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Keeping rural communities strong

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KANSAS CITY, Mo. — Are you an aging farmer or landowner worried about population loss in your community, how it will fare in the future and who will own and operate the farm and ranch land?

You should consider leaving part of your money or land to community foundations or other local institutions when you transfer wealth to your children who have moved away, a panel of rural leaders and a former Republican congressman said at a Kansas City, Mo., conference on rural philanthropy sponsored by the Council on Foundations.

Across rural America, farmers and landowners are bothered by population loss and whether their communities will be able to afford the kinds of schools, hospitals and amenities that middle class people demand, conference leaders said. The income from some wealth left behind can make up for the loss of some tax base and the increasing difficulty of getting the kind of federal funds the government has provided for education, health care and other programs in rural America, they said.

"If only a small portion of the intergenerational wealth transfer was gifted back to community endowments where the wealth was built, rural Nebraska would have millions of dollars each year to reinvest in education, health care, recreation, child care and importantly, economic advantages for families to prosper," Jeff Yost, president and CEO of the Nebraska Community Foundation said at the conference. "NCF encourages people to consider their community as another child."

"We have to capture this money before it leaves the community forever," said Steve Gunderson, the former Wisconsin Republican congressman who is president of the Council on Foundations, a Washington-based group that advises foundations of all types.

Investment in the future

Community foundations are tax-exempt local charities that "gather" people's donations to enable investment in a community's future, Gunderson said. Many communities already have such foundations, he said, noting that the Council on Foundations is willing to advise communities on how to set them up and how people can donate small amounts of money. Donors to the foundations get tax breaks.

Farmers and landowners in Nebraska, South Dakota and other states already have proven willing to give part of their land or money to community foundations and other institutions that can help their home towns in perpetuity, the rural leaders said, and the idea is spreading.

The money has been used for everything from local business development to buying computers in schools, and making child care available and maintaining vocational agricultural education programs that the school system no longer might be able to afford.

Some farmers have addressed another fear — absentee land ownership — by leaving land to local foundations that are willing to manage it and rent it to local farmers rather than sell it.

Study of rural Nebraska

The idea that farmers should leave some wealth to their communities started at the Lincoln, Neb.-based Center for Rural Entrepreneurship, an economic development group that was looking for capital in rural America.

After Boston College in 1999 conducted a national study of the levels of wealth in the United States and how that money would be transferred to the next generation, the center's Don Macke, a former aide to Nebraska Democratic Govs. Bob Kerrey and Ben Nelson, took the data and analyzed it county by county in Nebraska. Macke's 2002 study focused not only on the value of assets but also on the age of the people who owned the farms and ranches in each county.

The study showed that in rural Nebraska counties alone, at least \$94 billion will transfer from one generation to the next in the first half of this century. That amount undoubtedly has gone up with increasing land values. Since 2002, groups in South Dakota, Indiana, Maine, North Carolina, Kentucky, western North Dakota, Nevada, Pennsylvania, Texas, Vermont, Illinois, Michigan, Ohio and northeastern New York all have hired Macke to conduct studies of the wealth in their communities.

Undiscovered wealth

Rural Americans often do not realize how much wealth is in their communities, Macke said, noting that although most farmers and ranchers have better balance sheets than local merchants, they rarely are solicited for donations.

Once he has used all kinds of data to complete a study, Macke said he figures out the location of elderly farmers and landowners, who most likely are to be planning their estates. Then, he said, it's up to local people to identify the individuals and ask them for donations.

Macke noted that the case for encouraging farmers to help their communities thrive is compelling because population loss does not mean economic decline in agriculture.

"This (is) not simply about managing decline," Macke said. "Farm ground is going to be farmed. Will it be by hired hands? Will there be enough community left where people can go to get health care and will there be enough kids to come to the birthday party?"

Bob Sutton of the South Dakota Community Foundation, who had Macke conduct a study of his state's wealth, said he expects \$38 billion to \$44 billion to be transferred in the coming decades, and that if local institutions can capture only 5 percent of that, they will have a \$2 billion endowment. In a state whose government budget is only \$2 billion per year, the income from that endowment could have an incredible impact, providing services and amenities that the

government doesn't provide.

In his quest for donations, Sutton said he drives right past the city people who have \$750,000 houses and expensive cars in the yard because they are more likely to owe money than have it to give. He goes to the counties with the sparsest and most elderly population and the most land in production.

"I don't go where the transfer of wealth is 30 years from now," Sutton said. "I go where it is happening now."

"It takes the local group of individuals to work hard," Sutton said, joking that he uses Jack Daniels, cabernet sauvignon and Bud Lite to get people to loosen up and reveal who the big, elderly landowners are.

After potential donors are identified, local leaders make the case that farmers and landowners "should give back to the community where they've made their money," rather than transfer it all to children who have moved to Omaha, Kansas City, Mo., Minneapolis and Denver.

Yost said the process of identifying donors and asking them for money serves a much bigger purpose.

"It makes the community aware that they have a greater chance of controlling their destiny" and encourages them to think about what could make their community more attractive in the future, he said. One lesson he said the Nebraskans have learned is that rural communities often have built community centers and institutions, but have not provided endowments for the running of those buildings in future years.

Where does the money go?

But the local group has to know what they want to do with the money.

"Rural people are very pragmatic," Macke said. "They love their community but they're not going to give blindly."

Many of the foundations have affiliated funds that benefit small communities, so there is not the fear that the money will be wasted by people in Omaha or Sioux Falls who don't know what is going on in the rural areas of the states.

"The only people who can save small towns are the folks who live in small towns," Yost said.

The process of soliciting donations involve teaching farmers and ranchers about philanthropy — a word some of them do not recognize, noted Donnell Mersereau, vice president for community foundations at the Council of Michigan Foundations. Many farmers give to their churches, she said, but don't have much experience with other donations.

Sutton noted that college graduates often give to their alma maters, but that most of the farmers and ranchers who now are retiring did not go to college, so the community foundations do not have to compete with those institutions.

On the other hand, he said, rural cemeteries tend to be well endowed, and he sometimes suggests to potential donors that they should give to the future as well as the past.

Sutton also explained the difference between what a donation to a community foundation could do compared with an investment in an ethanol or soybean processing plant. The community foundation, he said, would create the conditions that may be needed before a plant could be built or attract workers who would want to stay in the community.

Some donors, Sutton said, are particularly interested in making sure that farmers will have services nearby that they need. A foundation in Ohio worked with four high schools to maintain vocational agricultural education while farmers in other areas have said they want to make sure welding continues to be taught.

Many community foundations have set up scholarship programs and have recognized that young people who are not the best students still will be productive members of society if they can get practical skills.

"There is a general worry that no one will go into farming or ranching," Sutton said.

Elderly rural people may recognize that tax income isn't high enough to pay for everything their communities need.

"They aren't saying raise taxes," Sutton said, but are willing to contribute money for what they think the community needs.

There are limits to the community foundation movement. Although a study has been conducted in North Carolina, there hasn't been much activity in the rest of the South. Most farmers and ranchers haven't shown much of an interest in helping the growing Native American and Hispanic populations that include some of the poorest people in rural America.

But Macke noted that churches are increasingly making rural Americans more aware of the problems of minorities. Macke said he thinks it's important to help the immigrant youth in meatpacking plant towns integrate into the society because people usually work in those plants for only one generation and the youth could hold higher level jobs or become entrepreneurs in small towns — or move on to the cities.

And what about those farm children who have moved away but inherited the land?

Macke and Sutton said it's important to try to capture the wealth from the parents who have strong ties to the community. Sutton said the people who stay in the community will ask their high school classmates for donations, "but it gets harder."

Sutton compared the interests of the farmers and their children this way: Farmers may hunt and support the National Rifle Association, while their urban children and grandchildren may support Greenpeace and the People for the Ethical Treatment of Animals. The connection, he said, "gets tenuous."

Gunderson still hopes those who have moved away will contribute.

"We need rural American children who have become adults to send resources back home," he said.

But he also acknowledged that the fundraisers should focus on the farmers who have spent their lives in their communities.

"The clock is ticking," Gunderson concluded. "We are in the peak of the intergenerational transfer of wealth in rural America today."

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