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A Region in Transition

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Minnesota Philanthropy: Improving Quality of Life for All State Residents

Susan Stehling & Wendy C. Wehr

Traditionally, Minnesotans have enjoyed excellent educational and health care systems, good career opportunities, and exciting entertainment and recreation options, making the state a great place to live, work, and play. The 2011 Camelot Index, a widely accepted measure of quality of life, ranks Minnesota fifth in the nation (Minnesota Department of Employment and Economic Development, 2012). To rank highly, a state must have high income, low poverty rates, healthy individuals, a well-educated population, a great and affordable education system, low crime rates, committed citizens, and a well-managed government.

But will Minnesota's high quality of life continue into the future? Minnesota's philanthropists are focused every day on just that: they work to ensure that the basic needs of all state residents are met, that everyone has equal access to educational and economic opportunities, and that local communities are vital, healthy places.

Yet challenges are growing as Minnesota's population changes and disparities emerge. Along with the rest of the country, the state's residents are growing older and becoming more diverse. In 2012, 17% of Minnesota's residents were persons of color, compared to 1% in 1960. Between 2000 and 2010, the state's population of color grew by 55%. And by 2030, the number of Minnesotans over age 65 is expected to almost double, comprising about one fifth of the population (Wilder Research, 2012).

Especially among children, minorities are becoming the majority. Children under age 5 are the most diverse of all age groups in Minnesota, and according to the Census Bureau, the percentage of Minnesota children of color under the age of 5

jumped from 21% in 2000 to 30% in 2011. In some parts of the state, children of color under age 5 already make up more than 50% of the total. This is true in Mahnomon County in north-west Minnesota (71%), in Nobles County in the southwest (60%) and in Ramsey County in the Twin Cities area (54%) (Shah, 2012).

And unfortunately Camelot may be but a distant dream for some Minnesota residents. In 2010, 12% of Minnesotans lived in poverty (defined as having an annual income of \$22,000 or less for a family of four). In some rural areas of the state—including the northeast, northwest and west central regions—the poverty rate was even higher. The tough economy, which affected everyone, hit people of color in the state especially hard. The proportion of Minnesota's adults working in 2011 varied significantly by race, ranging from 79% for whites to only 59% for African-Americans and 54% for Native Americans. The 20-percentage-point gap between whites and African-Americans is the largest of any state in the nation (Wilder Research, 2012).

Median income of state residents also varies considerably by race. In 2010, overall median income for Minnesota households was \$55,000 a year. At \$69,000, Asian households fared best, closely followed by white non-Hispanic households at \$58,000. At just under \$27,000, African-American households ranked at the bottom. And Minnesota ranks 49th when compared to other states for the size of its gap between white homeowners and homeowners of color (Wilder Research, 2012).

As the state's population grows, diversifies, and ages, how can all residents realize the Camelot dream? The Minnesota Council on Foundations and a member-led task force of community foundations believe that—now, more than ever—philanthropy has a significant role to play in maintaining and expanding a high quality of life for all residents of the state.

The following is an overview of the scope of philanthropy in Minnesota, including examples of how charitable giving and community philanthropy enhance every aspect of life throughout the state. Special attention is paid to the growing importance of community foundations to the short- and long-term vitality of rural Minnesota. In 2012, the Minnesota Council on Foundations launched a strategic policy initiative to create a tax credit to spark increased giving to community

foundation endowments. This Endow Minnesota Tax Credit project to expand philanthropy in the state is described in detail.

Overview of Minnesota Philanthropy

The Minnesota Council on Foundation's *Giving in Minnesota, 2011 Edition*, research reports that individuals, foundations, and corporate giving programs in the state gave \$4.9 billion in charitable contributions in 2009 (the latest year for which complete data are available) (Minnesota Council on Foundations, *Giving in Minnesota, 2011*).

The majority of charitable giving in Minnesota, \$3.6 billion, or 72% of all dollars given in 2009, comes from the generosity of individual donors.¹ Despite the lingering effects of 2009's great recession, Minnesotans continued to give, although at lower levels. In fact, individual charitable giving in Minnesota declined 11.3% from 2008 to 2009. Overall, it has declined 17.3% since its high of \$4.3 billion in 2007 (Minnesota Council on Foundations, *Giving in Minnesota, 2011*).

Corporate, private, and community grantmakers contributed \$1.4 billion or 28% of the 2009 total. Of the 1,470 active grantmakers in the state, 85% were private foundations, 9% were corporate foundations and giving programs, and 6% were community / public foundations.

Private foundations are generally founded by an individual, a group of individuals, or a family, and can be further categorized as a family foundation or a private independent foundation. In a private family foundation, the donor or donor's family is actively involved in management

¹ Reporting by the Minnesota Council on Foundations of individual giving information is based on IRS data detailing charitable deductions itemized on individual tax returns. The average contribution per itemized return for Minnesotans in 2009 was \$3,496, down slightly from previous years. The average size of contributions by Minnesotans in 2009 remained below the national average of \$4,191, a long-term trend. This difference has been related historically to Minnesotans itemizing at a higher rate than the national average, a factor that tends to include more individuals with lower charitable giving levels in the average contribution figure for the state. In 2009, 39.6% of Minnesota residents itemized their federal returns; Minnesota ranks seventh out of 50 states for percentage of residents who itemize. Minnesota ranked 24th in 2009 in the percentage of its residents' adjusted gross income given to charity, similar to its ranking in previous years (Minnesota Council on Foundations, *Giving in Minnesota, 2011*).

of the organization. A private independent foundation has no, or few, family members of the original donor actively involved in governance. In 2009, private foundations (family and independent) gave 42% of grant dollars in Minnesota, a total of \$575.4 million.

Corporate foundations and giving programs are connected to businesses, and their contributions and grants come from corporations' profits. Some corporations establish endowed foundations; others create corporate giving programs that are generally funded through the company's annual budget. In many cases, corporations operate both a foundation and a giving program. Corporate grantmakers gave 46% of grant dollars statewide in 2009, a total of \$630.2 million.

Community/public foundations are publicly supported foundations operated by and for the benefit of a specific community or population, area of interest, or geographic area. They manage a variety of funds on behalf of donors, from unrestricted assets to endowed funds to donor-advised funds. Community/public foundations usually engage in fund development directly with donors. In 2009, community/public foundations accounted for 12% of statewide grant dollars, a total of \$164.4 million. While this overall amount is smaller than that given by private or corporate grantmakers, it is quite significant to rural Minnesota, as discussed below.

Table 1: Greater Minnesota grantmakers at a glance, 2009.

| | Number of Grant-makers | % of Grant-makers | Grants Paid | % of Grants Paid | Assets | % of Assets |
|----------------------|------------------------|-------------------|---------------------|------------------|------------------------|-------------|
| Private | 205 | 77% | \$55,325,608 | 56% | \$836,517,745 | 21% |
| Community/ Public | 36 | 13% | \$31,011,261 | 31% | \$740,800,575 | 18% |
| Corporate | 26 | 10% | \$12,856,850 | 13% | \$2,450,573,973 | 61% |
| Total | 267 | | \$99,193,719 | | \$4,027,892,293 | |

Source: Minnesota Council on Foundations, Giving in Minnesota, 2011 Edition.

Importance of Community Grantmaking in Greater Minnesota

Of the 267 grantmakers located in Greater Minnesota in 2009, 205 (77%) were private foundations, 36 (13%) were community/public foundations, and 26 (10%) were corporate. Among these Greater Minnesota grantmakers, private foundations gave \$55 million (56%), community/public foundations gave \$31 million (31%), and corporate grantmakers gave \$12 million (13%) (Table 1) (Minnesota Council on Foundations, *Giving in Minnesota*, 2011).

Five of Minnesota's top 50 grantmakers in 2010 were located in Greater Minnesota (Minnesota Council on Foundations, *Top Grantmakers*, 2011). They were Blandin Foundation, a private independent foundation located in Grand Rapids (20th overall; 1st in Greater Minnesota); The Hormel Foundation, a corporate grantmaker in Austin (35th overall; 2nd in Greater Minnesota); Central Minnesota Community Foundation in St. Cloud (42nd overall; 3rd in Greater Minnesota); Andreas Foundation, a private family foundation in Mankato (46th overall; 4th in Greater Minnesota); and Mayo Clinic, a corporate grantmaker in Rochester (47th overall; 5th in Greater Minnesota) (Table 2, next page) (Minnesota Council on Foundations, *Top Grantmakers*, 2011).

To produce its *Giving in Minnesota* research, each year the Minnesota Council on Foundations completes an in-depth analysis of giving data from a sample of 100 of Minnesota's largest grantmakers by grants paid. In 2009, MCF analyzed 24,782 grants of \$2,000 or more, which totaled \$920.8 million, or 67% of all grantmaking in the state (Minnesota Council on Foundations, *Giving in Minnesota*, 2011).

Based on analysis of the overall *Giving in Minnesota* sample data, slightly less than half (48%) of the dollars given by Minnesota grantmakers in 2009 went to organizations serving Minnesota. But when community/public foundation data are segmented from private and corporate data, the percentage is markedly different. In 2009 community/public grantmakers gave 78% of their grant dollars to organizations serving Minnesota (Table 3) (Minnesota Council on Foundations, *Giving in Minnesota*, 2011). For this and other reasons, the Minnesota Council on Foundations is pursuing the Endow Minnesota Tax Credit initiative. The goal of this initiative is to increase charitable giving to community foundation endowments, which

Table 2: Top 15 Greater Minnesota Grantmakers by Grants Paid, 2010.

| Foundation/ Corporate Giving Program | Grantmaker Type | City | Grants/PRI's/ Corporate Giving | Fiscal Year End |
|-----------------------------------------------------|--------------------------------|-----------------|-----------------------------------------------|----------------------------|
| Blandin Founda- tion | Private Foundation | Grand Rapids | \$17,604,209 | 12/31/10 |
| The Hormel Founda- tion | Community/Public Foundation | Austin | \$6,417,669 | 11/30/10 |
| Central Minnesota Community Founda- tion | Community/Public Foundation | St. Cloud | \$4,499,331 | 6/30/10 |
| Andreas Founda- tion | Private Foundation | Mankato | \$3,182,925 | 11/30/10 |
| Mayo Clinic | Corporate Grant- maker | Rochester | \$3,100,000 | 12/31/10 |
| Federated Insur- ance Foundation, Inc. | Corporate Grant- maker | Owatonna | \$2,790,600 | 12/31/10 |
| L. and N. Andreas Foundation | Private Foundation | Mankato | \$2,365,290 | 12/31/10 |
| West Central Initiative | Community/Public Foundation | Fergus Falls | \$2,234,117 | 6/30/10 |
| Duluth Superior Area Community Foundation | Community/Public Foundation | Duluth | \$1,954,680 | 12/31/10 |
| Rochester Area Foundation | Community/Public Foundation | Rochester | \$1,867,925 | 12/31/10 |
| Southwest Initia- tive Foundation | Community/Public Foundation | Hutchinson | \$1,655,393 | 6/30/10 |
| Northwest Minne- sota Foundation | Community/Public Foundation | Bemidji | \$1,546,114 | 6/30/10 |
| Grand Rapids Area Community Foundation | Community/Public Foundation | Grand Rapids | \$1,492,000 | 12/31/10 |
| Marshall H. and Nellie Alworth Memorial Fund | Private Foundation | Duluth | \$1,470,250 | 12/31/10 |
| American Center for Philanthropy | Community/Public Foundation | Northfield | \$1,397,929 | 12/31/10 |

Source: Minnesota Council on Foundations.

Table 3: Share of grant dollars to geographic service area by grantmaker type, 2009.*

| | Private | | Corporate | | Community/ Public | | Overall | |
|-------------------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|
| | Grant Dollars (millions) | Share | Grant Dollars (millions) | Share | Grant Dollars (millions) | Share | Grant Dollars (millions) | Share |
| Twin Cities | \$134.6 | 33% | \$90.5 | 23% | \$51.6 | 44% | \$276.7 | 30% |
| Greater Minnesota | \$50.3 | 12% | \$14.9 | 4% | \$28.9 | 24% | \$94.1 | 10% |
| Minnesota Statewide | \$37.8 | 9% | \$24.0 | 6% | \$12.5 | 11% | \$74.3 | 8% |
| Minnesota Total | \$222.8 | 55% | \$129.5 | 33% | \$93.0 | 78% | \$445.2 | 48% |
| Areas Outside Minnesota | \$136.1 | 33% | \$155.5 | 39% | \$19.5 | 16% | \$311.0 | 34% |
| National | \$29.6 | 7% | \$87.9 | 22% | \$2.8 | 2% | \$120.3 | 13% |
| International | \$19.2 | 5% | \$21.7 | 5% | \$3.4 | 3% | \$44.3 | 5% |

*Due to rounding, figures may not add up to 100%.

Based on grants of \$2,000 or more made by a sample of 100 of the largest grantmakers in Minnesota.

Source: Minnesota Council on Foundations, *Giving in Minnesota*, 2011 Edition.

would in turn make it possible to increase grantmaking to rural Minnesota communities.

Returning to the overall 2009 *Giving in Minnesota* sample data, analysis shows that grant dollars given specifically to benefit only Greater Minnesota—defined as grants made to a program or organization that serves a specific city, county, or region within Minnesota but outside the Twin Cities metropolitan area and not serving the entire state—were 10% of the total, or \$94 million. Grant dollars given to benefit Minnesota statewide were an additional 8%, or \$74 million (Table 3) (Minnesota Council on Foundations, *Giving in Minnesota*, 2011).

In addition to analyzing the *Giving in Minnesota* sample data by geographic service area, the Minnesota Council on Foundations also examines intended beneficiary groups.² In

² In the 2009 sample, major beneficiary groups were identified when the intended beneficiary was clearly articulated in the grant description or was clear from the name and purpose of the recipient organization. Because many of the coded grants lacked that detailed description of purpose, just

2009, grantmakers included in the sample gave grant dollars to beneficiaries in Greater Minnesota as follows: 15.1% to children and youth, 9.3% to adults, 9.0% to poor/economically disadvantaged, 6.4% to Native Americans/American Indians, and 5% to aging/elderly/senior citizens (Table 4) (Minnesota Council on Foundations, Giving in Minnesota, 2011).

Individual Generosity Linked to Community Philanthropy

As stated above, the majority of charitable giving in Minnesota—72% of all dollars given in 2009—comes directly from the generosity of individual donors. Individual giving and community philanthropy are both vital to rural Minnesota. As Baby Boomers in Greater Minnesota age, retire, and make end-of-life decisions, they are faced with important choices about disposition of their assets—whether they be farmland, businesses, or other financial resources. These long-time residents of their communities readily recognize the essential value of their area’s nonprofits, schools, and religious groups. So, in addition to wanting to provide for their families, they often have great interest in giving back to the communities that nurtured them.

Community legacy stories are reported frequently in Minnesota. Just one example is the *Star Tribune* story on the life and legacy of Harvey Ordnung, a lifelong bachelor farmer who lived in rural Luverne in Rock County. When he died in 2007 at the age of 84, he left behind a \$9.3 million estate, assets he had carefully accumulated over a lifetime of modest living and wise investing. He left nearly half of his fortune—more than \$4.5 million—to 12 nonprofits in his home county (Miller, 2009).

Future Transfer of Wealth May Boost Rural Communities

Ordung’s gift is notable for its size, but stories such as his will become increasingly common, according to the 2010 Minnesota Generational Transfer of Wealth (TOW) study. Between 2011 and 2030, an entire generation of Baby Boomers will reach retirement age and beyond. The TOW research indicates that more than \$47.9 billion will transfer from one generation to the next in these two decades, and that total is projected to include \$23.5 billion in Greater Minnesota (Lubov, 2011). Minnesotans over half (56%) of the 2009 grants could be assigned to a specific beneficiary group other than the general public/unspecified category (Minnesota Council on Foundations, Giving in Minnesota, 2011).

Table 4: Beneficiaries of grants made to Greater Minnesota, 2009.

| | Grant Dollars | Share |
|-----------------------------------------------------|----------------------|--------------|
| Adults | \$9,035,601 | 9.3% |
| African Americans/Blacks | \$209,370 | 0.2% |
| Aging/Elderly/Senior Citizens | \$4,811,947 | 5.0% |
| Asians/Pacific Islanders | \$40,000 | 0.0% |
| Children and Youth | \$14,568,518 | 15.1% |
| Crime/Abuse Victims | \$550,463 | 0.6% |
| People with Disabilities | \$117,201 | 0.1% |
| Ethnic/Racial Minorities - Other Specified Group(s) | \$0 | 0.0% |
| Ethnic/Racial Populations - General | \$43,500 | 0.0% |
| Gay/Lesbian/Bisexual/Transgender | \$12,500 | 0.0% |
| General Public/Unspecified | \$46,727,583 | 48.3% |
| Hispanics/Latinos | \$104,500 | 0.1% |
| Homeless | \$335,770 | 0.3% |
| Immigrants/Newcomers/Refugees | \$854,455 | 0.9% |
| Men and Boys | \$171,310 | 0.2% |
| People with Mental/Emotional Disabilities | \$487,666 | 0.5% |
| Migrant Workers | \$86,296 | 0.1% |
| Military/Veterans | \$37,325 | 0.0% |
| Native Americans/American Indians | \$6,156,132 | 6.4% |
| Offenders/Ex-Offenders | \$95,000 | 0.1% |
| Other Minorities | \$0 | 0.0% |
| Other Named Groups | \$2,451,109 | 2.5% |
| People with HIV/AIDS | \$24,500 | 0.0% |
| People with terminal illness | \$189,000 | 0.2% |
| Poor/Economically Disadvantaged | \$8,704,918 | 9.0% |
| Single Parents | \$0 | 0.0% |
| Substance Abusers | \$144,354 | 0.1% |
| Women and Girls | \$695,329 | 0.7% |
| Total | \$96,654,347 | 100% |

Based on grants of \$2,000 or more made by a sample of 100 of the largest grantmakers in Minnesota.

Table 5: Projected Minnesota Transfer of Wealth from 2011 to 2030 (in millions of dollars).

| Region | Total |
|------------------------|-----------------|
| Twin Cities Metro Area | \$24,391 |
| Southern | \$7,037 |
| Central | \$5,766 |
| Southwest | \$3,804 |
| Northeast | \$3,351 |
| West Central | \$2,026 |
| Northwest | \$1,557 |
| Grand Total | \$47,931 |

Source: Lubov, Andrea, Ph.D. (2011). Minnesota Generational Transfer of Wealth Study. Minnesota Initiative Foundations and Minnesota Council on Foundations. Minneapolis, MN.

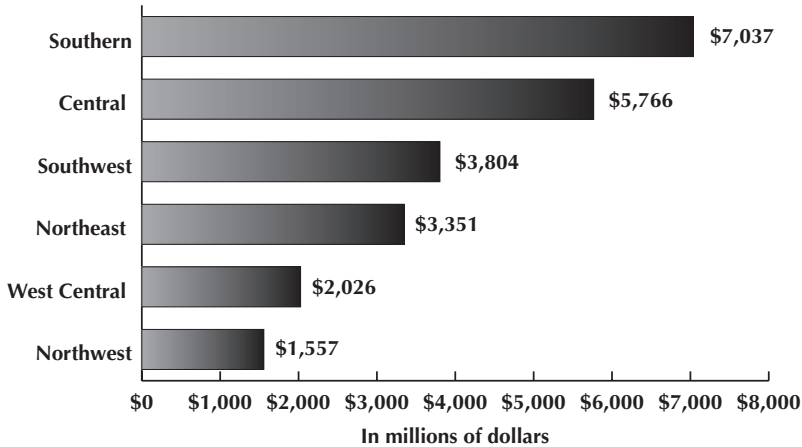


Figure 1: Projected transfer of wealth for Greater Minnesota regions, 2011-2030.

with a wide range of asset levels will have a once-in-a-lifetime opportunity to gift a portion of their wealth to the hometown causes about which they care the most.

The TOW studies conducted in Minnesota and other states were inspired by the national research article *Millionaires at the Millennium*, written by Boston College’s Center on Wealth and

Philanthropy directors John Havens and Paul Schervish (Havens & Schervish, 1999). Havens and Schervish found that as much as \$41 trillion will pass from one generation to another between 2000 and 2050. Five Minnesota foundations asked Andrea Lubov, a Minneapolis economist, to create an economic model of generational wealth transfer from 2000 to 2030 in each county of this state. They believed that having county-level data would help nonprofit leaders understand the scope of potential estate gifts and how those resources might affect their ability to provide needed services to maintain healthy local communities.

Lubov used state and county demographic information coupled with Federal Reserve studies to estimate the wealth that could be held by the last surviving spouse. Mortality tables established the rate that this wealth could be passed on to the next generation. This wealth transfer number was isolated from other study data to create a chart of wealth transfer over each five-year period from 2011 to 2030 (Table 5 and Figure 1).

Completed for all counties in July 2010, the study used data from the 2000 Census with projections into the year 2030. While the research data go back to 2000, the information is useful for future forecasts. The study is already expanding philanthropy in regions that first completed the research. Once individuals understand the magnitude of wealth transfer from one generation to the next, they become more thoughtful about and open to dedicating a portion of their estate assets to sustain their favorite charities. Nonprofit leaders use the TOW data to encourage loyal donors to consider bequests and planned gifts as a way to build endowments and dedicated funds. Professional advisors share information with their clients about charities that collaboratively use the TOW information.

Certainly not all of the inherited assets will be gifted to charities; but the *Millionaires at the Millennium* study indicates that donors have a history of making significant gifts to charity through their estate when their wealth is being transferred to the next generation. The study shows that donors with high net worth will donate a higher percentage of their estate than will donors with a relatively small estate, but the average rate for all donors is 15%. In Minnesota, charitable organizations have set a modest goal of identifying estate or planned gifts

equal to 5% of the wealth transferred in each five-year period in each county. While this goal may not be fully realized, it illustrates the impact that these gifts could have on rural Minnesota.

Endow Minnesota Tax Credit Designed to Foster Community Philanthropy

In 2012, the Minnesota Council on Foundations launched a strategic policy initiative to create a tax credit to spark increased giving to community foundation endowments. The Endow Minnesota Tax Credit bills were introduced with bipartisan support from both rural and Twin Cities legislators³ in the Minnesota House and Senate during the 2012 legislative session. The bill will be reintroduced in 2013 as well.

The Endow Minnesota Tax Credit initiative sits squarely at the intersection of individual giving, community philanthropy, and the future of rural Minnesota. The intention of the Endow Minnesota legislation is to give Minnesotans an even greater incentive to donate to their community foundations' permanent endowments. The funds from these endowments would then be used to support and sustain local economies, families, and charitable causes (www.mcf.org/endowmn).

The Endow Minnesota legislation would provide a tax credit to individuals, families, and businesses with a wide range of asset levels for contributing between \$100 and \$100,000 to a qualified community foundation. To qualify, a community foundation would be required to meet generally accepted community foundation standards, to be located in Minnesota, and to make grants to benefit people living in the state's rural towns and urban neighborhoods.

Evolution of the Minnesota proposal has drawn heavily on a similar successful measure in Iowa. Endow Iowa encourages Iowa taxpayers to donate to permanent endowment funds at

³ In the House, chief author Representative Roger Crawford (Republican, district 08B, Mora) and co-authors Representatives Tom Rukavina (DFL, district 05A, Virginia) and Greg Davids (Republican, district 31B, Preston) introduced bill H.F. No. 2998 (Minnesota State Legislature, House, 2012). In the Senate, chief author Senator John Carlson (Republican, district 4, Bemidji) and co-authors Senators Julie Rosen (Republican, district 24, Fairmont), James Metzen (DFL, district 39, South St. Paul) and Jeff Hayden (DFL, district 61, Minneapolis) introduced bill S.F. No. 2605 (Minnesota State Legislature, Senate, 2012).

qualified community foundations to benefit charitable purposes in the state. Gifts are eligible for a 25% state tax credit, in addition to federal charitable deductions. The Iowa Council of Foundations offers an online tax calculator that illustrates the potential tax savings and the long-term impact of giving to an endowed fund: the value to the donor and to the local community (www.iowacomunityfoundations.org).

Since its creation in 2003, Endow Iowa has leveraged more than \$95 million in endowed gifts. The Endow Iowa tax credit encourages tax advisors to engage their clients in a discussion about giving back to their community—the place that produced the values and resources that contributed to their personal success. As shown by the TOW research, Minnesotans also have a growing interest and ability to make a difference by giving back to their communities.

Promoting Philanthropy by All, for All

Philanthropy is not just for the very rich. Like the Endow Iowa model, the proposed Minnesota tax credit would be designed to engage donors from all walks of life and all means. In Iowa, credit amounts have ranged from \$1 to just over \$225,000, with most qualifying gifts being less than \$1,000. Modeling Iowa's approach, Endow Minnesota could also engage donors of all abilities to give. For instance, a small minimum gift size of \$25 or \$50 would ensure broad participation. Also to encourage small gifts, a percentage of available tax credits could be reserved for those donations.

While donors would benefit from a tax credit, the ultimate beneficiaries would be, in essence, the donors' next-door neighbors—the local communities and charitable organizations that receive financial support through the endowed funds. An incentive of this sort would encourage local individuals and businesses to elevate their community giving. Then the charitable value of these donations would compound over time, maximizing benefits in their locale.

The Endow Minnesota Tax Credit could have real potential to leverage significant assets on behalf of the state. The timing is right for this concept because of the high number of assets that will be changing hands in the immediate future and because of the ever-increasing need to ensure the future strength of our local communities. As noted above, in the next 20 years, the transfer of wealth from retiring Baby Boomers

will accelerate. Many of these Minnesotans may not realize how vital their accumulated resources will be to the places where they and their parents grew up, where their children went to school, and where they actively participated in a community of individuals who supported each other. By making an endowed gift to their community foundation, these retirees could receive a tax credit and ensure that their resources will be directed to the local causes about which they care the most. As time passes, they would be assured that their community foundation will have the skills to manage funds and distribute resources appropriately, all while having the best interests of local people at heart.

Better Places to Live, Work and Play

Grantmakers of all types—but especially community foundations—make all Minnesota communities better places to live, work and play. They do this by improving rural and urban quality of life, by investing in new and growing businesses, and welcoming and serving all state residents, especially the state’s diverse newcomers. Minnesota has 88 community and other public foundations located throughout the state. Each defines its mission differently, but their essence is fostering philanthropy to improve community quality of life. They are publicly supported philanthropic organizations operated by and for the benefit of a specific community or population, area of interest, or geographic area. They use endowed and other funds to build partnerships and tackle tough community problems.

Community and public foundations work actively on myriad projects, all with the intent of improving quality of life. For instance, the Mankato Area Foundation contributes to the area’s vibrancy, beauty, and culture through its support of the area’s parks, orchestra, and historical society. In addition, the foundation supports educational and civic opportunities for area citizens—with a goal of producing educated, empowered, competent citizens to meet community needs (www.mankatoareafoundation.com).

The Central Minnesota Community Foundation, with its affiliates Alexandria Area Community Foundation, Brainerd Lakes Area Community Foundation, and Willmar Area Community Foundation, convene people to work on community problems, connect people and resources to build a better com-

munity, and honor individuals who improve community. The foundation recently helped launch www.aroundthecloud.org, an online repository of arts and cultural information that area residents use to search for events and buy tickets (www.communitygiving.org/pages/CentralMinnesotaCommunityFoundation).

Community foundations are also instrumental in both attracting and welcoming new residents and allowing long-time citizens to remain in areas they have long called home. For example, the Rochester Area Foundation encourages new residents to put down roots with its First Homes initiative, which works to ensure an adequate supply of starter homes for working families. Since its 2001 start, First Homes has provided access to housing for more than 1,000 households (www.rochesterarea.org).

Other community philanthropy organizations in Greater Minnesota include the six Minnesota Initiative Foundations—located in Bemidji, Duluth, Fergus Falls, Hutchinson, Little Falls, and Owatonna—which work to strengthen the communities and economies of their regions. These foundations were created by The McKnight Foundation in 1986, an especially tough time for rural Minnesota. Farmland prices had collapsed, iron mining was falling off, jobs were disappearing, and communities were in decline. Twenty-five years later, Greater Minnesota communities are more vibrant places, thanks in part to the work of these nationally recognized foundations. In their first quarter century, the Minnesota Initiative Foundations gave nonprofits 19,360 grants totaling \$120.4 million, made 3,410 business loans totaling \$174.5 million, and created or secured 37,420 quality jobs (Minnesota Initiative Foundations, 2012).

Since 1986, Duluth-based Northland Foundation has prioritized projects, programs, and services to improve the lives of older adults in the region. In 2006, the foundation launched Northland Assisted Living, which builds and manages assisted living facilities. Northland Villages opened in McGregor in 2007 and in Buhl in 2009, and in 2011, the foundation added a third community in Hoyt Lakes. The facilities enable seniors from rural communities to age in place and remain as independent as possible, help small communities retain population, and offer stable, meaningful employment for area residents (www.northlandfdn.org).

Often foundations tackle tough community problems that others are hesitant to take on. Since 1997, Fergus Falls-based West Central Initiative has been under contract with the Minnesota Department of Transportation to do transit planning in its nine-county region. The area lacked a Regional Development Commission, so the foundation became the first non-profit, non-governmental entity in the nation to be designated an economic development district. Inadequate transit—often thought of as a big-city concern—is also a challenge in Greater Minnesota, where gaps in service, funding, and information leave residents without rides to work, school, medical appointments, and elsewhere. In 2011, as part of a transit coordination study, the West Central Initiative inventoried all available transit providers in the region—from school, Head Start, and veterans’ home buses to private taxi services, public transit, and many more. Because transportation funding is not increasing at the rate that needs are, it makes sense to maximize the use of all vehicles. Upon completion of the study, the data were analyzed to determine issues and gaps by geography, day of the week, and time of day and to identify remedial strategies (www.wcif.org).

Facilitating Economic Development

Across the state, residents must be able to earn a living relatively close to where they live. Foundations facilitate economic development in unique ways. For example, Bemidji-based Northwest Minnesota Foundation has hosted two IDEA Competitions. The contests help local entrepreneurs take innovative product ideas from concept to commercialization. Winners receive \$10,000 each to advance their breakthrough ideas (www.nwmf.org).

Little Falls-based Initiative Foundation is working to support local businesses as they expand into international markets. The foundation believes the economic impact of these companies’ successes will be felt at home in Minnesota. International exporting can bring new revenue, which creates quality jobs and contributes to thriving communities (www.ifound.org).

The Southern Minnesota Initiative Foundation (SMIF), located in Owatonna and serving a 20-county region in southeastern Minnesota, promotes economic prosperity by investing in new businesses. Bio-Plastic Solutions, a Blooming Prairie-

based manufacturer, is just one business that has benefited from loans, technical assistance, and mentoring provided by SMIF. The company is one of the first in the nation to make furniture and building components from corn-based plastic and was awarded its first patent in 2010 (www.smifoundation.org).

Strong Businesses, Strong Communities

While community foundations work actively to enrich rural Minnesota, businesses large and small also exert philanthropic impact to improve quality of life across the state. Towns and counties often partner with local business to solve problems and address community issues. And businesses contribute to local communities in countless other ways, including by making cash and in-kind product contributions and providing volunteers.

The generosity of Minnesota's business community serves as an example to businesses around the globe. Minnesota Business Gives, a statewide program started by the Minnesota Council on Foundations and now housed at the Minnesota Chamber of Commerce, motivates, educates, and recognizes local businesses for the important and significant contributions they make to their communities. To date, more than 30 local chambers of commerce from across the state are partners in local Business Gives programs (Minnesota Chamber of Commerce, 2010).

According to the Minnesota Council on Foundation's Annual Grantmaker Rankings, Target topped the list of Minnesota's corporate grantmakers in 2010 (the latest year for which complete data are available). That year, Target made grants of \$131 million, of which 21%, or \$27.5 million, stayed in the state (Minnesota Council on Foundations, Top Corporate Grantmakers, 2011). Although Target is headquartered in Minneapolis, the company gives back to all communities where it does business, including 25 Greater Minnesota stores (www.target.com).

Large corporate grantmakers located in Greater Minnesota include Rochester-based Mayo Clinic, which is 19th on the Minnesota Council on Foundation's 2010 list of the state's top corporate grantmakers. In 2010, Mayo Clinic granted \$3.1

million, of which 66%, or more than \$2 million, stayed in the state (Minnesota Council on Foundations, Top Corporate Grantmakers, 2011). Mayo Clinic partners with others, including the Rochester Area Foundation, to sustain and enhance the communities where its employees live and work. It helps ensure that new residents are warmly welcomed, children attend good schools, workers are well trained and everyone has the opportunity to live healthfully and thrive (www.mayoclinic.org).

Federated Insurance Foundation Inc., located in Owatonna, is 21st on the 2010 list of top Minnesota corporate grantmakers (Minnesota Council on Foundations, Top Corporate Grantmakers, 2011). That year, it granted \$2.8 million, of which 98%, or \$2.74 million, remained in Minnesota. The company supports the United Way in communities where it has offices, encourages employee volunteerism, and helps youth and youth mentoring programs succeed. In 2005, the company established the Federated Challenge® event to raise funds and awareness for Minnesota's Big Brothers Big Sisters chapters (www.federatedinsurance.com).

Rural Minnesota also benefits from the philanthropic efforts of numerous other businesses and from the volunteer endeavors of their employees. The CHS Foundation—the major giving entity of CHS Inc., a Fortune 100 energy, grains, and food company with a presence in virtually every county and town in Minnesota—invests in the future of rural Minnesota and other states where it works. It funds scholarships for students pursuing careers in the agricultural industry, supports rural youth and adult leadership development, and invests in programs that develop and enhance understanding of the cooperative business model. In addition, CHS supports an annual employee giving campaign through the United Way and encourages employees to volunteer in communities where they live and work (www.chsfoundation.org).

Likewise, AgStar Financial Services, a cooperative owned by its client-stockholders, created the AgStar Fund for Rural America in 2001 to extend its commitment to the agricultural community. The program underscores the company's dedication to agriculture and addresses issues facing rural America. In 2011, AgStar donated more than \$600,000 to organizations across its 69-county service area in Minnesota and northwest Wisconsin to address issues including under-education and

minimal funding for students and minorities (www.agstar.com).

Land O'Lakes Inc., a national farmer-owned food and agriculture cooperative that does business in all 50 states and in more than 60 countries, is also headquartered in Minnesota. Since the Land O'Lakes Foundation was established in 1996, it has awarded more than \$14 million in grants through a variety of programs. In 2009 the Land O'Lakes Foundation introduced Feeding Our Communities, a program dedicated to alleviating hunger locally, nationally, and globally (www.landolakesinc.com).

Tastefully Simple, a direct-sales convenience food company based in Alexandria, is another national business having a big impact locally. Since the company began in 1995, it has lived its core value of nurturing the community with donations of more than \$6 million to charitable organizations with missions ranging from mentoring children to preserving the environment (www.tastefullysimple.com).

Private Family and Independent Foundations Active in Rural Areas

Among Greater Minnesota grantmakers, private foundations gave \$55.3 million, or 56% of total grant dollars paid in 2009. Greater Minnesota's largest grantmaker is Blandin Foundation, a private independent foundation located in Grand Rapids (Minnesota Council on Foundations, *Top Grantmakers*, 2011).

Charles K. Blandin established the Blandin Foundation in 1941 to aid and promote Grand Rapids, the town that was his longtime home and home to the paper mill that bore his name. Upon his death, Blandin wanted his assets to perpetuate the betterment of rural communities, especially those in the Grand Rapids area. Today the foundation works toward healthy communities grounded in strong economies where benefits and burdens are widely shared, and it invests in projects others are reluctant to tackle. Since 2003, the Blandin Broadband Initiative has helped rural communities optimize their use of broadband-based technologies to improve their competitiveness in a global economy. It believes that expanding the use of broadband technology increases the potential to retain jobs in rural areas, grows new markets

for business, strengthens health care, enhances educational access, and improves quality of life. According to the Blandin Foundation, without adequate broadband access and technologically literate populations, rural communities will be unable to compete in the future (www.blandinfoundation.org).

Since its inception in 1944, the Otto Bremer Foundation—also a private, independent foundation—has worked in communities across Minnesota, North Dakota, and Wisconsin that are home to Bremer Banks. It helps build healthy, vibrant communities where basic needs are met, mutual regard is prized and opportunities for economic, civic, and social participation are within everyone’s reach. In 1886, Otto Bremer came to Minnesota as a German immigrant, started work as a bookkeeper and eventually become chairman of American National Bank. His knowledge and concern for the strengths and hardships of the rural and immigrant experience, coupled with his commitment to rural banks, became the cornerstone of the Otto Bremer Foundation. Today the foundation prioritizes opportunities with the potential to move communities forward in meaningful, powerful, and broad-based ways (www.ottobremer.org).

Founded in 1934 by James J. Hill, the Northwest Area Foundation works in Minnesota and the seven other states once served by the Great Northern Railway. It supports organizations that move people out of poverty and toward sustainable prosperity and makes grants to benefit low-income populations in rural, urban, and American Indian reservation communities. It also leverages its influence by fostering or joining coalitions; supporting and advancing initiatives; and sponsoring forums, research, and advocacy.

Over the years, the Northwest Area Foundation has dedicated more than 30% of its grant dollars to programs that support poverty-reduction and prosperity-building programs among Native Americans. In 2011, the foundation launched its Native American Social Entrepreneurship Initiative, a strategy designed to stimulate the local economy on reservations with a long-term goal of building a powerful network of native-owned businesses that over time will create new jobs and a thriving community (www.nwaf.org).

Welcoming Diverse Residents

Like Northwest Area Foundation, many Minnesota grantmakers contribute to community quality of life by welcoming and valuing all members of the community, efforts that will only grow in importance as Minnesota becomes more diverse. In 2006 The Saint Paul Foundation took intentional action to foster diversity and encourage equity by launching the *Facing Race: We're all in this together*® initiative. In 2010, this program, which offers facilitated opportunities for staff of nonprofits, businesses, and government to talk about race, was expanded statewide with new funding from the Kellogg Foundation. Well-received dialogues have now taken place across Minnesota, engaging more than 1,700 people since 2011 (www.facing-grace.org).

The Duluth area also has a history of tackling tough diversity issues with the help of community foundations. In the summer of 2003, as a lead-up to elections, the Duluth Superior Area Community Foundation encouraged respectful discussion with *Speak Your Peace: The Civility Project*. The endeavor championed nine tools of civility (e.g., pay attention, take responsibility, apologize, give constructive criticism, etc.) and encouraged citizens to use them to communicate in respectful and effective ways. Resolutions adopting the tools were passed by governing bodies in Duluth, Superior, WI, and surrounding counties, where they were used to manage meeting conduct. An accompanying curriculum was taught in area schools, and posters still hang in classrooms and offices. In 2011, the initiative won the first-ever Ethical Citizens' Award from the state of Minnesota. And in the approach to the 2012 elections, the foundation has embarked on *Speak Your Peace II*, a renewed effort to use the tools to encourage civil debate (www.dsaspeakyourpeace.org).

Creating Thriving Rural Communities

No matter how demographics are changing, or what economic challenges must be faced, Minnesota grantmakers and individual donors are ready to do everything possible to build strong communities throughout the state. Through the Endow Minnesota Tax Credit concept, the Minnesota Council on Foundations is supporting one more way to ensure local communities thrive today and in the future, by providing extra incentives for individuals to contribute to endowments at

community foundations.

These endowments are like a gift that keeps on giving, benefiting everyone in a locale. They are a steady, long-term source of support to communities small and large, rural and urban. Foundation giving sustains nonprofits, fosters innovation, creates jobs and healthy economic climates, and much more. Community and public foundations in the state grant about \$160 million annually. If foundation assets were built up and grantmaking was boosted by 25%, 50% or 75% each year, much more could be accomplished.

Could community foundation grantmaking rise that dramatically? As noted above, the recently completed Minnesota Generational Transfer of Wealth study indicates that more than \$47.9 billion will be transferred from one generation to the next in Minnesota over the next 20 years. If only 5% of that amount were placed in endowments, \$2.4 billion would be set aside for use by local communities in perpetuity. Year after year, this would translate into approximately \$120 million more in annual grants to meet local needs and build stronger communities.

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