has \$50 million in endowed assets and distributes \$2 million a year.

We just need grant-makers to understand how our rural needs differ. Let me cite some examples.

In rural America, sometimes even small grants can make a big difference. After a devastating 130,000-acre fire in 2003, the citizens of Garfield County, Montana, realized that they needed much better fire-fighting equipment. But they needed \$17,000 in matching funds to get funds from FEMA and other government agencies. It was hard to raise \$17,000 in Garfield County, where economic hardship is the norm. A \$1,000 grant from the Montana Community Foundation got it done.

Or take the Kellogg Foundation's partnership with the Consumer Credit Counseling Service of Montana. They show how a modest beginning can grow local leadership, and lead to transformation.

In 2004, Kellogg initially granted \$190,000 for a program called "Tax Help Montana." In this program's first year, its volunteers prepared 200 tax returns at five sites. This year, its volunteers prepared about 4,000 tax returns.

Tax Help Montana also co-sponsored a statewide campaign to inform taxpayers who are working hard to get by that they may be eligible for an Earned Income Tax Credit. This year, this program helped Montanans receive \$1.5 million in tax refunds. For example, Perry in Great Falls, Montana, received an income tax refund for the first time in his life. Mary in Browning, a retired single grandmother on the Flathead reservation, was able to buy new clothes and school supplies for the three grandchildren whom she is raising. And Mary was able to pay her utility bill.

On the strength of this success, the Kellogg Foundation has just awarded a \$389,000 "Rural Economic Advantage" planning grant to the Consumer Credit Counseling Service. This grant helps them to develop a plan for rural communities and their residents. The plan covers a large area — all of Montana and most of North Dakota, South Dakota and Wyoming.

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The Nebraska Community Foundation figured out how much wealth is likely to change hands as residents die over the next 25 years. Nearly \$100 billion will pass to the next generation. While some of that wealth will surely go to out-of-state heirs and estate taxes, just five percent of that wealth would amount to \$5 billion dollars.

The Nebraska Community Foundation helps local affiliates get a share of these assets. The local affiliates then allocate it to their own local communities.

Jeff Yost, President of the Foundation, explains: “If you want to build a system in cash poor, land rich environment, you can’t use traditional models.” The Foundation helps overcome the misconception that philanthropy is only for people with high incomes. It encourages giving at all levels — such as \$1,000 over a few years.

Nebraska’s model works. The Nebraska Community Foundation now manages \$17 million in assets and has 164 affiliates. It has distributed nearly \$35 million in the last ten years.

No doubt, foundations face real challenges in making grants in rural areas. But foundations have the power to reduce the barriers to effective rural philanthropy.

Rural populations are dispersed. The distance from one corner of Montana to another is farther than the distance from Washington, D.C., to Chicago. Yet only about 900,000 people live in Montana. It’s much easier to say that you served 1,000 people in the city than in Montana, where people live so far apart.

To create more equitable access to resources for rural people, grant makers could measure success not just by the number of people served, but also by distances covered.

Grant makers can also help rural America by helping to build nonprofits’ infrastructure. The Montana Nonprofit Association is a great example. Four years ago, it was just an idea. Last month, its membership topped 300. Membership may well reach 400 next year.

If you go to its website, you will see how well it is helping nonprofits throughout the state build their own infrastructure and capacity. To create and establish this strong Montana Nonprofit Association required \$230,000 over three years.

Many grant makers would not have contributed to this. They would have insisted that an organization already have a board and other basic infrastructure in place. Mike Schechtman of the Big Sky Institute persuaded two foundations to fund it. They understood that in rural America, creating and nurturing a viable organization often must come first.

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Grant makers can also help rural America by getting to know rural America better. Donors who have little experience with rural communities may not understand how different things are in rural America.

I encourage folks to go to rural communities. Talk with people. Find the community leaders and innovators. Learn why and how grant making needs to be different in rural America.

I also recommend that foundations have at least one person from a rural area on their grant-making staff. And I recommend that foundations recruit a rural leader for their board.

Grant makers can also help rural America by reducing the number of isolated grants that they hand out. An isolated grant may do some short-term good — like the \$1,000 grant in Garfield County to help build the Fire Department. I'm told that some foundations call this a "parachute drop." But a parachute drop alone may do little to help a community emerge from hard times.

It's better when a grant helps a community fund an element of a strategic plan — such as the one that Kellogg is helping Consumer Credit Counseling to develop. Or it's better when a grant helps to build the infrastructure of an organization. Or it's better when a grant works in concert with other efforts.

Also, foundations tend to fund just one corner of the community. Some call this "silo funding." They fund health care, or the arts, or whatever their mission mandates. But in rural America, it is hard to segregate areas of need.

It's better to address community needs as a whole. For example, a grant for health care alone won't do much good for rural Americans who have to travel for hours to get it — especially with today's gas prices. So grants can make transportation part of the solution too.

For example, the Montana Community Foundation administered a grant that included dental care for Head Start children from low income families. They used the funds to reimburse parents to drive their children to a free dental clinic 80 miles away. This made a big difference for one little girl whose teeth had been so bad that other kids would not play with her.

To help address the silo-funding problem, donors can coordinate their work in rural America. There are resources to help you do this.

You can make a big difference. I salute the Kellogg Foundation and the Ford Foundation, well-known leaders in rural philanthropy. And I salute other foundations that have stepped up and made rural giving a priority. Thank you for all the good work that you are doing to bring services to rural Americans and to revitalize rural communities.

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One of the great joys of working in the United States Senate is the opportunity to serve, to help people in need. Our jobs have that in common. Service is a great opportunity: service to family and community, service to church or synagogue, service to society.

Today, I call foundations to greater action. I challenge you in the philanthropic community to take two significant steps to help bridge the philanthropic divide and revitalize rural economies. Some foundations are restricted to certain urban geographic areas. But for all other donors, the causes you currently support are almost always at least as important in rural areas. You do not need to reach out of your existing mandate to serve rural America.

My first challenge is for foundations to examine your portfolios. Examine them for two purposes. Identify what portion of your grant making has gone to rural areas. And look for ways to commit an increased portion of your grant making to rural areas.

For example, if you focus on the arts, think about funding a music and drama program at a struggling after-school program in a rural town.

Make it part of someone's job to conduct this examination. If you need guidance, the National Rural Funders Collaborative has helped many foundations with these kinds of examinations.

Second, after this examination, I challenge you to commit an increased portion of your future grant making to rural causes. I challenge you today to do your part to double foundation grants to rural areas within five years.

I understand that doubling may not work for all of you. But for those who have done little or no rural giving, and are not constrained by your mission, I challenge you to commit at least five to ten percent of your grant making to rural America.

And for those of you who have done some rural giving, first, I thank you. And second, I challenge you to make a commitment by the end of this summer to double your grants to rural America in the next five years.

And then, tell me that you did it. When you conduct this examination and make this commitment, please send me a letter telling me about it. I would like to hear from you.

If you are not sure how best to direct your grants to rural America, I recommend that you contact the Council on Foundations. Under Steve Gunderson's leadership, the Council has been working with me to create momentum to bridge the rural philanthropic divide. The Council will connect you with resources to help you decide how to direct your grants effectively.

The National Rural Funders Collaborative is another resource. It is dedicated to helping foundations strengthen rural communities and families facing persistent poverty.

You could also contact my office. My staff can recommend opportunities in Montana, including existing nonprofits with successful records of re-directing and supervising grants to smaller nonprofits.

While I challenge you with this call to action, I also promise action myself. I promise to use my position as the top Democrat on the Senate Finance Committee to help bridge the rural philanthropic divide. And I will do so in three ways.

First, I promise to work with foundations, non-profits, and government to coordinate efforts to revitalize rural communities. I am already working on this with the Council on Foundations and others. We are planning meetings for this purpose. We will hold one in Montana in October.

Second, because private giving alone cannot solve the problems of rural America, I promise to work to see that federal agencies do all that they can. This is challenging because the federal response to rural needs is so fragmented. In Health and Human Services alone, there are more than 220 discrete programs serving rural people.

The U.S. Department of Agriculture also has a multitude of programs. For example, USDA's Value-Added Producer Grants program helped the Flathead Native Agriculture Cooperative in Montana launch its Crooked Bow Meats brand of beef that is now served in the Smithsonian's National Museum of the American Indian. Federal agencies need to coordinate these valuable federal programs more successfully to revitalize rural communities.

I will help cut through the bureaucracy and urge agencies to be flexible and creative within their programs to direct more federal resources to rural America. And if any of you have a specific federal program where you need my help, let me know.

Third, I promise to reach out to Republicans and Democrats in Congress to join me in this effort. Many of them represent rural areas. And I think that they will be happy to work together on this. I also know that President Bush has been a friend to philanthropy. I have worked with the President before. And I will reach out to him again on this cause.

I realize that the challenge that I make today may be a stretch for many foundations. There are many resources to help you make this stretch. By doing so, donors will acknowledge the interdependence of urban and rural America. And by doing so, donors will help to preserve the cultural heritage, rich history, natural resources, and social values that have shaped our Country.

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We here are blessed to live in America. We have been given so much. But as it is written: “For everyone to whom much is given, from him much will be required.”

By Labor Day, I look forward to receiving those commitment letters from you. I look forward to continuing to work with you, with Steve Gunderson, and with his great team at the Council on Foundations. And I look forward to joining with you to bridge the rural divide.

With your help, I look forward to getting to that day, when rural America will no longer feel that it is in the economic wilderness. With your help, I look forward to getting to that day, when rural America will cross over the River Jordan to prosperity. And with your help, I look forward to getting to that day, when rural America will see its full share in that Promised Land that we call “America.”

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