Zeroing In:

Choices and Challenges for the National Rural Funders Collaborative

Final Draft

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Introduction

After three years of successful granting and leveraging support for innovative rural projects, the staff and steering committee decided to engage in a process of reflection that would include a reassess of trends in rural areas, focusing in particular on racial dynamics; examine NRFC's funding efforts in comparison to other rural philanthropic initiatives, and consider NRFC's strengths, weaknesses and potential contributions to the field.

The Collaborative engaged the Applied Research Center (ARC) to assist NRFC in systematically exploring these issues. ARC is a twenty-five year old public policy, educational and research institute whose work emphasizes issues of race and social change. ARC has conducted documentation projects and evaluations of collaborative initiatives launched by the C.S. Mott Foundation, the Ford Foundation and the Annie E. Casey Foundation. The Center's past research efforts have demonstrated that an especially challenging dimension in examining the work of collaboratives is their dynamic nature. Program emphases, collaborative membership, and key personalities may change as collaboratives, bringing new emphases and dynamics to the group.

Keeping these dynamics in mind, and after a series of framing meetings that included NRFC staff and steering committee members, ARC developed a methodological approach that utilized both quantitative and qualitative methods to gather data from multiple sources. Research methods included: (1) a thorough examination of all funding documents for the collaboratives, an appraisal of all reports submitted by grantees, and an exploration of NRFC website materials; (2) library, newspaper achives, and internet research; (3) a baseline capacity-building survey of grantees; (4) attendance at two steering committee meetings and one national networking event, and (5) interviews with experts in the field of rural development, NRFC staff and steering committee members, and other grantmakers that focus on rural development.

Zeroing In: Choices and Challenges for the National Rural Funders Collaborative, is based on examination and discussion of the assembled research documents coupled assessment of over 50 project interviews that the ARC staff conducted. The report is divided into three sections:

Section I, *Assessing Rural Realities,* appraises how the dynamics of demographic growth, a weak infrastructure, and a changing rural economy contribute to concentrated and racialized rural poverty.

Section II, *NRFC's Collaborative Challenges*, explorers NRFC's funding, convening, and leveraging work, contrasting it with funding efforts of individual grantmaking institutions and other rural collaborative grantmaking. This section also locates NRFC in a developmental framework and raises eight specific choices and challenges for staff and board to consider when making decisions about future growth.

Section III, *Affirming a Transformational Framework,* examines the importance of NRFC's adoption of a rural transformation framework and recommends ten practices and policies to advance NRFC's future work.

Section I: Assessing Rural Realities

"It is hard to get your arms around rural problems. Every time we think we understand our situation, something comes up we had not thought about, and we have to start again. We need help in getting our arms around this thing we call rural."

—Policy and Place: Requirements of a Successful Place-Based Policy

Overview

In part, the problem of articulating a common framework for addressing rural issues is related to the idyllic image of rural America many of us carry. A national survey published in 2004 by the Kellogg Foundation found that the majority of respondents perceive rural America as "serene and beautiful, populated by animals and livestock and landscape covered by trees and family farms" and that the economy is "almost completely agricultural."

For many Americans, our image of rural America was shaped by television images in *Lassie* and *Little House on the Prairie*–a pristine landscape with rolling hills and abundant pastures, a family farm operated by three generations of the same hardworking family, and, of course, the lovable, omnipresent family dog. Today, seven out of eight rural counties are dominated by manufacturing, services, and other employment unrelated to farming. Whitener and McGranaham (2003) describe rural communities as "a collage of people and places—a diverse mix of races, ethnic groups, terrain, climate, amenities, businesses, and institutions. No one industry dominates the rural landscape, no single pattern of population decline or growth exists for all rural areas, and no statement about improvements and gaps in well-being applies to all rural people.

Home to 17 percent (49 million) of the U.S. population and comprising 2,052 counties and 75 percent of the nation's land, rural areas continue to provide most of our nation's foods, but farming is now more a mechanized business than a familial occupation. In addition, rural areas provide land for suburban expansion, prime locations for prison expansion, opportunities for "big box" retail expansion, and sites for storage of hazardous waste. (Lerza, 1999) They also contain some of the highest levels of poverty in the United States. Thus, in order to craft strategic approaches for addressing persistent poverty in rural areas, we must examine and assess how the interrelationship of demographic, infrastructural, and economic factors has reshaped and, in many ways, racialized rural poverty.

Infrastructure and Demographics

Government at all levels is caught in a fiscal squeeze. The monstrous federal budget deficit closes off the option of large nation investment in rural America…Voters will continue to balk at new or increased taxes…Simultaneously, more responsibilities are being pushed to the local level by state and federal governments—often without the funds to pay for them.

—Rethinking Rural Development, Corporation for Enterprise Development

Rural communities often lack services and physical infrastructure that urban dwellers take for granted. As Ronnie Miller, staff member of the Alabama Association of CDCs observes, "People ask me if I think people in the Black Belt have a problem seeking medical help. I say no. If they have one job that will allow them to take time off, if they have transportation to get to a doctor, and if they have the money to pay for medical care, they don't have a problem. But when they don't have those three things, then health is certainly a problem in rural Alabama."

One program officer of the Tides Foundation sums up, "In rural areas, adequate plumbing and water and sewer connection, paved roads, safe drinking water, television, telephone service, public transportation systems, even electricity are often simply unavailable."

It is not only public services that are scarce in rural areas; consolidation of the banking industry has dampened access to capital and credit. Shari Berenbach, executive director of the Calvert Social Investment Foundation, points out that there are "far more challenges in rural areas."

Borrowing is more difficult, people are further apart in terms of access to markets, and the whole institutional framework is much weaker." Rural borrowers are more subject to the predatory lending practice of prepayment penalties on subprime home loans than are their urban counterparts. The probability of receiving a prepayment penalty rises significantly when a borrower lives in a zip code area with a relatively high minority population. (Center for Responsible Lending, 2004)

"Rural organizing work often means a lot of time in transit. You have to plan your routes and use the phone a lot. If you miss one of your contacts, you can lose half a day in transit."

Some rural advocates argue that dependence on the market is part of the problem. According to Lorette Picciano, director of the 110-member national Rural Coalition, "The market does not and will not serve rural communities for the simple reason that there are too few people living too far apart to make it profitable. In today's climate of deregulation, devolution, and reliance on 'free market' forces (e.g., privatization), rural people can expect to pay higher prices for many services–from emergency medical help to electricity–when they can get them at all. Resources must come from outside these communities to help build infrastructure, create opportunity, and organize people to advocate for equity." (Lerza, 1999)

"Rural borrowers are more subject to the predatory lending practice… The probability of receiving a prepayment penalty rises significantly when a borrower lives in a zip code area with a relatively high minority population."

Because 80% of rural areas lack public transportation (Sherraden, 2003), organizations involved in constituency-based advocacy work face real challenges such as long distances and weak telecommunications structures. Gary Sandusky, a regional staff member of the Center for Community Change who works with rural organizations in a six-state area, points out that "rural organizing work often means a lot of time in transit. You have to plan your routes and use the phone a lot. If you miss one of your contacts, you can easily lose half a day—just in transit." Oregon's Rural Organizing Project (ROP), a statewide rural organization with individual members in 70 small towns, is active on issues of civil and human rights. It has developed a sophisticated telecommunications system for membership participation. "Luckily, we had some awareness of the internet," says ROP Director Marcy Westerling. "We were able to use a basic 'kitchen table' approach on the front end and follow it up with consistent email information and regular chat groups. Given our small budget, it's the only way we've been able to survive and thrive."

Infrastructural gaps are significant not only for organizations directly involved with constituent mobilization. Charmaine Ramos of the Alaska Rural Community Health Economic Strategies (ARCHES) points out that 60 percent of ARCHES' constituents can only be reached by boat or airplane and that because many basic materials are shipped to parts of Alaska only when there is passage through the ice, they are more expensive. As the Alaska case illustrates, the gaps in infrastructure reflect the most basic physical needs like roads and transportation, as well as education (see box) and healthcare. For instance, rural advocates interested in improving access for women enrolled in educational activities in state-based "welfare-to-work" programs note the need for improvement in technology ranging from "telecommuting for education and training, distance learning and post-secondary programs, to Internet access for schools, libraries, and health care providers, to the most basic provision of a home phone line." (Kaplan, 1998)

Educational Infrastructure

Rural education is being slashed and we have to work hard to make sure that our children have the basics. In Mississippi, adequate education is being cut…and we have to help parent understand their legal rights and how to help children get the things they need like books and supplies for school.

—Betty Petty, the Indianola Parent-Student Group

Educational attainment is often linked to wealth. Those with higher levels of education tend to have skills that lead to higher paying jobs. Education is a form of human capital that can bring wealth to a community. Though education levels have increased in rural populations over the last two decades, they remain lower than in urban areas.

There is also a racial divide in educational attainment. In 2000, rural whites were at least twice as likely to have a college degree as those of other racial/ethnic groups. Rural Latinos have the least education—about half had not finished high school in 2000 and only one in 16 had completed four years of college. Rural counties with the lowest high school completion rates are heavily concentrated in the South, especially in counties with large people of color populations and in central Appalachia, where the poorest white counties are concentrated (ERS/USDA). Rural adults have lower education levels than urban adults in every age group. In 1997, 53 percent of rural Hispanics, 41 percent of rural African Americans, and 32 percent of rural Native Americans did not have a high school diploma. These low education levels pose a challenge for many rural counties attempting to stimulate economic growth and revitalization. In persistently poor areas, young people often leave school in search of employment, but without adequate education, they find employment only in the fast-growing, low-wage sectors.

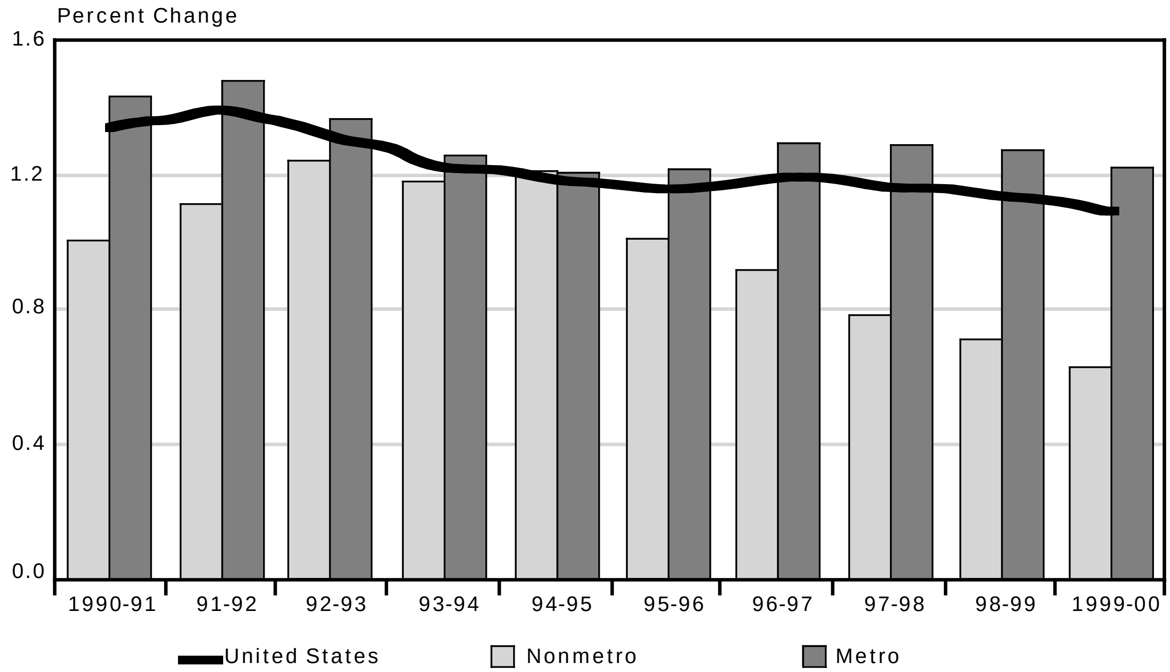
The Department of Education's newly instituted "Flexibility Rules" under provisions of No Child Left Behind regarding the Highly Qualified Teachers (HQT) may well exacerbate these problems. These rules allow schools additional time to recruit and train teachers but exclude 74 percent of rural schools, most notably those in the Southeast and Southwest. Of the excluded schools, 38 percent serve predominantly students of color, in contrast to 22 percent students of color served by the 26 percent of rural schools covered by the rules.

These ongoing practices and new policies combine to reinforce racial stratification in rural areas.

(http://www.ruraledu.org/rpm/rpm606e.htm)

Population growth rates for nonmetro counties, metro counties, and the United States: 1990-2000

The pace of nonmetro population growth in 1998-1999 continues the slowdown that began after 1994-1995



Source: Calculated by ERS, using data from the U.S. Census Bureau

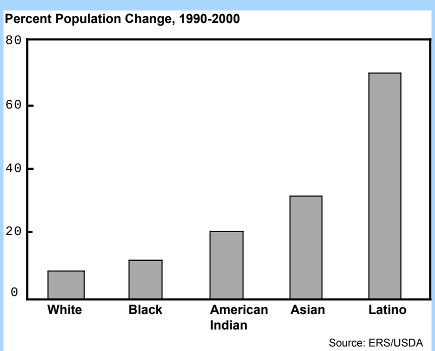
Clearly, there has always been a discrepancy between the infrastructural resources available to urban and rural areas. However, demographic changes over the last ten years have exacerbated the stresses placed on an already thin rural infrastructure.

Reversing the trends of the 1980s, when rural populations decreased, since 1990 the rural population has grown at the fastest rate in more than 20 years: some three-fourths of the 2,303 rural counties are now growing, compared to less than half during the 1980s. Rural areas gained 5.2 million additional residents (10.3 percent) between April 1990 and April 2000. As a rule, the greater a county's economic dependence on the traditional rural industries of farming and mining, the less it benefited from this revival. The migrants of the 1990s have settled in the Mountain West, the Upper Great Lakes, the Ozarks, parts of the South, and rural areas of the Northeast. Widespread population losses have occurred only in the Great Plains, the western Corn Belt, and the Mississippi Delta. ("The Rural Rebound," 1998, *Wilson Quarterly*)

"The increase in Latino families happened in communities that had very little diversity since the displacement of Native Americans. People and communities are not prepared. Schools are not prepared."

According to the USDA's Economic Research Service (2003), Hispanic growth rates exceeded 60 percent in rural counties during the 1990s, higher than any other racial/ethnic group. This growth is not just in the traditional immigrant settlement states in the Southwest. Almost half of all nonmetro Hispanics now live outside these states. In many places, new Hispanic settlement patterns are contributing to the revitalization of small towns; in others, the rapid growth is straining community resources. Dan Petergosky, Director of the Western States Center, a regional training intermediary organization, observed, “There are major changes in the workforce. All over the rural West, Latino workers have joined the workforce in the service industry, the recreation industry, and in the construction trades.”

Latinos are the fastest growing racial/ethnic group in rural America



Larry Kleinman of the Northwest Treeplanters and Farmworkers United notes, “The increase in Latino families didn’t just happen in places like Woodburn, where we already had a Latino population. It also happened in communities that had very little diversity since the displacement of Native Americans. People and communities are not prepared. Schools are not prepared.

These population shifts have not only put strains on existing infrastructure, they have created new problems. For instance, in Nevada, the fastest-growing state in the country, Bob Fulkerson, director of the Progressive Leadership Alliance of Nevada (PLAN), has had to pull together rural groups including ranchers and leaders in Native American communities to develop legislation to protect rural water sources from urban encroachment. “It’s not an issue we planned to work on,” said Fulkerson, “but the rapid change in demographics has moved it to the front burner.

In North Dakota, planning officials are dealing with the other side of the demographic coin. Faced with population out-migration in small towns, one planner stated, “Very small towns often can’t support their own school, churches, or even grocery stores. I’m not sure what we can do for them. I just don’t know if we’ve really got the resources to service towns with less than a thousand people.”

The survival of rural areas is inextricably linked to the health of the local economy. A healthy economy can provide tax revenues to build public infrastructure, ensure a critical mass for the locating of public and private enterprises, and attract families. However, the lack of a public transportation infrastructure and basic services has had an ongoing impact on one important concern—the pernicious persistence of rural poverty.

Rural Poverty

The overwhelmingly positive perception of rural America sits uncomfortably beside a vision of rural Americans as poor people with little hope for economic progress.

—Perceptions of Rural America, Kellogg Foundation

In 2000, while only one in twenty urban counties was categorized "persistently poor" (counties with poverty rates of 20 percent or more in each decennial census between 1960 and 2000), the number for rural counties was one in six. Median family income is 25 percent lower and the poverty rate 28 percent higher than in metropolitan areas. Rural counties make up 95 percent of the persistent poverty counties in the United States. Although poverty rates vary considerably along a rural/urban continuum, with suburbs having the lowest poverty levels and the most remote rural areas the highest, rates in rural areas have been higher than urban areas since the census first recorded poverty levels.

"Combined, communities of color only account for 17 percent of the total rural population, but they are poor at two to three times the rate of their white counterparts."

Over seven million Americans living in rural areas are poor. While the rural poor are likely to be white, people of color are a disproportionate segment of those living in extreme poverty and in persistently poor counties. Whites are 73 percent of the rural population; 11.3 percent of rural whites are poor.

Combined, communities of color only account for 17 percent of the total rural population, but they are poor at two to three times the rate of their white counterparts. African American and Latino poverty rates are 34.5 percent and 25.4 percent respectively, and the rate for Native Americans is 34 percent. (Glover, Probst, and Samuels, 2002)

As Joe Belden, deputy director of the Housing Assistance Council, the nation's oldest low-income, rural housing intermediary, says, "In many rural places, especially the pockets of persistent poverty, there just aren't jobs." (Lerza, 1999) Moreover, because rural economies are often not diversified, when an employer leaves, a mine closes, or a family farm is bought by agribusiness, it is difficult for families to recover because there are few sources of alternative employment. As we've observed in the introduction, the basis of rural economies is changing even as the population is increasing. How does the net loss of jobs in rural areas affect employment/ unemployment rates? Following a lengthy period of economic expansion in March 2001, the U.S. economy slipped into recession. Rural America was hard hit.

By January 2003, unemployment rates were 5.6 percent for white men and 4.8 percent for white women. The rates in communities of color, however, were two to three time higher: 11.6% for

African American men and 10.2% for African American women. (Bureau of Labor and Statistics)

These disparities persist when examining data for race and poverty in rural areas:

- ***African Americans****: One-third (34 percent) of the African American population is poor versus 13 percent of the rural white population. Seven of every ten poor, rural African Americans live in six Southern states: Mississippi, Georgia, North Carolina, Louisiana, Alabama, and South Carolina.*
- ***Latinos****: One-quarter (25 percent) of the rural Latino population is poor. Nearly three-quarters (73 percent) of all poor, rural Latinos live in five Southwestern states: Texas, New Mexico, California, Arizona, and Colorado.*
- ***Native Americans:*** *One-third (34 percent) of the rural Native American population is poor. Over half (57 percent) of all poor, rural Native Americans live in five Western states: Arizona, New Mexico, Oklahoma, South Dakota, and Montana.*
- ***Asians/Pacific Islanders****: Peoples of Asian descent living in rural areas number just over half a million. They are not geographically concentrated and are less likely than the white population to live in poverty. (Glover, Probst, and Samuels, 2002)*

These disparities exist for a number of reasons. A historical legacy of slavery, genocide, and discriminatory practices denied families of people of color mobility and their humanity.

"Poverty rates in rural areas have been higher than urban areas since the census first recorded poverty levels."

Policies and practices have systematically deprived people of color of land-based wealth (see Land Loss box), and denied them access to social ladder (e.g., educational) institutions, living-wage jobs, and credit. These historical trends have been compounded by another, more recent trend: changes in the rural economy.

Native American & African American Land Loss

"One does not sell the land people walk on." – Crazy Horse, September 23, 1875

Almost all of the original land over which Native Americans held stewardship–more than 2.5 trillion acres–has been seized or stolen. Between the time of the Allotment Act of 1887 and the Indian Reorganization Act of 1934, Native Americans have lost an additional 90 million acres of land. Today, only 55.7 million acres (2 percent of all land in the United States) remain held by Native tribes and individuals.

Since 1910, Blacks have lost 60 percent of their originally held farmland. In 1910, Blacks owned between 16-19 million acres of farmland. As of 1999, Blacks owned 7.8 million acres of agricultural land, only 1.5 million of which is farmland—a loss of over 2,400 acres per week for nearly a century.

In 1969 there were 90,141 Black farmers; thirty years later, there were fewer than 19,000. Many of these farmers lost their land through foreclosures as a result of discrimination by the USDA. Of the almost 16,000 farmers who received funds from the USDA in the 1980s to buy land, only 209 were Black.

(http://www.members.aol.com/tillery/llf.html)

The Rural Economy

Rural America is facing a seismic shift in economies and demographics. Agriculture is no longer the backbone of rural America. (M)anufacturers have deserted the countryside in droves, pursuing cheaper labor overseas. Yet federal and state policy is still…subsidizing agriculture and recruiting manufacturing and other low-tech industries.

Internal Memo, NRFC , March 2005

Noting that economic growth is lagging in six of every ten rural localities, Mark Drabenstott, director of the Center for the Study of Rural America, argues that, "The number one issue in rural America is reinventing the economy." As noted earlier, "Farm business income has played an increasingly smaller role in determining the well-being of farm households." (Ashok, 2003) More than half of all U.S. farm operators work off-farm, with 80 percent working full-time jobs. Nearly 90 percent of total farm household income in 1999 originated from off-farm sources. (Whitener and McGranaham, 2003) The major reason for the decline is this increase in agribusiness.

Large-scale, industrial agricultural enterprises are growing in America, both in numbers and in proportion of total agricultural production. This trend makes it possible for giant conglomerates to exert a virtual monopoly on the agricultural industry. Horizontal concentration—where a few firms control a high proportion of an industry—and vertical integration—where one corporation controls all aspects of an industry, from production to advertisement—are at an all-time high. The top four cattle processors — IBP, Monfort (owned by ConAgra), Excel (owned by Cargill), and Farmland National—collectively control about 80 percent of the market. These industrial operations receive significant government subsidies, not only in the form of direct government payments, but also in public services such as government-subsidized loans, research, and export promotion. (Cotter, 2002)

Given the decline in agricultural work, what economic engines support rural economies in the U.S.? A 2001 study by the USDA's Economic Research Service (ERS) noted that the public sector, including public schools and health care, accounted for 21.9 percent of the earnings in the rural economy, and customer services ran a close second (21.8 percent) in 2001, followed by manufacturing, which accounted for 19 percent of total rural earnings. Agriculture, farming, and fishing combined only accounted for 4 percent (ERS/USDA). As the chart illustrates, 37.3 percent of rural service jobs, 24.5 percent of retail jobs, and 15.3 percent of manufacturing jobs are low wage.

Manufacturing, one of the three largest sectors and a mainstay of rural jobs, continues to close plants in the U.S. Noting that rural communities lost 573,000 (12 percent) of their manufacturing employment between 1998 and 2002, an April, 2003 *Business Week* article argues that rural America is "hemorrhaging manufacturing jobs" and that because the job losses are plant closures, not cutbacks, "a lot of those jobs are not coming back."

Wal-Mart

As the number one service employer in the United States, Wal-Mart offers insight into growing numbers of the working poor. Since 1962, Wal-Mart has entered 1,100 rural markets. The largest employer in 25 states, it boasts of success in every one. The company now employs almost 150,000 people and claims to have created 25,000 jobs among its suppliers. But when Wal-Mart enters a town, other small retailers are often forced to close. Non-union Wal-Mart's hourly workforce is more than 70 percent women earning an average of 5-15 percent less than their male counterparts. Sales associates receive $8.23 per hour ($13,861 annually), while cashiers receive $7.92 per hour ($11,948 annually). Both are well below the federal poverty level for a family of four. Furthermore, only about 47 percent of Wal-Mart's employees are covered by the company's health care plan. Wal-Mart employees are often dependent on publicly funded programs for health care for themselves and their children. The Maryland Legislature recently passed a bill that would require large employers like Wal-Mart with 10,000 or more employees to spend at least 8 percent of their payroll on providing health care for their workers or to pay into a state health care fund. More than half of Wal-Mart's U.S. employees leave the company every year.

What's filling the gap? Aside from the growth of "big box" retailers (see Wal-Mart box), one very special sort of "industry" has provided a surprising lift in many rural areas and small towns. More than 50 rural counties that have rebounded from population losses in the 1980s have been helped by the boom in prison construction—a boom that many municipalities vie for. For example, when announcing the potential siting of a federal prison in Northumberland County, Pennsylvania, in August 2001, Congressman Paul Kanjorski called the prison "the single largest public works project in the history of Northumberland."

How do these projects affect rural economies? Tennessee's Lake County offers one example. A state prison that opened in 1992 in a declining Delta cotton-farming area brought more than 1,000 inmates (whom the federal census counts as residents) and 350 jobs. (Beale and Johnson, 1998)

Secure, well-paid prison jobs are highly prized by people in places such as Lake County. However, it is questionable whether prisons will help long-term rural growth. Additionally, prison growth can exacerbate racial tensions, especially when prisons are located in predominately white, rural areas and the prison population is a majority of people of color, as frequently happens.

Connecting the dots between the incarceration of young African Americans and a discriminatory educational system, one of Southern Echo's youth leaders points out that, in her experience, "The connection between school and jail is very real. Right now in Indianola if a young person is 'acting out,' the principal can call a youth court referee and get a bench warrant issued over the phone. No court, no trial, no nothing. Straight to the juvenile detention center.

Tracy Huling (2002) has observed that before 1980 only 36 percent of prisons were located in rural communities and small towns. Between 1990 and 1999, 245 prisons were built in rural counties, with a prison opening somewhere in rural America every 15 days. These prisons hold 235,000 inmates and employ 75,000 workers, about 30 employees for every 100 prisoners.

- *49 prisons, one out of every five built in the 1990s, opened in Texas.*
- *In the Mississippi Delta, seven prisons were built in the 90s, with five added since 2000.*
- *Nine prisons opened in the Southern Coal Fields region (Appalachia) in the 90s; three more have been built since 2000.*
- *South central Georgia has a contiguous string of 14 rural counties with new prisons and 24 throughout the state.*

Until recently, rural economies were rarely diverse; a single employer or occupation tended to dominate. And, as Cornela and Jan Flora (2003) explain, wages for rural jobs depend not on workers' skill, but on the supply of willing workers. Since the supply often exceeds the demand, the state's minimum wage becomes the maximum for large groups of workers. This changing economy has affected employment opportunities for different racial groups. (See box)

Low-wage employment by major industry, 2002

Low-wage workers are concentrated in agriculture, retail trade, and service industries.

	Rural		Urban	
Industry	**All**	**Low-wage**	**All**	**Low-wage**
Agriculture	2.5	5.2	1.1	2.6
Construction	6.6	3.5	5.9	4.2
Mining	1.1	0.3	0.3	0.1
Manufacturing	21.2	15.3	14.3	9.9
Transportation, Utilities and Communications	7.3	4.2	8.3	4.6
Wholesale trade	3.6	2.9	4.0	3.1
Retail trade	13.2	24.5	13.3	26.6
Finance, Real Estate, Insurance	4.1	3.5	7.6	4.4
Services	34.3	37.3	39.6	42.2
Government	6.1	3.4	5.7	2.4
Total	100	100	100	100

Source: Calculated by ERS using data from the 2002 Current Population Survey earnings file.

Rural areas have become dumping grounds for high-risk, low-wage, non-union jobs. For people of color, the shifts in employment have not resulted in a net economic gain. Although Native Americans lost the lowest percentage of agricultural jobs, the group also lost the more lucrative manufacturing jobs and gained nine percent in the lower-paid retail sector.

"Between 1990 and 1999, 245 prisons were built in rural counties, with a prison opening somewhere in rural America every 15 days."

African Americans lost both agricultural jobs and the largest percentage (19 percent) of manufacturing jobs, showing the most significant gains (37 percent) in the retail trade. Between 1990 and 2000, the number of Black workers in low-wage, non-union, rural jobs increased by a third. Latinos lost a significant portion (38 percent) of agricultural jobs, gaining in retail (19 percent) and manufacturing. Latinos make up over 75 percent of agricultural laborers and 42 percent of meat processors—both fields are predominantly non-union. Both low-end retail and meat processing have annual turnover rates of over 50 percent. (Huang, 2003)

Latino immigrant workers have been adversely affected both by these changes in the availability of specific types of employment and by their citizenship status. These foreign-born workers are often taken advantage of in high-turnover/low-wage jobs. Over 69 percent of rural Latinos are concentrated in the West, with an influx of new immigrants, mostly from Mexico, to other regions.

Seasonal farm work, conducted primarily by Mexican workers, offers low wages and unstable employment, with few possibilities for mobility. Eighty-one percent of all farm laborers are foreign-born, among whom are 1.6 million seasonal workers. The median income per farm worker family was $10,000 per year in 2000.

	Agriculture/Forestry			**Manufacturing**			**Retail/Wholesale**		
	1990	**2000**	**% Change**	**1990**	**2000**	**% Change**	**1990**	**2000**	**% Change**
White	6.8	5.5	-19%	20.2	18.3	-9%	20.7	20.5	-1%
Latino	15.7	9.8	-38%	20.9	23.8	+14%	19.3	22.9	+19%
Black	4.7	2.9	-38%	34.4	27.7	-19%	14.5	19.8	+37%
Native American	6.9	5.4	-17%	15.0	14.4	-4%	13.3	14.5	+9%
Asian	4.1	4.6	+12%	9.9	11.8	+19%	21.6	23.3	+8%

Source: ERS/USDA

A history of anti-immigration legislation—such as guest worker programs— perpetuates the problems by creating a workforce that neither the federal nor state governments are accountable for, leaving immigrant workers susceptible to discriminatory employment practices and abusive working conditions.

Who Are Farmworkers?

Place of Birth	Percentage
U.S. Born	19%
Hispanic	9%
White	7%
African-American	1%
Foreign Born	**81%**
Mexican	**77%**
Other Latin American	2%
Asian	1%
Other	1%

Gary Huang 2003

This situation is replicated in the meat processing industry. Half of the approximately 270,000 jobs in meat processing are located in rural areas where two of every three workers are people of color. Low wages and high injury rates translate into almost 100 percent worker turnover rates annually.

How do these figures translate to specific rural localities? Between 1990 and 2002, the Latino population of North Carolina increased by over 368,000. In Bladen County, North Carolina, 60 percent of the meat processing workforce is Latino, and the remainder is almost entirely Black. All are low-wage workers.

Summary

In general, our vision of a serene, bucolic life, while accurate for some rural areas, is sharply contrasted by dramatic changes in the rural economy and in the rural population. Changes in rural America, from the consolidation of rural agribusinesses in the Midwest and South to the sparsely populated Dakotas and the exploding growth in states like Nevada, point to real diversity. And, as Whitener and McGranahan (2003) point out, "Rural diversity means that there is no single recipe for rural prosperity."

"It is impossible to address poverty alleviation or wealth creation without addressing racial disparities and discriminatory practices."

However, given this caveat, there are a number of trends highlighted in this report that are important to take into account when considering what kinds of programs, policies, and practices NRFC might support.

1. Because poverty and race are both linked and concentrated, it is impossible to address poverty alleviation or wealth creation without addressing racial disparities and discriminatory practices.

    - Combined, communities of color only account for 17 percent of the total rural population but experience poverty levels two to three times those of their white counterparts. African American and Latino poverty rates are 34.5 percent and 25.4 percent respectively; the rate for Native American is 34 percent.

    - The overall unemployment rate in rural America in April 2005 was 5.2 percent, with whites at 4.4 percent, Blacks at 10.4 percent, and Latinos at 6.4 percent.

    - Latinos make up over 75 percent of agricultural laborers and 42 percent of meat processors—both fields are predominantly non-union.

    - Between 1990 and 2000, the number of Black workers in low-wage, non-union, rural jobs increased by a third.

    - Rapid growth in prisons can exacerbate racial tensions, especially when prisons are located in predominately white rural areas and the prison population is a majority of people of color.

- Rural counties with the lowest high school completion rates are heavily concentrated in the South, especially in counties with large people of color populations, and in central Appalachia, where the poorest white counties are concentrated.

- Poverty is concentrated by both race and place. Seven of every ten poor, rural African Americans live in six Southern states: Mississippi, Georgia, North Carolina, Louisiana, Alabama, and South Carolina. Nearly three-quarters of all poor, rural Latinos live in five Southwestern states: Texas, New Mexico, California, Arizona, and Colorado. Over half of all poor, rural Native Americans live in five Western states: Arizona, New Mexico, Oklahoma, South Dakota, and Montana.

2. Demographic changes over the last ten years have exacerbated the stresses placed on an already thin rural infrastructure. These population shifts have not only put strains on the infrastructure in general, they have actually created new issues in some rural areas, as the relatively new water shortage issue in Nevada illustrates. For constituency-based groups working in rural areas, long distances and weak telecommunications structures pose real challenges. While some groups have developed models for addressing communication barriers, outside resources are essential to help build infrastructure, create opportunity, and organize people to advocate for equity.

3. There are currently no comprehensive approaches to address the skewed increase of the public sector through an expansion of rural prisons or the rapid spread of low-wage, high turnover meat processing and big box retail jobs.

4. Policy Matters. This report has pointed to ways that policy inequities in the arenas of government subsidies, education, lending, wages, and tax subsidies affect rural life. Although some of these policies are national, many are state and local. For instance, the Rural Policy Research Institute reported sizable portions of those leaving the welfare system are still not working. The most common occupation for those who find employment is low-waged service work. (2001:26) Rural areas tend to have higher rates of underemployment and fewer community resources, so when rural workers do find work, they are more likely to be employed and still poor. In order to develop a rural environment that revitalizes communities, taking into full account the new demographics of these communities, it is important to support grassroots efforts to vision, develop, implement, and monitor policies grounded in the newly emerging realities of rural life.

Section II: NRFC's Collaborative Challenges

Given the scarcity of capital in many rural areas, it may be important to be very serious and specific about achieving leverage from foundation grants.

—Beyond City Limits: The Philanthropic Needs of Rural America
National Committee for Responsive Philanthropy, 2004

Introduction

According to the Foundation Center, only 306 of the approximately 65,000 active foundations in 2001-2002 use the word "rural" in their grantmaking, and there are only 184 engaged in rural development funding. Even within this relatively small number of foundations, support for rural development is fairly concentrated, with the top 20 foundations accounting for 80% of the total $100 million granted. Forty-nine percent of the grant dollars were concentrated in just four states: Mississippi, California, Minnesota, and Virginia.

In 2001, recognizing the need to reverse the urban bias to funding, apply fresh approaches to build rural wealth and access to capital, strengthen rural infrastructure, and develop the skills and capacity of new advocates, a group of leaders in the philanthropic community organized the National Rural Funders Collaborative (NRFC). Adopting a framework of rural transformation, the collaborative's initial goals were to (1) identify and fund on-the-ground strategies with potential to reverse trends of persistent poverty and (2) create a learning laboratory in which funders, practitioners, and policymakers could share strategic insights and leverage $100 million in additional support for innovative strategies to mitigate rural poverty and support and strengthen rural communities.

By the end of 2004, NRFC demonstrated a number of successes in leveraging philanthropic resources and bringing together key actors in the field of rural development. NRFC has identified and awarded $3,071,760 to 17 diverse initiatives in single- and multiple-year grants ranging from $50,000 to $750,000. (NRFC Memo, June 2005) In addition to direct grantmaking, the collaborative has helped leverage $41 million for the funded projects and initiated networking activities to assist in capacity-building efforts. (A chart ranking the capacity-building needs of groups appears at the end of this section.) Although the majority of NRFC's grants may be characterized as "wealth creation," the chart on the next page lists the grants by the strategies for wealth creation or addressing persistent poverty articulated in grantee proposals.

NRFC Grantees by Strategic Approach

Major Strategy	Grantees
Community-based Businesses, Entrepreneurial Efforts, or Industries	• Appalachia Ohio Regional Investment Collaborative • Rural Livelihoods Collaborative • Western Maine Sustainable Development Collaboration
Policy Development	• Central Valley Partnership for Citizenship • South Carolina Community Economic Development Public Policy Collaborative • Deep South Delta Consortium • Black Family Land Trust • New Mexico Community Foundation • Hawai'i Alliance for Community Based Economic Devevelopment
Individual Development Accounts	• South Carolina Community Economic Development Public Policy Collaborative • Good Faith Fund • Deep South Delta Consortium
Issue-based Advocacy and Organizing	• Central Valley Partnership for Citizenship • Black Family Land Trust • South Carolina Community Economic Development Public Policy Collaborative
Building Rural Infrastructure	• Building Philanthropy to Support Rural Entrepreneurship (Nebraska) • Montana Home Ownership Network • Rural Community College Initiative • The Hope Unity Fund • Rural Community Assistance Program (RCAP)
Employment Training & Development/Increased Job Access	• Good Faith Fund • Rural Community College Initiative • Alaska Rural Community Health Economic Strategies
Direct Service Delivery	• Alaska Rural Community Health Economic Strategies • Montana HomeOwnership Network • New Mexico Community Foundation
Leadership Development	• Alaska Rural Community Health Economic Strategies • Rural Livelihoods Collaborative • Deep South Delta Consortium • Hawai'i Alliance for Community Based Economic Development • The Hope Unity Fund • South Carolina Community Economic Development Public Policy Collaborative • Western Maine Sustainable Development Collaboration

To compare NRFC funding decisions with those of other funders, ARC staff has interviewed a number of NRFC Steering Committee Members, other funders, and intermediaries with portfolios addressing rural issues. Below is a small sampling of approaches and key projects:

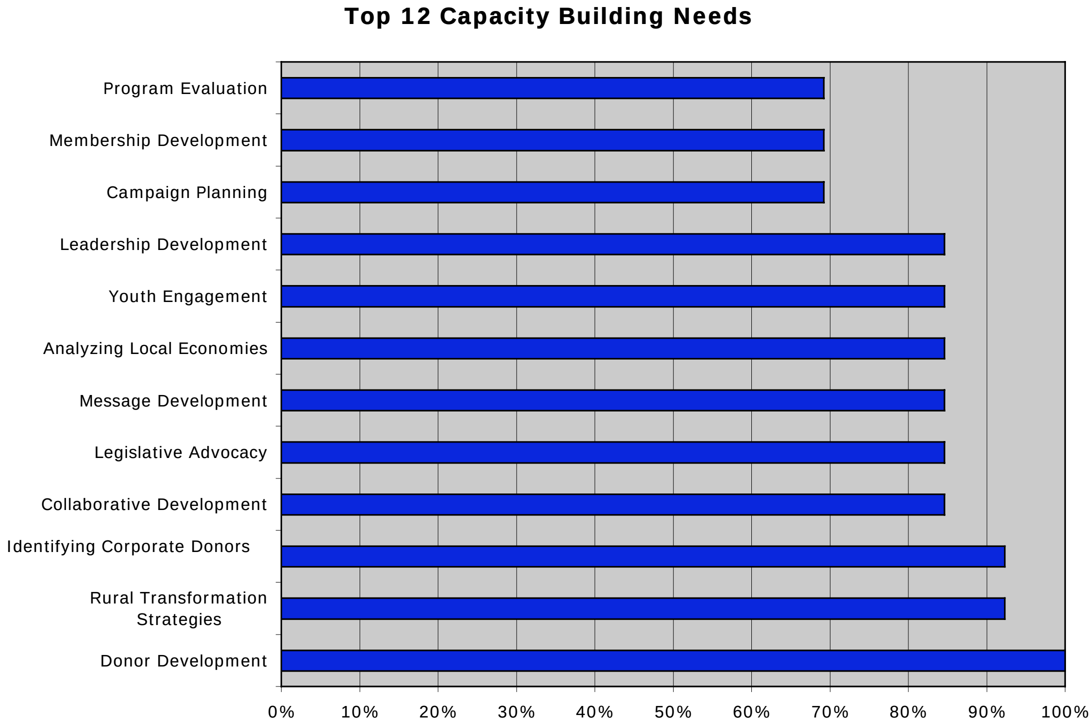
- **Philanthropic Infrastructure.** The HomeTown Competitiveness program— an infrastructural development project launched by the Nebraska Community Foundation and supported by a series of start-up grants from the Kellogg Foundation culminating in a recent $2 million grant, as well as a small grant from NRFC—has shown a great deal of promise as a model in building philanthropic infrastructure. One of the strategies of the project, which aims to make rural areas more attractive to young people, is to develop resources to sustain rural hometowns.

"Only 306 of the approximately 65,000 active foundations in 2001-2002 use the word "rural" in their grantmaking, and there are only 184 engaged in rural development funding."

Kellogg Foundation Vice President Rick Foster, one of the initial supporters of the project, said that the foundation's endowment-building work is partly fueled by estimates that $94 billion will transfer from one generation to the next in rural Nebraska over the next 50 years. If five percent of that total were donated, nearly $5 billion could be endowed to sustain rural hometowns. Nebraska Community Foundation CEO Jeff Yost said that the initial results were very promising, adding, "Now we need to find ways to help put endowments to work in rural communities."

- **Organizing and Leadership Development.** Jack A. Litzenberg, Senior Program Officer of Pathways out of Poverty at the C. S. Mott Foundation, points to the organizing work of the Industrial Areas Foundation (IAF) as one of the exemplary models of rural social change work. "If you get into the business of building capacity and creating rural intermediaries, you've got to take organizing into account. Without an organizing component that's independent of the other entities, really poor people won't benefit. Organizing keeps the other intermediaries honest. For instance, one of the best projects we've seen is the Jobpath program. Community colleges do sector development and region-wide career development. But our investment was in the organizers. We spent $500-600 thousand to help develop organizers. They worked with the communities to build a movement for change.

Capacity Needs of NRFC-Funded Groups

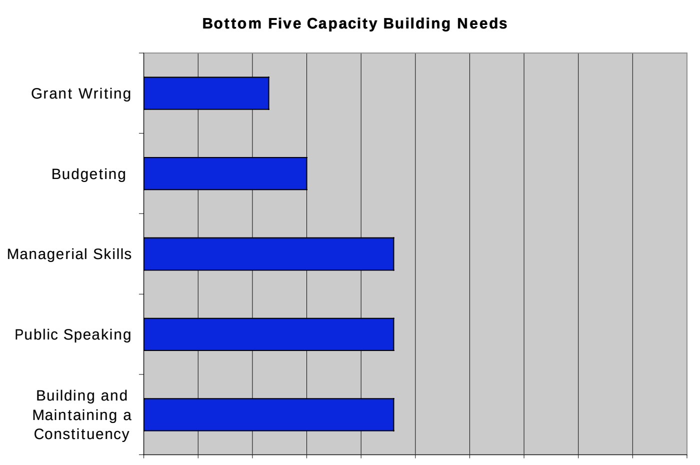


Summary of Survey Results

Policy Development and Fundraising were the two categories of capacity-building in which grantees most expressed a need for assistance. All categories of policy development were ranked as either immediate or long-term needs by all respondents. All but one respondent ranked "working with state legislators" as an immediate priority. Similarly, grantees ranked most fundraising categories as high-need, with individual donor development and corporate sponsorship most prominent.

Planning and Organizational Development: Of the 11 areas listed under Planning and Organizational Development, grantees expressed an overwhelming need for assistance in Rural Transformation Strategies and Collaborative Development.

Community Organizing: Community organizing yielded the most range in grantee need for capacity-building. There were nine areas listed in this category. Groups consistently ranged evenly between immediate to no capacity-building needs. The three top needs in this area were message development, leadership development, and youth engagement.



Research, Financial Analysis, and Planning: In these categories, few groups viewed financial analysis and planning as an immediate need, and the only research category for which groups expressed an immediate need was analyzing local economies. However, in addition to the categories in the survey, respondents expressed interest in research focused on collaborative communications, the impact of globalization on rural residents—particularly people of color—payday lending in rural areas, the long-term impact of IDAs, and ongoing assessments of asset accumulation in low-income communities.

Jobpath in Tucson helped place 450 people in three years, and, through the organizing network, we've seen it spread to El Paso and Brownsville. If we just funded the workforce development, we'd never have gotten one center off the ground, and the people in the communities would not feel like it was really theirs.

"SPF has organized training sessions on tax policy, helped leverage funds for small community organizations in the Black Belt, and provided grants to rural start-up efforts in 11 Southern states."

- **Supporting a Multifaceted Intermediary.** Recognizing the need for both technical support and ongoing general support funding, the Heron Foundation has used a variety of strategies to support development efforts in rural communities. Given the assessment of the foundation's director, Sharon King, that there is a very thin layer of foundation support available to low-income people, Heron has both directly supported community-based development efforts and worked with intermediary organizations to supply a variety of services to the foundation's targeted constituents.

  One grantee that Heron has partnered with for over ten years is the Housing Assistance Council (HAC). "You get a lot when you work with HAC," says Heron. HAC's housing development work is in rural areas throughout the U.S., but it focuses on Indian country, the Delta, the Colonias, and Appalachia. Heron has awarded core funding to HAC at the $100,000 level for ten years and has a 10-year program-related investment (PRI) with the organization for $750,000. In addition to HAC's loan fund, which provides $12-15 million in home financing, the organization also provides technical assistance to 100 rural housing organizations and publishes research reports and policy guides for use by practitioners and policy makers.

- **Capacity-building, Leadership Development.** Headquartered in Atlanta, Georgia, the Southern Partners Fund (SPF) exemplifies an approach to rural social change work that combines funding with convening and technical assistance. SPF was created when donors at the Bert and Mary Meyer Foundation (BAMM) pledged their entire $7.5 million asset base to SPF's endowment on a dollar-for-dollar matching basis. Executive Director Joan Gardner has organized training sessions on tax policy, helped leverage funds for small community organizations in the Black Belt, and provided grants to rural start-up efforts in 11 Southern states. "We don't see funding as the only thing we do," says Gardner. "We try to use our resources to build connections." With a $1.2 million grants budget and Board of Directors of southern activists, SPF has supported issues of race and gender equity and workers' rights and provided much-needed small grants for travel, training, and technical assistance.

- **Rural Housing Infrastructure.** Although the John D. and Catherine T. MacArthur Foundation does not have a rural portfolio, the foundation has committed a sizable amount ($50 million) to support nonprofit developer-owners who collectively may be able to preserve 100,000 units of housing in rural areas. Central to the foundation's approach is the assessment that, in general, there is a "lack of appreciation for the role of rental housing." Says foundation Vice President Julia Stasch. "Homeowners don't come from thin air. Clearly, there are some people who will never be homeowners." Noting that many influential members of Congress come from rural areas and that working with USDA housing services might influence HUD, the MacArthur Foundation has provided PRIs to development efforts and supported direct advocacy research projects mounted by the National Housing Law Project and the Housing Assistance Council.

Each of these approaches demonstrates different dimensions of funding strategy. Support for the Nebraska Community Foundation demonstrates the ability to leverage financial resources. The Mott Foundation's support for organizing focuses on developing grassroots leaders and the ability of a community organizing network to replicate successful results. The Heron Foundation's ongoing support for the Housing Assistance Council demonstrates the value of long-term funding for an important social change institution that provides a wide spectrum of analyses, resources, and technical assistance to dozens of local practitioners. The MacArthur Foundation's approach illustrates the ability of a large foundation to utilize its analysis of a specific problem to provide grant support for research, direct advocacy, and PRI loans for housing development. Finally, the Southern Partners Fund demonstrates the efficacy of small grants, equal partnerships with activist board members, and a willingness to mix grantmaking with operating functions like convening.

The consensus among NRFC steering committee and staff is that after three years of operations it is time to assess the organization's work and assiduously focus organizational efforts. However, before determining the most expeditious program focus, it is necessary to revisit the organizational form—the collaboration itself.

The Collaborative Conundrum

Rural issues are too complex, multi-faceted, and deeply entrenched for any one institution or funder to have sufficient impact. Collaborations are critical among institutions in local communities and between and among funders.

"Challenges, Roles and Relationships for Regional and National Funders Investing in Rural Areas," NRFC meeting at the Annie E. Casey Foundation, 2002

When asked how NRFC had decided on a collaborative structure, Executive Director Jim Richardson stated that the organization's original vision was to be "a learning collaborative that made grants to learn about best practices and lessons and that also leveraged additional dollars to transform rural communities."

This rationale fits closely with the benefits of collaboration for funders investing in rural areas articulated at a 2002 funders meeting hosted at the Annie E. Casey Foundation. In addition to learning about more effective strategies, developing relationships with local funders who had their "ear to the ground," and leveraging additional funds, meeting participants also expressed an interest in "transparency…a kind of philanthropy that is more than grants and uses a much broader spectrum of investment resources and tools…honesty in conveying what is working and not working."

Barbara Gray's *Collaborating: Finding Common Ground for Multiparty Problems* describes collaboration as "a process through which parties who see different aspects of a problem can explore constructively their differences and search for (and implement) solutions that go beyond their own limited vision of what is possible." More specifically, collaborative projects are often viewed by grantmakers and participants as opportunities to address a number of interrelated dynamics, including: (1) enhancing the ability of a wide range of organizations to address complex problems by building social infrastructure and realigning organizational relationships; (2) making more efficient use of scarce resources; (3) engaging and empowering disenfranchised community residents; and (4) providing a process and structure that can address sweeping changes in a political context, while affirming group identities and promoting interdependent problem-solving. (*Evaluating Collaboratives,* 1998)

However, while the enticing goals of collaborative work, coupled with the potential "value added" of multiple contributors learning together and crafting innovative solutions to complex problems, are attractive to grantmakers and practitioners alike, the reality of collaborations, however successful, is, simply put, they aremore work. Internally, collaborative members must address multiple organizational agendas, different leadership styles and cultures, imbalances in organizational resources, the "isms" related to race, class, and sex, structural power, a wide variation in groups' experiencesof working together, and different approaches for accomplishing change.

Factors that Enhance Successful Collaboration	Barriers to Successful Collaboration
• Collectively perceived need for collaboration • Positive attitudes toward collaboration among stakeholders • Partners see others as a valuable resource • Adequate funding and resource allocation • Common commitments to a goal • Existence of prior relationships • Environment of honesty and accountability • Clear and open communication • A complementary diversity among staff, leadership, and constituency • Leadership styles favor collaboration • Regular opportunities for exchanges among organizations and across constituencies • Respect for diverse organizational structures, capabilities, and needs • Support from multiple constituency bases • Willingness to invest resources of time, personnel, materials, and/or facilities • Availability of technical assistance • Willingness to assess collaborative's internal dynamics and external outcomes	• Costs outweigh actual benefits • Bureaucracy inhibits communications • Failure to address power dynamics and internal tensions • High staff and leadership turnover • Lack of geographic proximity • Lack of resources/insufficient funding • Lack of support for staff work • Frequent and unwarranted interventions by funders • Sense of competition for resources among participating organizations • Differing approaches to leadership and decision-making • Fear of a loss of program, identity, prestige, and/or authority • Inability to address conflict • Unwillingness to address structural inequities ("isms") within the collaborative • Different organizational priorities, ideologies, outlooks, and/or goals • Lack of common "language" • Historically poor relations between organizations • Inability to execute program objectives • Inappropriate allocation of resources

Source: "Evaluating Collaboratives," University of Wisconsin Cooperative-Extension 1998

Externally, collaborative efforts are affected by the political trends in the state or region in which they are operating and the ability of the collaborative's leadership to secure the participation and support of a broad array of actors. Ultimately, successful collaboratives must learn to consolidate a political vision and implement a plan of action across intracollaborative differences— including staff, leadership, and constituent members, They must also negotiate external relationships with regional and/or national networks, other formations, grantmakers, and technical assistance organizations, and balance the capacity-building needs of partner organizations with the capacity needs of the collaborative itself.

NRFC's work is challenged by an additional layer of complexity: not only is the organization itself a collaborative effort of grantmakers and practitioners; the initiatives that the organization funds are collaboratives, as well. Given these choices, NRFC has shouldered the organizational demands of building and maintaining collaborative mechanisms internally for the groups' partners and externally for NRFC grantees. How does the choice of "collaborative" as the primary organizational vehicle for both grantees and the key grantmaking institution shape the workload of the

NRFC staff? In the words of one staff member, "It more than doubles our work. We are trying to support groups in the field who are trying to collaborate, and we are trying to build the NRFC collaboration. Each group has a unique set of problems, and because NRFC is a partnership of funders, it has important, but different, needs."

Staff and steering committee reaction to how the collaborative has functioned varies considerably. One steering committee member observed, "I know it's hard to keep funders involved, but the collaborative process is difficult. We seem to move one inch forward and _ inch back. It's hard to gather momentum." Three others felt that "The collaborative has not really come together as a learning organization…There are not enough opportunities to share strategies." Another committee member expressed frustration, believing that "Some of our existing institutions are 'stuck,' they are unwilling to face the challenges of today, like issues of race."

These kinds of difficulties with new collaboratives, while distressing, are not unusual. As the stages of collaborative development chart illustrates, like single nonprofit entities, collaborative enterprises go through stages of organization development. With each stage of development, collaborative partners are faced with different questions and decisions.

Stages of Collaborative Development

Stage 1. Begin the Collaborative: Groups assess the external environment, explore options and recruit key organizational players, and develop initial vision, goals, and desired outcomes for the collaborative.

Stage 2. Develop the Collaborative: Key leaders secure resources and develop a program approach, joint agreements, staff structure, division of labor, and decision-making structures. Groups at this stage also design pilot activities and communications structures and allocate resources.

Stage 3. Evaluate and Assess: Based on the initial work of the collaborative, the group members evaluate the structure, division of labor, mix of participants, areas of conflict, and anticipated versus actual outcomes.

Stage 4. Reinforce and Refine: Collaborative members reinforce all work that has moved the collaborative towards meeting program goals, refine systems to maximize capacity-building strength, and readjust decision-making structures, approaches, and resource allocation to be congruent with the Stage 3 assessment.

Stage 5. Institutionalize or Integrate: Collaborative members evaluate the overall success of the effort, including internal development and external impact, and then decide whether to institutionalize and continue the collaborative or end it, integrating its functions into ongoing organizations.

Applied Research Center 2005

While the organizational difficulties raised by forging collaboratives are normal, it is important to note that the issues are compounded by NRFC's maintenance of a small, decentralized staff and the organization's dual levels of capacity-building—for itself and grantee formations. Is it possible for a beginning collaborative to balance its own needs with those of funded organizations? The answer is yes—but. Yes, but the collaborative must place some limitations on organizational activity.

"HIP provides planning grants to perspective grantees and convenes groups twice a year to help build a 'peer-to-peer' network."

Below are three examples of collaboratives that illustrate the value of focusing organizational resources:

- The **Funders' Collaborative for Strong Latino Communities,** organized by Hispanics in Philanthropy (HIP), has a goal of increasing philanthropic investments in Latino nonprofits and leaders. HIP has raised more than $20 million and has made grants to more than 250 Latino-led nonprofits across the Americas. Grants are often two to three years in length, and the collaborative supports organizations in 15 sites in the U.S. and three abroad. HIP provides planning grants to perspective grantees and convenes groups twice a year to help build a "peer-to-peer" network. One of the unique dimensions of the partnership is the involvement of funders in regional funding decisions. The project makes grants through regional committees comprised of a variety of stakeholders. The process has created a network among funders and grantees, encourages shared learning, and results in common ownership of efforts funded.

- The **California Endowment**, working in partnership with the **Rural Community Assistance Corporation**, developed a geographically focused project to improve the health and housing infrastructure for farmworkers in two regions of California. The project includes the largest long-term PRI ever awarded to a nonprofit corporation ($20 million over 30 years) for financing for farmworker health and housing projects, and an $11 million grant that supports technical assistance to grantees, specific funding for additional fundraising from corporate sources, and an ongoing commitment to attempt to leverage an additional $200 million bond from the state for additional housing.

- **The Aspen Institute's Rural Development Philanthropy (RDP)** project focuses on creating locally controlled endowment and grantmaking programs to improve rural livelihoods, economies, and community vitality. RDP engages a broad range of economic development, community, and philanthropic organizations. The project has created a learning network that includes community foundations and other community-based organizations that engage in rural development. One of the advantages of the RDP project is that it is built on a solid base of community foundations. One example of project relationships affecting local community relations was the ability of a community foundation in Montana to employ an asset-building strategy to change the relationship between Native people living on the Blackfeet reservation and owners of a local resort. Project staff observed that the difference between their 1998 survey of community foundations and the 2004 survey was a major jump from 464 designated rural funds to 1079—a 132% increase. The funds reported assets of $1.24 billion.

What are some of the lessons to be gleaned from these approaches?

1. **Focus Matters**. The HIP project focuses on Latino communities. In order to do so, the project members developed very specific standards for what would constitute a Latino organization. In terms of leadership, either the senior management, executive director, or a majority of board members had to be Latino, and the mission statement had to either explicitly target Latinos or a Latino subgroup, or the majority of people directly served had to be Latino. The health and housing infrastructure project, funded by the California Endowment, is focused on a specific constituency and on a geographic location. The targeted focus of these projects enables project promoters to more easily amass resources and document progress.

2. **A Long-haul Perspective Improves Chances for Success**. Having a long-term view allows projects adequate time for planning, assessment, and readjustment. Aspen's formation of the learning network was a way to build synergy among participants. Both the Endowment's project and the Aspen work have long-range funding commitments. The projects have time to build relationships and to develop additional resources.

"Having a long-term view allows projects adequate time for planning, assessment, and readjustment."

3. **Specifying an Organizational Division of Labor can Efficiently Allocate Resources of the Collaborative.** Collaborative work requires real partnerships and calls for some up-front discernment about a division of labor. Although it makes grants, Aspen's contribution to the collaborative is not grantmaking — it is network building, research, and leadership development. When the Endowment wanted to provide groups with research or technical assistance, it funded groups to do that specialty work. HIP's main goal was developing support for Latino organizations.

4. **Allocating Adequate Resources for Developmental Activities helps Collaboratives to avoid Budgetary Tensions.** When HIP initiated efforts to convene national training and networking sessions for grantees, it found that it did not have sufficient funds in the organization's operating budget, so staff had to conduct additional fundraising for the leadership training institute. While it is true that in order to effectively address deep social problems it is necessary to attack the problem from a number of vantage points, if the collaborative does not have adequate resources to operate, its efforts will fall short of anticipated goals.

5. **Establishing Clear Roles for Individual Participants Can Increase Effectiveness and Buy-In**. Both Aspen and HIP staff attribute project success, at least in part, to defining clear roles for participants. Both HIP and Aspen partners are active in specific grantmaking initiatives, and the HIP staff has utilized partner expertise to develop networking activities.

Choices and Challenges for NRFC to Consider

Many of the questions that NRFC is face with are very appropriate for an on organization completing phase two of collaborative development and entering phase three. The key tasks in these phases are to asses past decisions, protocols, and procedures, reexamine goal vis-à-vis anticipated outcomes and to refine the allocation of organizational resources. Below are eight specific choices and challenges for examining these issues within the collaborative.

1. **Organizational Focus.** As Jim Richardson's June 2005 memo points out, in this early part of the collaborative's development, in addition to being a grantmaker NRFC has functioned as a **Convener**, a **Catalys**t for greater investment, a **Collector** of lessons, a **Connector** linking the work of its partners, and a **Capacity-builder** for grantees. Should the organization prioritize its focus to three of these areas for the next five years?

2. **Capacity-building**. NRFC grantees, other practitioners, and funders interviewed supported both the general observation that there were very real capacity-building needs in rural communities and the added insight that capacity-building was an important component of making collaborations work. Leaving open the type/s of assistance that NRFC might provide, there is also the question of how it might be delivered. Should NRFC:

   - Have the organization's staff deliver TA?
   - Partner with an intermediary that delivers TA?
   - Contract with one or more institutions to deliver TA? and/or,
   - Grant additional funds to grantees and let them choose their own TA provider/s?

3. **Ongoing Partnerships**. Many of the funders interviewed had strong, long-standing relationships with policy groups, training intermediaries, research organizations, etc. Currently, NRFC's major partners are funders. Who are the strategic allies (in addition to funders) that might work most efficiently and effectively with NRFC to build and maintain a learning network, develop local advocacy capacity, and leverage funds?

4. **Development vs. Organizing.** Although NRFC defines the goals of the organization's work in terms of rural transformation, the organization's major funding thrust and the orientation of most strategic partners reflect an economic development framework. ARC's experience is that while development and organizing work can be related, too often they aren't. The attraction of deal-making with big financial institutions and large governmental agencies can unintentionally overshadow the importance of the agitation and "haves vs. have-nots" negotiation in a good organizing campaign. Should NRFC explicitly include and support organizing as one of its strategies for rural transformation?

5. **Racial Equity.** Given the geographic concentration and racialization of rural poverty, it is clear that it is not possible to obtain real impacts in mitigating rural poverty without addressing issues of race. Should NRFC develop a programmatic initiative to address issues of race and poverty?

6. **Leveraging**. Steering committee members had many ideas for leveraging funds. "Opening a PRI window" was an approach articulated by two funders. However, the question of clearly articulating a leveraging strategy was broader than PRIs. Several steering committee members suggested that while tracking the additional grants garnered by grantees was useful, it did not necessarily track NRFC "leveraged funds." There were suggestions about NRFC's potential ability to influence funding initiatives, to recruit "unlikely suspects" to join into joint PRI ventures, and to initiate regional funding partnerships.

7. **Funding Focus**: In NRFC's first three years, the collaborative granted $3 million, funding 17 groups in all regions of the country. For a startup organization, especially one that is attempting to secure funding partners and experiment with different on-the-ground strategies, this approach allowed NRCF to test approaches, funder interest, and internal organizational capacity. However, as the collaborative moves into the next phase of its own development, can it continue to fund eclectically, or must it narrow its funding focus to assess impact?

8. **Reexamine the Asset/Income Strategy.** In his keynote address in the 2003 Wealth Creation and Rural America conference cosponsored by NRFC**,** Michael Sherraden noted, "While income and assets, or wealth, are strongly related, they are different concepts with different meanings. Income refers to the flow of resources in the household over time (i.e., salaries, wages, government transfer)…In contrast, wealth refers to the total amount of an individual's accumulated assets at a given time." Given the major shifts in rural economies, the loss of well-paying manufacturing jobs, and the increase in low-wage jobs in retail and meat processing, it is important to develop strategies that address wages and the ability of rural residents to earn family-supporting incomes. As Kamau Marcharia, South Carolina organizer for GrassRoots Leadership points out, "It's difficult to develop assets if you're in a minimum-wage job." Can NRFC implement a funding strategy that addresses both income and assets?

Section III: Affirming a Transformational Framework

Thus far this report has examined emerging trends in rural communities, funding strategies of both individual foundations and collaborative projects focused on rural development, and NRFC's funding and networking efforts to support rural social change. However, despite the successes of these efforts and the Aspen Institute's finding that community foundations are designating more funds for work in rural areas, our conclusions from the first section of this report still stand. 1) rural poverty cannot be alleviated, nor wealth created, without addressing racial disparities; 2) no comprehensive approaches are currently in place to address the expansion of rural prisons or the rapid spread of low-wage, high turnover meat processing and big box retail jobs; and 3) policy efforts matter. How can NRFC's work address these fundamental issues? Affirming and implementing principles of rural transformation is an important first step.

Over forty years ago, Thomas Kuhn wrote a book called the Structure of Scientific Revolutions. (Kuhn 1962) In it, he argued that the world view of "normal science" is "predicated on the assumption that the scientific community knows what the world is like" and that "normal science often suppresses fundamental novelties because they are necessarily subversive of its basic commitments." A *shift* in commitment from commonly shared assumptions is what Kuhn calls *scientific revolutions*. Although the theory is similar to the more modern notion of "thinking outside the box," there is an important difference. For Kuhn, the development of either a new sort of phenomenon or a new scientific theory demanded the rejection of an older paradigm. In this vein, *NRFC has already taken an important analytical step in moving away from the accepted paradigm of rural development and adopting a framework of* rural transformation.

Rural Transformation

In contrast to the notion of rural development that many state agencies define as "ability of rural communities to develop, to grow, and to improve their quality of life by targeting financial and technical resources in areas of greatest need through activities of greatest potential," rural transformation, a paradigm that grew out of movements for social change that originated in developing countries, explicitly addresses issues of power and barriers to change. The definition of rural transformation was debated and honed by dispossessed indigenous peoples in Africa, agricultural workers in Latin America, fishermen in different parts of Asia, and truck farmers in the Middle East. Where there are many variations in definition, the one below is based on statements by the UN Decade of Education for Sustainable Development: "Rural Transformation involves rural people working collectively and with others in a myriad of proactive and positive processes, involving legislative, institutional, political, economic, measures that seek to improve the quality of life of rural people, informed by a concrete appreciation of class, gender, race, environment, and the movement of global forces."

What does this definition mean for NRFC's work? It suggests that the Collaborative accepts a number of operating principles:

1. *Transformational work happens in a context where there are structural (class, gender, race, legislative, environmental) barriers and reduces these barriers.*

2. *The work itself is a process, a way of reaching a goal. Success will require a different vision, on-the-ground configurations, and practices.*

3. *Affected people have a role in deciding a course of action.*

4. *It is necessary to coordinate multiple activities to reach the goal of improved rural life.*

5. *Collective mobilization/action is important to maximize the experience of collective power.*

6. *If the collaborative supports work that is really breaking new ground and operating in unique innovative ways to achieve goals defined by affected constituents, then NRFC must be prepared to take some financial risk. "New, innovative and real," however incisive and well-thought-out, do not always produce success.*

The final portion of this report includes recommendations for meeting rural transformation objectives, grantmaking, and internal operations.

I. Recommendations Related to Rural Transformation

- **Establish "transformational" criteria for grantee organizations**, including:

    - A vision for the work that generally addresses structural barriers and *explicitly addresses issues of race;*

    - An on-the-ground strategy for involving people affected in decision making;

    - A multidimensional approach to change that explains how the group will employ collective mobilization and organizing, as well as policy enhancement and community development.

    - A plan for partnerships that enhance the ability of the project to achieve its goals without compromising the needs and interests of those most affected.

- **Commit to a model of multi-year support.** Given the complexities of rural transformational work, the collaborative should consider choosing five to seven projects for long-term (5-7 years) general support. NRFC has already repeated first-time grants to a number of current grantees and some of the Collaborative steering committee members have said that "being committed to the long haul" is important for continuity in rural work. We recommend that grants be mid-range ($100-150,000) and that grantees meet at least 3 of the 4 criteria transformational criteria (above) for NRFC grantees.

- **Support new, small and smart.** Search out, assess, and support new, smaller, innovative projects. Given NRFC's national connections to the funding world, the academic community, and policy groups, the collaborative could use its connections to leverage additional funds, enlist additional resources (research and capacity building), and bring in additional (governmental and financial) partners that might not be as easily recruited by project leaders.

Communities Adjust for Economic Survival

Regional Development Digest, March 2005

In the early nineties, northwestern states like Northern California lost thousands of timber-related jobs when restrictions on timber harvesting took effect. Due to the drastic employment decline in the timber and textile industries, particularly in rural communities, regional development organizations have been actively assisting communities find alternative ways to offset the jobs lost when these industries disappear.

The rural, timber-dependent communities in Washington, Oregon and California partnered to launch the Northwest Economic Adjustment Initiative. The Initiative was designed to provide temporary financial assistance to areas impacted by federal policy that stopped timber harvests to protect the endangered Northern Spotted Owl. The goal was to diversify their economies, and assist workers, businesses, tribes and communities affected by reductions in federal timber harvests. The Initiative allowed the federal government to work with state, tribal, and local officials and representatives of the nonprofit and private sectors to streamline assistance to help retrain dislocated workers, encourage and support investment and business retention and expansion, and develop infrastructure and professional capacity for economic development in impacted communities.

Under the Northwest Economic Adjustment Initiative, the Tri-County EDC, Superior California Economic Development and the Arcata Economic Development Coalition were selected to administer nine separate grants to create Revolving Loan Funds (RLFs). "Our task was to identify businesses that could expand," Nemanic said. **The EDC funded $1.5 million in loans in two counties and leveraged $7.7 million in private investments. These 18 loans have created or retained 62 jobs.** (emphasis added)

How does this project fail to meet the criteria for rural transformation?

The project has a number of desirable attributes: it responds to changes in the rural economy, combines public and private partners and contains an entrepreneurial dimension. However, after expending $9.2 million, it only created or retained 62 jobs—at a cost of $148,000 per job. Not only does the approach fail to address structural issues, in this case, "doing something" is both inefficient and inadequate. It neither develops alternative livelihoods nor does it address the problem at scale.

II. Recommendations Related to Funding Priorities

- **Focus grants in one issue area**. We feel that it makes more sense for NRFC to choose a discreet issue area as a focus, and then to select and support a cluster of groups to address the issue, than for the organization to adopt a regional focus. For instance, while wealth creation is an important general category, it is very broad and includes individual development accounts, addressing predatory lending practices, helping low-income people obtain home ownership, etc. All these approaches have merit, but *because the conceptual category of wealth creation is so broad, it is difficult to invest limited dollars nationally or regionally and discern tangible impact*. ARC recommends choosing a single dimension of wealth creation and investing in a cluster of groups doing similar work. The cluster could build knowledge and synergy among the groups supported and attract additional funders. Our suggestion for an issue focus area is securing and maintaining rural family income. As Lerza (1999) points out, "In almost any rural community, it is not enough to be 'against' – fighting to stop a landfill, for instance. Each fight must be accompanied by an effort to create jobs and development that will meet community needs and provide good jobs." (see box on the Economic Accountability Project) Income issues could include very low-income groups working on migrant, meat processing, and retail worker issues as well as groups working on addressing barriers and improving opportunities in welfare-to-work programs.

- **Expand the profile of potential grantees**. Change the policy that requires funding only collaborative efforts. Collaboratives can be wonderful—when they work. And while broad participation can give collaboratives a lot of external clout, they formal organizational entities, and they presume a certain amount of organizational structure and capacity to participate. Most importantly, they are difficult structures through which to "give voice" to new or emerging leaders. (There are, of course exceptions -- both Southern Echo and the Alabama Organizing Project are collaboratives that foster the development of grassroots leaders and organizations.) Therefore, in order to give NRFC the option to invest in a variety of efforts, we recommend that the collaborative expand the kinds of organizations it will consider funding to include new, single issue organizations.

- **Redefine leveraging goals and activities**. Refine the Collaborative's notion of leveraging, allocate staff resources for leveraging and develop systems to track progress. Specific program components may include:

    - More specific tracking of additional money for grantees directly raised by NRFC.

    - Projects initiated by NRFC. (For instance, if NRFC were to develop a cluster on securing and maintaining rural family income, the collaborative could leverage funds for developing and expanding the whole project, for individual groups, for ancillary TA services, for documentation and evaluation, etc.

    - Involving additional or different types of partners. For instance, using again the income focus, NRFC could work with the National Economic Development and Law Center to help funded groups develop a relationship with regional hospital associations, to help them fill the gap in trained professional personnel by training people eligible for the state-sponsored welfare-to-work program.

III. Internal Organizational Recommendations

- **Re-envision the NRFC Budget.** Currently the majority of the NRFC budgetary allocations is targeted toward grantmaking. This is a good trend, and for many new, ambitious, and innovative efforts, it's an important emphasis. However, NRFC cannot successfully fund and operate without a frank discussion of resource development and allocation. A re-envisioning of the Collaborative's budget would include a reassessment of budgetary percentages for leveraging, overhead, capacity building, grants, publicity and outreach, and work with partners. While it is easier to "double dip" these activities in an organization's early stages, as organizations grow, costs in these categories will increase. The discussion will also help collaborative members see where their future contributions will go and may even inspire some of them to help raise additional funds.

Economic Accountability Project

In Florida, Wal-Mart has 91,000 employees representing 42 percent of Medicaid-eligible individuals. Wal-Mart does not just shift health-care costs onto taxpayers, it does so at a level well beyond that of any other companies. Every time an uninsured Wal-Mart worker goes to the ER and can't afford to pay for treatments, all Floridians are picking up the bill. Medicaid costs in Florida, never cheap, have more than doubled over the past 10 years, from approximately $6 billion in 1995 to more than $14 billion today.

State Representative Susan Bucher (D-West Palm Beach),
Opinion Orlando Sentinel & *Tallahassee Democrat*, (April 19, 2005)

There is no clearer pattern of the business model pioneered by Wal-Mart than in the stretch from St. Petersburg to Tampa to Orlando, Florida, one of the highest growth population corridors of America. One thousand new families move to Orlando every week in search of jobs, affordable housing, and a future. A sizeable percentage of newcomers to the area are people of color.

Over the last 2 years, the Labor Neighbor Research and Training Center, a national effort initiated by ACORN, has been collaborating with community groups, unaffiliated big box workers, religious groups, and civic organizations to develop new strategies that can unite these interests and unite communities to systematize the provision of benefits, particularly health benefits. It has recently been determined that state law may require – or may allow these communities to initiate provisions that would create mandatory – *economic impact statements* before making decisions about big-box locations. Requiring economic development assessments *prior* to approval of big-box operations could be a breakthrough. The project enlisted the support of the Sierra Club of Florida in evaluating potential impacts, and the help of Clean Water Action in assessing run-off in wetlands and other intrusions. In addition, it has engaged the assistance of a "business demographer" at the University of Florida at Gainesville, who is willing to help communities assess the impact on small business as well as the overall community.

By employing a strategy that includes traditional "cost/benefit" analysis, community education and mobilization, legislative briefings, and public engagement, the project may be able to bridge issues that affect multiple constituencies and municipalities, exploring solutions that could model agreements for living wage jobs and responsible development all over the country.

- **Separate capacity-building activities from operations and granting.** Develop a plan for capacity building that takes into account the needs articulated by grantees. Because these needs vary, *our specific recommendation is that NRFC not attempt to conduct TA*, but that the organization allocate specific funds (and attempt to leverage more if necessary) and hire an organization that becomes the TA coordinator. The job of the TA coordinator would be to work closely with funded groups and link them with appropriate TA providers, giving the grantees maximum flexibility in the choice of providers.

- **Invest additional organizational resources in internal organizational development:**

    - Work directly with steering committee members, focusing in developing formal opportunities for collective learning and division of labor.

    - Allocate staffing resources to reflect budgetary re-envisioning.

    - Regularize and formalize staff division of labor, planning, and communication.

- **Formalize Partnerships with Intermediaries.** From a diverse pool of potential partners, formalize relationships with 2-3 key intermediary organizations that share NRFC's values but make different contributions to rural transformation. NRFC has already had contact with a number of potential partners mentioned in this report, including HAC, NEDLC, NADO and others. For leveraging efforts, we specifically recommend that NRFC partner with the Aspen Rural Development Philanthropy project. We would suggest that the collaborative investigate the work of a number of regional intermediaries, including regional policy and advocacy groups like the Northwest Federation for Community Organizing (NWFCO), funding intermediaries like Southern Partnerss Fund, or issue-based intermediaries like the Labor Neighbor Research and Training Center (see Economic Accountability Project). We suggest partnering with 2-3 of these organizations on specific projects and recommend that NRFC consider expanding the steering committee to include their knowledge, views, and experience.

Summary of Recommendations

1. Establish "transformational" criteria for grantee organizations, including an on-the ground strategy for involving affected constituents and a vision that addresses structural barriers — *explicitly issues of race.*

2. Commit to a model of multi-year support—five to seven years with mid-rang rants of $100-$150,000.

3. Support new, small and smart—find and fund innovative new projects and use NRFC's funding, research, and policy links to strengthen these projects.

4. Focus grants in one issue area – invest in a cluster of groups working on different dimensions of the same issue.

5. Expand the profile of potential grantees to include single organizations or grassroots coalitions conducting innovative work on NRFC's targeted issue.

6. Redefine leveraging goals and activities—develop tracking mechanisms to track progress on leveraging funds and other resources.

7. Re-envision the NRFC Budget—readjust budget based on newly anticipated expenditures for leveraging, capacity-building, etc.

8. Separate capacity-building activities from operations and granting. Hire an external coordinator to assist groups in meeting their capacity-building needs.

9. Invest additional organizational resources in internal organizational development—develop an executive committee to help make key planning decisions and formalize staff division of labor.

10. Formalize Partnerships with Intermediaries—from a diverse pool of potential partners, choose 2-3 intermediaries to partner with to achieve key collaborative goals.

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Capacity-building Survey

I. Planning & Organizational Development

Need	Immediate	Long-term	Not Needed	NA
1. Board development				
2. Fiscal management				
3. Strategic planning assistance				
4. Managerial skills				
5. Long-term program development				
6. Using technology effectively				
7. Staff development				
8. Program/Project evaluation				
9. Collaborative development				
10. Succession planning (next generation leadership)				
11. Rural transformation strategies				

II. Financial Assistance

Need	Immediate	Long-term	Not Needed	NA
12. Financial analysis				
13. Economic data analysis reports				
14. Business retention and expansion strategies				
15. Budgeting				
16. Marketing				
17. Market analyses				

III. Fundraising

Need	Immediate	Long-term	Not Needed	NA
18. Grant writing				
19. Soliciting foundations				
20. Donor development				
21. Organizing fundraising events				
22. Soliciting government grants				
23. Securing corporate sponsorship				

IV. Policy Development

Need	Immediate	Long-term	Not Needed	NA
24. Working with legislators				
25. Turning policy ideas into legis. proposals				
26. Legislative advocacy				
27. Media management				

V. Community Organizing

Need	Immediate	Long-term	Not Needed	NA
28. Membership development				
29. Message framing				
30. Leadership development				
31. Campaign planning and development				
32. Negotiation and coalition-building skills				
33. Building and maintaining constituency				
34. Public speaking				
35. Youth engagement				

VI. Research & Analysis

Need	Immediate	Long-term	Not Needed	NA
36. Community needs analysis				
37. Analyzing local economies				
38. Data management and analysis				
39. Regional impact analysis				