

The Philanthropic Divide

I. What is The Philanthropic Divide?

The Increasing Gap in Foundation Assets

The Philanthropic Divide refers to the rapidly increasing gap in foundation assets between those states with the most, and those with the least. According to data from the Foundation Center, the 10 states with the least amount of foundation assets as reported in 1990 had an average of \$63 million in assets per state. A decade later, the average amount of assets per state for the 10 bottom ranked states had grown to nearly \$400 million. The 10 states with the largest amount of foundation assets as reported in 1990 had an average of \$9.3 billion per state, which grew to an average of \$26.2 billion per state a decade later. **The gap between the average amount of assets per state in the 10 bottom ranked states and the 10 top ranked states according to 1990 figures was \$9.3 billion; a decade later the asset gap had increased to \$25.8 billion.**

What States Comprise the Philanthropic Divide?

According to Foundation Center data published in 2000, the 10 states with the least amount of foundation assets are: Alaska - \$58 million (ranked 50), North Dakota - \$91 million (49), Montana - \$200 million (48), Vermont - \$302 million (47), South Dakota - \$352 million (46), Wyoming - \$506 million (45), Mississippi - \$552 million (44), Maine - \$540 million (43), West Virginia - \$608 million (42), and New Hampshire - \$770 million (41). By way of comparison, Georgia, which ranks 10th with \$11.3 billion in assets, has nearly 3 times the amount of assets as all 10 Philanthropic Divide states combined. These 10 Philanthropic Divide states generally share similar characteristics of dispersed, low population base; lack of significant population/commerce centers; limited industrial/manufacturing base; and dependence on agricultural/natural resource economies.

The Foundation Center's 2000 Edition of *Foundation Yearbook: Facts and Figures on Private and Community Foundations* provides comparative information about the states with respect to total giving per capita. Excluding the District of Columbia from these comparisons, total giving by state still places all of the Philanthropic Divide states except Wyoming among those ranked at or near the bottom ranked states: North Dakota - \$8.08 per capita (ranked 50), Alaska - \$8.69 per capita (49), Mississippi - \$11.85 per capita (48), Montana - \$12.50 per capita (47), West Virginia - \$13.14 per capita (46), Maine - \$22.89 per capita (39), South Dakota - \$23.75 per capita (38), Vermont - \$24.69 per capita (37), New Hampshire - \$31.47 per capita (35), and Wyoming - \$55.32 (24). By way of comparison with the top ranked states, New York ranked #1 with \$211.56 per capita, and Connecticut ranked #10 with \$88.71 per capita.

Limited Philanthropic Capacities - Financial Resources

The 10 Philanthropic Divide states have extremely limited financial capacity to provide leadership through venture philanthropy or special initiatives to assist their respective state nonprofit sectors in addressing challenges faced by the communities in these states. They similarly lack the financial capacity to help finance much of the day to day operational costs of nonprofit organizations. These limited financial capacities are reflected in the following ways:

- a paucity of annual grants in the \$25,000 to \$50,000 range;
- a virtual inability to make grants of \$100,000 or greater;
- average total foundation giving per state of less than \$20 million (using the 5% payout);
- very limited ability to make multi-year grants with meaningful scale;
- a lack of significant-sized regional and national grantmaking foundations headquartered within their state borders;

- a lack of Fortune 500 companies headquartered within their state borders;
- difficulty in making grants in support of statewide initiatives; and
- extremely limited grantmaking that is explicitly dedicated to helping nonprofits build capacity.

Limited Philanthropic Capacities - Professional Staff

The Philanthropic Divide states have very few foundations with professional staff to extend the reach of committed volunteer Board members and more fully engage philanthropic mission with the large, diverse nonprofit sector that exists in each state. The small number of professional foundation staff limits the ability of each state's philanthropic community to:

- comprehensively assess unmet needs at the state and community levels;
- identify and prioritize nonprofit sector needs at the state and community levels;
- collaborate with other foundations and nonprofit leaders to address priority needs; and
- communicate, advocate and collaborate with regional and national foundations to address needs in priority areas where there is common interest.

The Context of Federal Devolution

These capacity issues have taken on greater significance in recent years due to devolution of federal responsibilities to individual states and local communities. In community after community all across the country, it is the nonprofit sector that is called upon to pick up the mantle of expanded responsibility for those in need. The capacity of each state's nonprofit sector to expand programs and services holds tremendous import for under-served communities and other populations in need. The Philanthropic Divide states are hard pressed to successfully assume expanded responsibilities. Concurrently, small- to medium-size nonprofit organizations within these states are experiencing great difficulty in attracting out-of-state foundation grants because their mission is so local and the scale of impact (number of people served) is similarly limited.

Special Initiatives to Build Assets and Capacities

During the last 10 years total US foundation assets have more than tripled from \$122 billion to \$385 billion. Within the national foundation community, there is growing awareness that this unprecedented growth in foundation assets has not reached all parts of the country with similar magnitude. Over the last 10 to 15 years there have been various initiatives from individual foundations and national entities to stimulate asset development in states and regions with limited foundation assets. Invariably, these initiatives have involved the use of challenge grants, which pit fundraising to build permanent assets against fundraising to meet current year budget needs. The tension between fundraising for current needs and asset building for long range needs is not new to philanthropy or the nonprofit sector. However, intensifying this tension in states and regions that have already demonstrated that they are philanthropically challenged, reflects inadequate assessment of the underlying conditions and inadequate innovation and creativity with respect to choice of solution strategies.

Invisibility of the Philanthropic Divide States

Unfortunately, key sources of data and national perspectives about foundation assets in the US completely obscure the plight of the Philanthropic Divide states. The Foundation Center's press release announcing the release of the 2000 Edition of *Foundation Yearbook: Facts and Figures on Private and Community Foundations* had the banner headline "West Exceeds Other Regions in Growth of 1998 Foundation Assets and Giving." Hidden by this regional focus is the fact that

this region also contains 30% of the Philanthropic Divide states (Alaska, Montana and Wyoming), and they have not fared anywhere near as well as the overall region. For example, Montana, whose national ranking in foundation assets over the last 10 years slipped from 46th to 48th, was listed in the *Foundation Yearbook* as ranking 48th in total foundation giving, and 47th in foundation giving per capita. Similarly, the section describing total assets by region touts the Northeast as continuing "... to control by far the largest share of foundation resources," obscuring the fact that the Northeast also contains 30% of the Philanthropic Divide states (New Hampshire, Maine and Vermont).

Further underscoring the invisibility issue is that the prominent written media that covers U.S philanthropy, such as *Chronicle of Philanthropy* and *Foundation News and Commentary*, tend to follow and report the stories that involve the largest amounts of dollars. These stories typically involve donors, nonprofits, and foundations in the wealthier states, and inadvertently ignore the Philanthropic Divide states. Similarly, much good work has been done by nonprofit organizations in the Philanthropic Divide states over the last 10 years; however, coverage of these accomplishments by national media is very limited.

The Bottom Line <> A Challenge to the Nation's Larger Foundations

There is only so much the Philanthropic Divide states can do to strengthen their respective nonprofit sectors by pulling themselves up by their own bootstraps. Greater investment is needed from the major national foundations for programs and projects, as well as for long range asset development. Greater philanthropic resources are especially needed in the Philanthropic Divide states to ensure delivery of services and resources to underserved populations. The nonprofit organizations that provide these services and resources need greater philanthropic support to build their institutional capacities in such areas as:

- expansion of program and services to serve populations in need;
- more staff to carry out expanded programs and services;
- competitive wages to attract and retain the highest qualified staff available;
- fringe benefits for staff, especially health insurance;
- professional development for staff;
- training for Board members and other volunteer leaders;
- upgrading of facilities and offices; and
- equipment and training to improve capacities for effective utilization of telecommunication and computer technologies.

As well, development of the nonprofit sector in each of the Philanthropic Divide states will require new investments in key sector-wide capacities and infrastructure such as:

- expanding core and start-up funding for state associations of nonprofits;
- endowing permanent funds to support organizational development grant programs;
- developing curriculum and degree programs in nonprofit management and leadership; and
- developing state networks of management and related nonprofit consultant assistance.

II. Proposed New Initiative: The Philanthropic Divide Project <> Phase I

A. Overview

The long range goal of The Philanthropic Divide Project is to begin closing the Divide by more

rapidly increasing foundation assets in those states with the least amount of foundation assets. This clearly is a long-term agenda, and will take many years to accomplish. In the meantime, there are significant priorities within the state nonprofit sector in each of the 10 Divide states which need to be addressed in order to have a stronger, flourishing, responsive and effective state nonprofit sector in each state.

The balance of this concept paper describes planned activities for a 12-month start-up phase for the Philanthropic Divide Project. These activities will enable the project to build on its initial discussions and exploratory work by implementing a research, planning and outreach phase. Phase I activities will also build the working organizational relationships as well as develop a series of discrete projects that will constitute a long range, multi-year initiative involving all 10 Philanthropic Divide states. Also during Phase I, fundraising will begin for the specific projects whose implementation will begin at the conclusion of the 12-month Phase I period.

B. Proposed Activities

1. Refine Description of the Philanthropic Divide Capacity Issues

This component entails enhancing and refining the description of the capacity issues described in the project's original concept paper through discussions with, and feedback from, key organizations and individuals in the 10 Philanthropic Divide states and at the national level. In addition to seeking comments to refine the existing description capacity issues, contacts will be asked to help identify any additional capacity issues that should be added. Priority audiences to be contacted include: nonprofit leaders in each of the 10 Philanthropic Divide states; statewide community foundations in each of the Divide states; national organizations involved with the field of nonprofit sector development; and national foundations involved with nonprofit sector development, rural capacity building initiatives, and promotion of philanthropy.

2. Strengthen the Case for National Philanthropic Investment

This goal of this component is to create a more comprehensive analysis and explanation regarding why these 10 Philanthropic Divide states have such small levels of in-state foundation assets. This will involve research and information gathering to document and further describe the economic conditions of each state, as well as historic information regarding the development of each state's philanthropic sector. The resulting information will be used to make a stronger case for investment in the Philanthropic Divide states by national philanthropic sources, including foundations and individual donors. Priority topics to be researched for each of the Philanthropic Divide states include: historical factors in each state that impeded the development of significant in-state foundation assets; current economic profiles; philanthropic giving profiles; nonprofit wage information (where available); grant support in each state from the nation's 100 largest grantmaking foundations; and identification of what each state is doing on behalf of the promotion of philanthropy within its respective state.

3. Build Working Relationships and Shared Understandings Among the Divide States

This component features activities for the project leadership from the 10 Divide states to work together to share information and perspectives, develop common understandings of the capacity issues to be addressed; and create the collegiality and working relationships necessary for creating and implementing a shared agenda for action. In particular, this will include two working meetings of the leaders from each of the Divide states. Once funding is awarded, the first meeting will be held to develop a more detailed and refined workplan and methodology for all components of the plan. The second meeting will focus on the development of future projects that will constitute Phase II of the Philanthropic Divide Project.

4. Develop an Action Agenda

This component will build on the first three components of the project. It entails developing an overall multi-year program plan comprised of discrete projects to be undertaken that will help address nonprofit sector development priorities and the philanthropic capacity issues facing the Divide states. Integral to this plan are the following priority directions:

- * the development of strategies to bring about stronger and more sustainable funding for Philanthropic Divide state nonprofit associations;
- * the development of resources that will help build the capacity of the nonprofit sector and individual nonprofit organizations in each of the Philanthropic Divide states; and
- * the development of philanthropy and the philanthropic sector in each of the Divide states.

The various projects that are developed will constitute Phase II of the Philanthropic Divide Project, and will provide the framework for grant proposal development to support this next phase of the project.

5. Public Education and Communications

This component focuses on building a public awareness nationally regarding the Philanthropic Divide, its significance in a larger national context, and the need for national philanthropic investment in the Divide states. Activities include: targeted outreach to priority funding audiences (such as the National Council of Foundations, National Network of Grantmakers, Rural Funders Working Group, Forum of the Regional Associations of Grantmakers, and Grantmakers for Effective Organizations); outreach to key national organizations (such as National Committee for Responsive Philanthropy, Aspen Institute, Independent Sector, and Center for Community Change); and generating articles and coverage in priority publications, such as the *Chronicle of Philanthropy*, *Foundation News and Commentary*, and the newsletter of the National Committee for Responsive Philanthropy.

6. Engaging The Foundation Center

The component focuses on working with The Foundation Center to institutionalize monitoring and reporting foundation assets growth in the United States in ways that communicate the existence of the Philanthropic Divide, as well as demonstrate progress (or the lack of progress) in closing the gap between those states with the most amount of in-state foundation assets, and those with the least. This effort will include mobilizing support for this proposal from community foundations within the Philanthropic Divide states, national foundations, and national organizations.



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THE PHILANTHROPIC DIVIDE

<u>1990 DATA</u>		<u>2000 DATA</u>	
50. Alaska	\$ 7,770,000	50. Alaska	\$ 57,862,000
49. South Dakota	\$ 15,629,000	49. North Dakota	\$ 91,322,000
48. North Dakota	\$ 30,719,000	48. Montana	\$ 200,448,000
47. Idaho	\$ 53,775,000	47. Vermont	\$ 302,231,000
46. Montana	\$ 60,070,000	46. South Dakota	\$ 352,039,000
45. Wyoming	\$ 71,228,000	45. Wyoming	\$ 505,836,000
44. Vermont	\$ 75,378,000	44. Mississippi	\$ 551,799,000
43. Maine	\$ 85,192,000	43. Maine	\$ 539,752,000
42. Mississippi	\$ 91,308,000	42. West Virginia	\$ 607,968,000
41. New Mexico	\$ 139,399,000	41. New Hampshire	\$ 769,770,000
Total assets for 50-41:	\$ 630,468,000	Total assets for 50-41:	\$3,979,027,000
Percent of total US assets:	0.52%	Percent of total US assets:	1.03%
Average assets/state:	\$ 63,046,800	Average assets/state:	\$ 397,902,700
40. West Virginia	\$ 174,196,000	40. New Mexico	\$ 905,302,000
39. Nevada	\$ 219,636,000	39. South Carolina	\$ 955,869,000
38. Hawaii	\$ 263,641,000	38. Kansas	\$ 1,331,389,000
37. Arkansas	\$ 272,598,000	37. Kentucky	\$ 1,385,120,000
36. Utah	\$ 277,063,000	36. Colorado	\$ 1,431,531,000
35. New Hampshire	\$ 280,311,000	35. Arkansas	\$ 1,431,563,000
34. Alabama	\$ 289,279,000	34. Idaho	\$ 1,533,253,000
33. South Carolina	\$ 300,577,000	33. Kentucky	\$ 1,548,839,000
32. Kansas	\$ 330,365,000	32. Hawaii	\$ 1,554,684,000
31. Kentucky	\$ 378,972,000	31. Louisiana	\$ 1,564,885,000
Total assets for 40-31:	\$ 2,786,638,000	Total assets for 40-31:	\$13,642,435,000
Percent of total US assets:	2.28%	Percent of total US assets:	3.54%
Average assets/state:	\$ 278,663,800	Average assets/state:	\$ 1,364,243,500
10. Minnesota	\$ 3,133,350,000	10. Georgia	\$ 11,332,774,000
9. Indiana	\$ 3,260,022,000	9. Ohio	\$ 11,799,926,000
8. New Jersey	\$ 3,915,148,000	8. New Jersey	\$ 14,201,425,000
7. Ohio	\$ 4,430,900,000	7. Indiana	\$ 18,163,035,000
6. Texas	\$ 7,359,591,000	6. Michigan	\$ 19,471,810,000
5. Illinois	\$ 7,487,376,000	5. Illinois	\$ 19,750,152,000
4. Michigan	\$ 8,035,414,000	4. Texas	\$ 20,153,605,000
3. Pennsylvania	\$ 8,811,909,000	3. Pennsylvania	\$ 25,366,964,000
2. California	\$ 15,139,963,000	2. California	\$ 52,947,392,000
1. New York	\$ 31,031,626,000	1. New York	\$ 68,538,576,000
Total assets for 10-1:	\$ 92,605,299,000	Total assets for 10-1:	\$261,725,659,000
Percent of total US assets:	75.85%	Percent of total US assets:	67.97%
Average assets/state:	\$ 9,260,529,900	Average assets/state:	\$ 26,172,565,900

Average difference in assets per state between 10 smallest and 10 largest:	Average difference in assets per state between 10 smallest and 10 largest:
\$ 9,197,483,100	\$ 25,774,663,200

Total US assets 1990: \$122,083,946,000

Total US assets 2000: \$385,051,697,000