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It's not who you know — but who knows you:

An introduction to foundation grants

By Kirke Wilson, RCAC board member

As the U.S. financial crisis persists, it is more important than ever for organizations to understand the various potential funding sources available. In this information-packed article, Kirke Wilson, current RCAC board member and former Rosenberg Foundation president, describes strategies to identify foundations most likely to contribute to organizations that primarily serve rural populations. Wilson covers the difference between public and private foundations, and the relationship between foundations and the economy. He also discusses matching the grant-seeking organization's needs to what foundations seek to accomplish with their funding, how best to approach a foundation and more.

There is an old tale about a lost tourist asking road directions from a crusty New England farmer. The farmer ponders the question and rejects some possibilities before concluding, "You can't get there from here." Organizations in rural America may sometimes wonder whether the same is true when it comes to obtaining grants from foundations. With more than 70,000 grant-making foundations operating in the United States, it would be reasonable to expect that several of those foundations would be interested in supporting programs in rural America. In fact, most of the foundations in the United States are located in urban areas and are remote from rural areas and rural issues. Very few actively seek out projects to support rural America. As a recent report prepared for a national foundation observed, "The rural funding gap is real…"[1]

Foundations are indeed remote from rural America, but they remain a potential source of support for rural projects and programs. The task for rural grant-seekers is to sort among the 70,000 foundations to identify those that may have an interest in their geographical area and their program. The challenge is how to get there from here.

How foundations define themselves

Federal law distinguishes between those foundations that are public and those that are private. The primary criterion for the distinction is whether the money for the foundation came from multiple sources or from a single source. Public foundations include community foundations, where many donors support charitable projects in a particular geographical area (a city, a metropolitan region, a state) and public foundations where multiple donors support projects addressing a particular issue, such as the needs of women, public schools or world peace. Private foundations, by far the larger of the two categories, include family foundations, corporate foundations and the so-called "independent foundations." [2]

While foundations describe themselves as community, corporate, family or independent, the distinctions that are important to grant-seekers are more likely to be operational and structural.

Private foundations are subject to somewhat greater federal regulation than public foundations, including the requirement that private foundations distribute no less than 5 percent of their endowment annually. For grant-seekers, the distinction between public and private foundations has relatively little importance except that the two types of foundations file different annual information returns with the Internal Revenue Service. Public foundations file the same 990 form required of all public charities (including all but the smallest grant-seeking organizations) while private foundations file the 990-PF form. The forms are similar and disclose how a foundation is actually spending its money as well as information about governance and investments.

While foundations describe themselves as community, corporate, family or independent, the distinctions that are important to grant-seekers are more likely to be operational and structural. The single most important factor may be whether the foundation employs professional staff. A large majority of the foundations in the United States are relatively small and are operated by their trustees.[3] Their giving reflects the interests of the donor and the trustees (often the donor's family and business associates). In many cases, these small foundations are unable to respond to unsolicited proposals. These unstaffed foundations play an important role in supporting educational, cultural and health institutions, but are not likely sources of support for projects and institutions with which they are not familiar.

The foundation self-definitions that are most important to rural grant-seekers are those which describe the geographical and programmatic scope of the foundation. The absence of clear statements of geography and program can be misleading. They should not be interpreted to mean that the foundation is open to any project in any place, but only that the foundation has not chosen to share this information in a program statement. Many large and well-known foundations make grants to organizations throughout the United States and abroad. That they are national in scope does not necessarily mean that they have a strong interest in rural programs.

The geographical definitions may be the result of limitations imposed by donors or they may simply be the way the foundation has attempted to focus its grant-making for effectiveness, efficiency or, in the case of foundations established by corporations, to assure that grants serve the communities where the corporation has customers or employees. Among larger foundations, the geographical scope may be different for different programs. These distinctions are likely to be explicit in the program guidelines.

Foundations vary enormously in the extent to which they attempt to focus their grant making. Some foundations, like community foundations, have a narrow geographical focus and a wide program scope. Other foundations operate in a wide geographical area, but within narrowly-defined programs. Large foundations are likely to have both a wide geographical scope and a focus on multiple grant program areas. Most commonly, foundations define their program by field, for example higher education, the arts, health care, the environment or by the groups to benefit from the grants, such as children, the disabled, the elderly or disadvantaged populations. Some foundations define themselves by the type of grant they make, like capital grants, scholarships or project grants. In many cases, foundations also define themselves by the types of grants they do not make, such as those for endowment purposes, fund-raising events, operating deficits, capital campaigns, production of film or video and grants to individuals.

The special case of mission-related investments

The traditional foundation model is one in which an endowment is invested in a diversified securities portfolio with the income and earnings (not less than 5 percent of the endowment) expended each year in grants and administrative expenses. For the past 40 years, federal law has allowed private foundations to use their endowment for charitable purposes. Rather than investing in the stock market, foundations can make Program-Related Investments (PRIs) in enterprises with a social purpose such as businesses creating jobs in disadvantaged communities or loans for charitable purposes like affordable housing or small business development. Several large foundations administer PRI programs supporting economic development activities and community development lending. The overwhelming majority of foundations concentrate on investment return in the endowment and on the charitable return in their grants programs. In general, foundations either have a robust PRI program and staff or they do not make PRIs at all. In situations where a loan may be more appropriate than a grant, foundations may make something called a "recoverable grant" which the foundation treats as a grant until it is repaid to the foundation.

Whatever budget strategy the foundation has selected, the result in the short-term will be greater competition among grantees for a shrinking pool of grant dollars.

Foundation grant-making and the economy

Foundation giving is strongly tied to the economy. Foundation grants and operating expenses are paid out of investment returns (stock dividends, bond interest and investment gains). When the economy is strong, corporate earnings increase and the stock market goes up. When the economy is weak, earnings decline and stock prices drop.

Most foundations shape their spending policies to achieve two objectives. One is to preserve the value of the foundation endowment so that it will maintain its buying power for future generations (in a small number of foundations, donors have specified that the foundation should "spend out" rather than exist in perpetuity). The second is to satisfy or exceed the federal requirement that 5 percent of the endowment be used each year for grants and administrative expenses. When the endowment increases, the amount the foundation spends on grants increases.

Many well-managed foundations base the amount they plan to give each year on the average market value of the endowment calculated over a three-year period. This enables the foundation to protect its grantees from short-term fluctuations in endowment values and allows the foundation to plan ahead. The use of a rolling average, calculated over several years, means that amounts granted are likely to decrease more gradually than the stock market and that they are likely to recover more slowly than the stock market.

The recent economic downturn has been longer and more severe than any in recent memory. Most foundations have experienced losses of 25 percent or more of their endowment. A small number of foundations have suffered severe losses and closed. Some foundations have closed field offices and programs and reduced staff. Many have reduced grant budgets. In most cases, foundations have attempted to protect their current grantees (particularly in cases where the foundation has multi-year commitments to grantees) and reduced the funds available for new grants. Whatever budget strategy the foundation has selected, the result in the short-term will be greater competition among grantees for a shrinking pool of grant dollars. For organizations in rural America, the challenge will be greater to make their case.

What foundations seek

Foundation trustees and staff are motivated by a sense of philanthropic obligation. In some cases, the obligation is primarily to honor the generosity and intent of the foundation donor by strictly adhering to her/his charitable preferences. In other foundations, the philanthropic obligation is interpreted as using the charitable funds to "make a difference." Foundations define "making a difference" in a variety of ways. In some cases, the goal is to improve the lives and opportunities of individuals through child care, education or job training. In other foundations, the goal may be to improve a community through strengthened civic involvement, empowerment of disadvantaged groups or enhancement of cultural institutions.

Other foundations seek advances in knowledge through scholarly studies or scientific research.

Foundations often use the word "leverage" to describe what they are seeking. In the ideal situation, the goal is to invest a small amount of money in such a way and such a situation that it will result in large and lasting benefits. The leverage model emerged in the period after the Civil War when foundations began operating in the United States. Foundation grants were made for projects to eradicate disease and increase the quality of public education. The early philanthropies successfully achieved lasting improvements in health status and education while also transferring responsibility for public health and public education to state and local government.

The foundation concept of leverage survives, but the criteria for the evaluation of a particular proposal has become increasingly demanding.

Many of the early foundations devoted significant parts of their grant-making to projects in small towns and rural areas. For example, the steel tycoon Andrew Carnegie wanted to make libraries widely accessible to the public. Between 1886 and 1919, he and the foundation he endowed awarded 1,689 grants to build public libraries in the United States including 1,015 grants to towns with populations of 7,500 or less. Carnegie's idea of leverage was that he would give money to construct a library building if the local community would pledge to provide the library books and operating expenses.[4]

In more recent times, the notion of leverage evolved to the demonstration grant, where a foundation would support the operation of a project for a limited period of time with the expectation that, if the project demonstrated its effectiveness, the operating expenses would be paid by someone else. As public budgets have been squeezed, this "exit strategy" has become increasingly difficult to accomplish.

Foundations continue to make grants for demonstration projects to test program innovations, but they are increasingly concerned about metrics (how to measure progress and success), sustainability (identifying who will pay for the project after the foundation funding expires) and scalability (ensuring the model project has potential for expanding to other locations). The foundation concept of leverage survives, but the criteria for the evaluation of a particular proposal have become increasingly demanding.

The grant seeker must keep in mind that the foundation needs to know how its grant will make a difference. The foundation will ask questions about the experience and capacity of the grant-seeking organization and the subtext remains whether the proposed project meets the foundation's criterion of making a difference. The grant seeker may feel that the excellence of the organization, the hard work of the staff and the severity of the need being addressed entitle the organization to a grant. The foundation knows that there are many excellent organizations, hard-working staff and needy communities, but the measure of the project must be its potential to make a difference.

Identifying foundation prospects

The task of sorting among the 70,000 foundations in the United States to find those that may be interested in your program may seem overwhelming. However, there are ways to simplify the identification process. The first is to ignore all the small and unstaffed foundations in the country except those located in your county or nearby. The second is to identify those companies that operate in your geographical area. Some, like banks and retail outlets may have foundations or corporate giving programs. Some may not have giving programs or may only make small contributions for community events and children's activities. The third way to accelerate the identification process is to discover which foundations are supporting programs and organizations like yours in other areas.

The conventional methods of researching foundations remain the most effective. Use the publications and libraries operated by or affiliated with the Foundation Center, foundation websites, 990s posted by GuideStar and some foundations on the list of "New Grants" published in each issue of The Chronicle of Philanthropy. Each of these sources is incomplete, but each assists the grant seeker to identify funding prospects. For each foundation, the critical items remain geography and program. Your program must be consistent with each. If there is uncertainty in what a foundation says about itself, review the list of grants and particularly those grants that have been made recently. Grant lists provide names of grantees, their location and the amount and purpose of the grant. In some cases, the stated purpose of the grant will be for general operating support. This is highly desirable for the grantee organization because of the flexibility it provides, but not helpful for the grant-seeker attempting to decode the foundation grant list.

Within the list of foundations that seem compatible with your program and geography, look more closely to determine whether there are other patterns in the foundation's grants.

Grant lists are generally silent about whether the grant is continuing several years of funding, whether the grant is the last in a series or whether the grant marks the first in a new program the foundation has recently adopted. Foundation statements of program policies or goals are often adopted before the foundation has made many grants in the field and may reflect the foundation's aspirations, rather than describing threshold criteria for the program. In many cases, the foundation statement of purpose or program is somewhat out-of-date as the program evolves.

The objective of the accelerated search is to identify a relatively short list of foundations that may have an interest in your program and your area. Within the list of foundations that seem compatible with your program and geography, look more closely to determine whether there are other patterns in the foundation's grants. Foundations often have unstated preferences about the types of organizations they support (well-established or grass roots), the extent they are comfortable with risk and the size of grants they award. A close reading of the foundation grants list may reveal what the foundation actually prefers, rather than what it may have stated in its guidelines.

Approaching a foundation

Each foundation makes its grants in its own way. In larger foundations, there may be differences from one program area to another. Whatever the internal differences, foundation websites are often explicit about how the foundation wants to be approached and what preliminary information is needed from the grant-seeker. Some foundations specify an online approach, while others prefer a letter of inquiry describing the organization, the proposed project and the approximate size of the grant being sought. It is not useful to quote the foundation guidelines in the letter, but it is desirable that the letter describe the project in language that the foundation can understand. Every effort should be made to avoid the use of jargon or technical language. The preliminary letter should be short, no more than a paragraph or two for the organizational background and setting, the description of the proposed project and the narrative describing how the grant funds will be used. Unless the foundation indicates otherwise, this is not the time to send glossy brochures, detailed budgets, IRS determination letters, staff resumes, videotapes or reprints of favorable newspaper stories.

The preliminary review simplifies the application process for the grant-seeker by eliminating unnecessary or premature proposal writing and enables the foundation to screen out proposals the foundation will not consider. The grant-seeker, particularly one from a little-known organization or addressing a complex or poorly-understood issue, is at a disadvantage, but must convey the significance of the proposed project in ways that will make it compelling. The foundation will consider the letter and respond by telephone, letter or e-mail indicating interest, asking clarifying questions or turning down the proposal.

The grant-making process

Once the foundation has indicated interest in the proposed project, the foundation will specify the preferred form and content of the proposal. The basic elements are a narrative proposal and budget with attachments like the organization's IRS letter showing that the organization is a publicly-supported charity (in some cases, this may be two letters), resumes of key staff and a list of board members. Some foundations prefer to have grant-seekers use the foundation's form for proposals. Others may require letters of support for the project, the organization's budget, a resolution of the governing board authorizing the proposal, the organization's audited financial reports, the most recent 990 filed with the IRS or other materials or information.

Like the letter of inquiry, the proposal should be concise and free of jargon or unnecessary padding.

Unless the foundation specifies a particular format or list of questions, the proposal should describe the organization requesting the grant, its capacity to carry out the grant, the setting and the specific problem the project is proposing to address. The proposal should not be excessively detailed, but it must be clear about why the proposed approach is likely to result in the desired outcomes. If the proposed project involves the collaboration of other organizations (generally considered a positive feature), the other organizations should be identified and their contribution described. Like the letter of inquiry, the proposal should be concise and free of jargon or unnecessary padding.

The proposed budget should be consistent with the work to be undertaken. The budget and scope of the program should be commensurate with the problem defined in the proposal. This suggests that sweeping goals, such as eliminating poverty in the U.S., should be replaced with achievable objectives and budgets offering reasonable prospects of success.

The role of the program officer

The proposal will be reviewed by one or more program officers at the foundation. In some cases, it also may be sent to outside consultants for comment. The program officer will have the primary responsibility for reviewing the proposal, investigating it and recommending whether it should receive a grant. The program officer will prepare a summary of the proposal for review by foundation officers and, depending on the size of the grant and the policies of the foundation, perhaps by the foundation trustees. Within the foundation, the program officer is both an advocate for the proposal and the primary decision-maker about the proposal. The program officer is responsible for one or more program areas and is likely to be the best informed person within the foundation about the program area. Due to the focus on one of what may be several program areas, the program officer also may be somewhat isolated within the foundation and anxious to please superiors with grants that reflect well on the foundation.

The program officer may ask to meet the grant-seeker in the foundation office or may ask to visit the project. For the grant-seeker, either the office meeting or the site visit is a promising sign that the foundation is actually considering the proposal. The grant-seeking organization is not likely to have a choice between the two types of meetings. For most organizations, particularly those not well-known to the foundation, the site visit is preferable. It is likely to last longer than an office meeting, include opportunities for informal conversation and enable the grant-seeking organization to display its other work, staff depth and community setting.

Whether the meeting with the program officer is in the foundation office or at the program site, the program officer will ask questions about the proposal, budget, organization and the project setting. The questions also may extend to the organization's capacity to undertake the project successfully, its experience in communicating the outcomes of its work and its assumptions about trends in the field and new policy developments. The meeting with the program officer should, at a minimum, include the staff person who wrote the proposal and the staff person who will direct the project. Depending on the size of the organization and the potential size of the grant, the chief staff officer of the organization also may participate in part of the meeting. If the meeting is a site visit, it is possible to demonstrate the strength of the organization by arranging brief meetings with other staff or with board members. As the program officer is likely to explain, the final decision about whether or not the foundation will make a grant rests somewhere else with senior staff or the foundation board. While this is true, the favorable recommendation of the program officer is essential if the proposal is to result in a grant.

Building relationships

The grant relationship creates an opportunity for the grantee organization to deepen the foundation's understanding of rural places and rural development while also building trust.

Once the foundation approves a grant, the grantee organization has both obligations and opportunities. The obligations include those explicitly described in the grant agreement, like the content and frequency of reports, as well as unstated obligations critical to building a continuing relationship with the foundation. The unstated obligations are to keep the foundation informed about organizational, programmatic, financial or other issues that may arise and impede the progress of the project. All organizations and most projects experience challenges and changes that entail project delays or modifications. Organizational instinct is to suppress information or postpone notifying the foundation until the problems are resolved. The risk for the grantee organization is that the foundation will learn about the problem, perhaps incompletely or inaccurately, from another source and jeopardize the foundation's confidence in the organization. The basic rule is, "No surprises!"

The grant relationship creates an opportunity for the grantee organization to deepen the foundation's understanding of rural places and rural development while also building trust. Project milestones, like ground-breaking and grand-opening celebrations, create occasions that enable the grantee to display the organizational capacity and community relationships asserted in the grant proposal. While foundation program officers are often unable to attend such events, the invitation alone is a reminder of progress that can be reinforced with newspaper clippings or even casual photographs. The objective is to strengthen the foundation's trust, deepen its understanding and confirm the foundation's confidence in the grantee organization and the significance of its work. Foundation program officers take pride (and sometimes unearned credit) for the accomplishments of their grantees. Effective program officers promote "their grantees" to other foundations. Cultivation of the foundation will increase the likelihood that the first grant will not be the last and that the program officer will serve as a source of informed and positive reference to other foundations that share common program interests.

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1 Barry Newstead and Patrick Wu, "Nonprofits in Rural America Overcoming the Resource Gap", prepared for Atlantic Philanthropies by the Bridgespan Group, July 2009, p. 13.

2 Independent foundations are those private foundations which are neither corporate nor family foundations. They may not be entirely independent of their donor.

3 The members of the foundation governing board may be called trustees, directors or something else. Their governance function is essentially the same regardless of title.

4 Theodore Jones, Carnegie Libraries Across America (New York, John Wiley & Sons, 1997), p. 103.

See the helpful question and answer chart about obtaining foundation funding on the next page.

Frequently Asked Questions About Obtaining Foundation Funding	
Question	**Answer**
I notice that an increasing number of foundations do not accept unsolicited proposals. How should we approach a foundation that does not accept unsolicited proposals?	Accept the foundation's statement at face value. If you believe your program is consistent with the foundation's priorities, find a way to develop a relationship with a key staff person at the foundation. One way to start is to ask the foundation for advice about the program you are planning (for example, who else is operating similar programs?).
How large a grant should our organization request from the foundation?	Ask for what the project will need. If your research shows that the foundation rarely makes grants that large, indicate your willingness to obtain part of the budget from other sources.
When we were meeting with the foundation, we began to wonder whether the program officer had read our proposal or confused us with another organization. What should we do?	It is often useful to have additional copies of the proposal available at the meeting with the program officer. Whether or not the program officer remembered your proposal accurately, you may want to write a follow-up letter providing additional information to dispel any confusion that may have arisen.
Another organization in our area has been critical of our program. How do we discourage the foundation from consulting them about our work?	Any effort to discourage the foundation from consulting with the other organization will only aggravate the problem. You may want to anticipate the likely criticism in your proposal or a follow-up letter. It also may be useful to provide the foundation with the names and telephone numbers of organizations that are familiar with your work.
We need a grant before we can hire a project director. How do we answer questions for which we do not know the answer yet?	Respond to substantive questions, like who will be the project director, with process answers, like how you will recruit and select the project director. The same strategy can be used in response to questions about evaluation, communications or any other aspect of the project that is not fully designed.
The foundation program officer suggested several changes in our program. Should we adopt the changes?	Thank the program officer for her/his suggestions, but adopt the changes only if you believe they will strengthen the program. If you believe they will weaken the program, explain your thinking to the program officer and accept the possibility that the program you want to operate is not the one the program officer wants to support.
The foundation turned down our proposal although it was exactly like a project they recently funded. They said that our project was "outside the foundation's priorities." What does this mean?	There are many possible explanations for one project receiving a grant and a similar project not receiving a grant. "Outside the priorities" or "due to our limited budget" are simply ways of saying "no" without explaining anything. You might call the program officer and ask for more details.
What should we do if, after expressing great interest in our project, the foundation turns us down?	Call the program officer and ask what happened and what could be done in the future to strengthen the proposal.
We submitted a proposal to the foundation several weeks ago and have not received any response. How long should we wait for an answer?	Some foundations respond more promptly than others and some fail to respond at all. No response is not necessarily a sign that the foundation is considering your proposal. If you have not received an acknowledgement within several weeks, e-mail or telephone the foundation inquiring whether the proposal was received and when you can expect a response.

Nonprofit advocacy:

Toward a healthy, sustainable rural America

By Chris Marko, RCAC rural development specialist

For more than 30 years, Rural Community Assistance Corporation (RCAC) has championed rural issues in a variety of ways. RCAC engages in rural housing campaigns, educates legislators about the importance of safe drinking water for rural communities and garners support for community development finance programs. While acknowledging apprehensions around engaging in these types of activities, this article stresses the importance of participating. It identifies differences between nonprofit advocacy and lobbying and provides advocacy tips. Additionally, it highlights a few of RCAC's advocacy successes.

Competition for resources is immense, in these difficult economic times. Advocacy is one way nonprofit organizations can ensure community and program needs are recognized as legislative and funding decisions are made. Yet, many nonprofit organizations are hesitant to advocate for their needs because they are leery of being accused of lobbying and do not fully understand the differences between the two activities. Actually, both are allowable activities for nonprofit agencies. Advocacy and lobbying are vital to improving rural communities and supporting organizations that provide services for rural communities.

Nonprofit advocacy vs. lobbying

Advocacy efforts focus on education about an issue and its impact on individuals and communities. Examples of advocacy activities include:

- Posting an analysis of a piece of legislation on your website with details on how it will affect your clients
- Testifying before the legislature to share technical expertise on an issue
- Publishing results of a nonpartisan analysis, study or research
- Meeting with your elected official to describe the impact that a policy has on your community

Lobbying, on the other hand, consists of communications that seek to influence policymakers to take a certain position on a specific piece of legislation. Lobbying includes attempts to influence the decisions of state and local legislative bodies, such as county commissions and city councils. Examples of lobbying include meeting with members of

Congress to ask them to cosponsor a specific bill or writing a letter requesting that they vote for or against legislation. The Internal Revenue Service (IRS), at *www.irs.gov*, states that an organization is lobbying:

- When it attempts to influence legislation
- If it contacts or urges the public to contact members or employees of a legislative body for the purpose of proposing, supporting or opposing specific legislation
- Or if the organization requests the adoption or rejection of legislation.

One important exception is technical expertise lobbying as discussed on the Center for Lobbying in the Public Interest (CLPI) website at *www.clpi.org/images/pdf/Exclusions%20from%20Lobbying%20Color.qxp.pdf*.

According to CLPI, "Under the 1976 Law Governing Nonprofit Lobbying, a nonprofit organization's response to written requests from a legislative body (not just a single legislator) for technical advice on pending legislation is not considered lobbying. So, if requested in writing, a group could provide testimony on legislation, take a position in the testimony on that legislation, and it would not be considered lobbying."

CLPI is a comprehensive resource for information about the differences between advocacy and lobbying. CLPI assists and encourages charitable organizations to use the full range of their advocacy and lobbying rights.

Organizations conduct direct lobbying when they target legislators or a legislative body to influence legislation, and they conduct grass roots lobbying when they ask the general public to take action on legislation.

The difference between the two is specificity. It is advocacy when you educate your elected officials about issues that affect your clients, but lobbying if you ask them to take action (for or against) specific legislation, acts, bills, resolutions, referendums, initiatives or constitutional amendments. Administrative advocacy (advocacy directed at appointed officials or civil servants, for example, in response to proposed regulations) is not lobbying. Additionally, supporting or opposing a candidate for elective office is not an allowable nonprofit lobbying activity.

Whether lobbying or advocating through other means, charitable nonprofit organizations must be nonpartisan.

Overcoming nonprofit lobbying uncertainty

It is important to keep in mind that organizations are allowed to engage in some lobbying. Yet, if they engage in too much lobbying, they risk loss of tax-exempt status. The IRS considers a variety of factors, including how much time is devoted (by both compensated and volunteer workers) to lobbying and by how much money the organization spends on it, when determining whether the lobbying activity is substantial or excessive.

Based on the IRS Code, Section 4911, lobbying expenditures refer to expenditures for the purpose of influencing legislation (as defined above). Nonprofit organizations have two options for how their lobbying efforts will be examined. The default method, sometimes called the substantial part test, is more restrictive and requires more burdensome reporting, according to the CLPI website at *www.clpi.org/the-law/irs-rules*. The other option is to elect to be covered by the 501 (h) expenditure test. CLPI recommends this option for the vast majority of small to mid-size charities. To implement the expenditure test option, the organization's governing body must vote to come under the provisions of the 1976 law and file the one-page IRS Form 5768 with the IRS. CLPI provides the form on its website at *www.clpi.org/nuts-a-bolts/get-started*. All sources consulted confirm that choosing the expenditure test option does not subject the organization to increased likelihood of an IRS audit.

Advocacy and lobbying tips

Set goals – Develop goals before embarking on an advocacy or lobbying effort, whether it is an event, campaign or a visit with a legislator. Identify what you wish to accomplish and your desired outcomes.

Define your key messages – Draft basic, brief and easy to read key messages about your issue(s). One-page handouts are useful for legislators and staff who are bombarded with information.

While advocacy is often challenging, we believe that it is essential for ensuring a healthy, sustainable rural America.

Refer to the community – Legislators want to hear how a program and/or policy impacts people in communities. Identifying with local constituents also strengthens community relationships.

Don't be afraid of the meeting – People can be uncomfortable meeting an elected official or staff member. Legislators are relationship oriented, so don't be intimidated. Be personable and professional.

Remember that time is short – Provide a brief background of your organization with materials, your key issues and what the legislator can do. Make the utmost of the visit; do not leave without asking for something. The number one reason people give something is because they were asked.

Don't forget to say thank you – Remember to always thank legislators for their time. Verbally thank them in face-to-face meetings and on the phone. Make sure to send a follow-up thank you and brief summary of what was covered. Legislators and staff members are very busy and appreciate being thanked.

Follow up – Be open to follow up with more information, community referrals and additional contacts.

Attend events – Legislators value public recognition, so invite them to events, such as groundbreaking ceremonies for projects, forums and open houses. They appreciate hearing that their decisions are benefiting the public. Take pictures!

Developing and distributing a one-page fact sheet stating the goals and message and identifying local constituents to leave with legislators after a meeting will remind them about your organization's key issues. The fact sheet also should contain contact information so that legislative staff can follow up with your organization in the future.

RCAC's advocacy approach

RCAC participates in a number of state and national advocacy efforts that have been quite successful in keeping rural issues at the forefront and have protected existing resources in the face of significant competing needs.

In 2004, RCAC intensified its advocacy role for rural communities by forming the Government Affairs and Rural Policy (GARP) team. GARP focuses on four key areas including networking and partnerships, Congressional outreach, rural policy initiatives and advocacy information. While advocacy is often challenging, it is essential for ensuring a healthy, sustainable rural America.

Networking and partnerships

Networking and partnerships help RCAC address a range of community development issues such as health, education, renewable energy, telecommunications, entrepreneurship and workforce development. RCAC continues to network and develop partnerships with numerous colleagues including the national Rural Community Assistance Partnership (RCAP), National Rural Housing Coalition and Opportunity Finance Network to coordinate advocacy efforts. RCAC also is represented on the Board of Directors for national rural and community development organizations including Partners for Rural America, an umbrella organization for State Rural Development Councils, and the Community Development Society, which connects educational research with community development practice internationally. We cannot be effective at rural advocacy without engaging other organizations and most importantly rural communities. RCAC facilitates communication between communities and decision-makers through forums, calls to action and letter writing campaigns. By collaborating with others involved with similar issues that impact rural communities, our collective voice is strengthened for rural America.

Earlier this year, RCAC held a rural symposium, which attracted nearly 100 rural community development practitioners from across the West to discuss the state of housing, infrastructure, economic development, health care and leadership in rural communities today. The participants sought to identify the most pressing needs rural communities face and brainstormed possible solutions to meet those needs so rural communities will survive and thrive. "Identifying legislative strategies that are needed to support rural development was one of the key objectives of the symposium," said Stan Keasling, RCAC chief executive officer.

As part of its advocacy activities, RCAC conducts outreach and education with legislators to keep them informed about rural issues and needs for resources.

Congressional outreach

As part of its advocacy activities, RCAC conducts outreach and education with legislators to keep them informed about rural issues and needs for resources. We share case studies, impacts of our programs on communities and discuss rural issues with Congressional members. As part of our lobbying efforts, RCAC also spends a limited amount of time gaining support for specific rural programs and policy. In conjunction with RCAP, its national affiliate, in February 2009, RCAC sent a legislative team to conduct Congressional visits in Washington D.C. Our messages highlighted the unique challenges rural communities face, including lack of understanding of requirements and programs, limited staff capacity to carry out projects and limited local revenue to support necessary improvements. We also shared information about legislative priorities for water and wastewater programs to support RCAC and RCAP.

At the local level, RCAC staff members conduct ongoing outreach and education with Congressional offices regarding rural issues.

RCAC endorses letters of support for rural housing programs including letters sent to U.S. Department of Agriculture Rural Development and U.S. Housing and Urban Development programs. We have supported measures against predatory lending (unethical, unfair, damaging, fraudulent lending practices) and advocated the increase of resources for homeownership counseling. RCAC advocates for support of Community Development Financial Institutions (institutions that provide credit and other financial services to underserved populations), which gained increased attention under the American Recovery and Reinvestment Act (a government economic stimulus tool).

Rural Oregon Day and Rural Policy Forums

RCAC has helped organize Rural Oregon Day in partnership with the Oregon Rural Development Council for the past five years. The Oregon Rural Policy Forum 2006 in Pendleton brought hundreds of people together representing communities, organizations and agencies to meet with Legislators from around the state. They developed recommendations for key rural policy issues including water, health, housing, small business entrepreneurship and workforce education. Sessions for each track were facilitated to develop policy recommendations for all the areas that moved forward in the legislature in following years. For example, the focus track on water recommended the state of Oregon develop a long-term strategy for managing water supply, which was carried through the Governor's Office of Rural Policy to the governor, who recommended this proposal in the budget. Sen. David Nelson also included the recommendation in a legislative proposal.

RCAC also conducted Rural Oregon Day 2007, which included promoting Sen. Nelson's Oregon Water Supply and Conservation Initiative. As a result, the Oregon Water Supply and Conservation Initiative was created. It included $800,000 in funding for the Oregon Water Resources Department to conduct a statewide assessment of water supply, emergency preparedness and grants for communities to produce source water and water conservation projects.

Positive outcomes of RCAC advocacy efforts

In Alaska, RCAC helped Valley Community for Recycling Solutions obtain $1 million for its recycling facility by facilitating community-based advocacy through the state Legislature. RCAC Alaska staff held meetings with community representatives to develop an advocacy plan which involved targeting key Legislators and the governor's office. RCAC staff member Roland Shanks worked closely with Molly Boyer, Valley Community for Recycling Solutions executive director, to conduct visits with Sen. Lyda Green, local state senator for Wasilla as well as the Senate president, to educate her on the project. He also "coached" Boyer to conduct outreach to the governor's office resulting in support for a $1 million Legislative Appropriation for the $6.5 million recycling facility, which is now under construction.

After years of advocacy efforts, New Mexico House Bill 185 was passed in April, which enabled five systems to merge and form a single Water Authority.

In California, the state Legislature created the Agricultural Worker Health and Housing Commission in 2006 as a result of a series of Food System Symposia that RCAC convened. The commission prepared options for fiscal policies that generate food system funding for agricultural workers; compiled and compared alternative policy models for providing increased primary health care access for California agricultural workers and seasonal and migrant worker housing; and assessed and summarized key stakeholder views on worker health and housing plan options.

RCAC encourages nonprofit agencies across the country to become more engaged in rural advocacy. Agencies need to be creative, do more within the scope of their mission and work together as collective advocates and with the communities we all serve.

In New Mexico, RCAC helped attract attention to the need for regionalization of New Mexico water systems by educating the state Legislature and governor about financial challenges small systems in the state face. (See the article on pages 14 to 16.) After years of advocacy efforts, New Mexico House Bill 185 was passed in April 2009, which enabled five systems to merge and form a single Water Authority. Forming the regional structure permits them to share water rights, declare a service area, float revenue bonds and retain their community autonomy. Prior to the new legislation, this type of merger would not have been possible.

For more information about RCAC's rural advocacy activities, contact Chris Marko at 503/228-1780 or cmarko@rcac.org.

New Mexico encourages regionalization:

Small water systems consolidate

By Ramon Lucero, Jr., El Valle Water Alliance board member and South San Ysidro MDWCA president

Small water systems throughout New Mexico experience numerous problems as their systems age and break down. Fixing the problems has become increasingly expensive and the state has been strapped with a tremendous amount of the financial burden. In response, the state increasingly has pushed for regionalization, encouraging small water systems to consolidate, pool their resources and more efficiently resolve their water system problems. Several regionalizations have formed, resulting in laudable improvements.

In 1965, New Mexico's Department of Health implemented its first water resource management plan, which came from the first Sanitary Projects Act. The purpose of the Sanitary Projects Act, "is to improve the public health of rural communities in New Mexico by providing for the establishment and maintenance of a political subdivision of the state that is empowered by the state to receive public funds for acquisition, construction and improvement of water supply, reuse, storm drainage and wastewater facilities in communities, and to operate and maintain such facilities for the public good."

Forty-four years later, New Mexico has more than 600 public and more than 700 private water systems. Ninety-five percent of these serve fewer than 500 customers. According to the New Mexico Environment Department, a large percentage of these water systems are aging, have limited capacity, have difficulty complying with state and federal clean water policies, lack adequate water rights, experience continuing management and technical problems, have an inadequate financial base, and lack any professional planning.

An order from the top

These technical, managerial, financial and compliance problems and associated health risks were creating increasingly high costs to the state. In response, Gov. Bill Richardson signed an executive order in spring 2003 to form the Water Infrastructure Investment Team (WIIT).

WIIT was charged with providing recommendations for systems that could plan, construct and manage water and wastewater facilities that would dependably and economically meet the state's current and future needs. As a result, WIIT established the following seven goals to ensure that water and wastewater systems would achieve long-term sustainability:

1. To protect the public health and economic vitality of New Mexico through strategic

planning and investment in infrastructure for secure and dependable drinking water supplies, sufficient water for business and economic development, and wastewater treatment for environmental and water quality protection.

2. To ensure that New Mexico's limited infrastructure dollars, including federal funding, are invested in water and waste-water systems that will provide a stable and predictable supply of water for domestic, residential, commercial and industrial use throughout the 21st century.

3. To foster a coordinated, strategic and long-range approach to the development of water and wastewater infrastructure and new water supplies (through technologies such as desalination), thereby realizing economics of scale through regionalization and affording opportunities for public/private partnerships.

4. To protect New Mexico's investment in water and wastewater infrastructure by requiring management accountability to ensure that assets achieve optimum efficiency and longevity, thereby decreasing the demand for state and federal funding.

5. To ensure comprehensive financial planning and adequate funding for operation and maintenance, and for emergencies and anticipated repair and replacement of water and wastewater systems.

6. To promote conservation and highly efficient use of the state's limited water supply.

7. To create water-delivery systems that are hydrologically and fiscally sustainable and meet state and federal statutory and regulatory requirements.

Along with these goals, WIIT established funding requirements, which, when implemented, would help water service providers ensure adequate financial, managerial and technical capacity to consistently meet local, state and federal requirements and ensure the long-term sustainability of their system.

More government mandates for consolidation

Although the Doña Ana Mutual Domestic Water Consumers Association had been consolidating many of the water systems in the surrounding area for approximately five years, during the 2003 legislative session, state lawmakers passed legislation to create the Albuquerque Bernalillo County Water Utility Authority (ABCWUA), the first regional authority established by legislation. Through a memorandum of understanding and several amendments, the City of Albuquerque transferred all functions — city employees; managerial, operations and maintenance responsibilities; appropriations; money; records; and equipment — to the ABCWUA. During the spring and summer of 2004, WIIT identified 10 regions around the state to focus on regional water and wastewater collaboration. The governor's office provided funding to organizations such as Rural Community Assistance Corporation (RCAC), the Western RCAP, to conduct planning meetings in the chosen regions. Meetings throughout the state began in fall 2004 and continued through spring 2005.

As a result, the following water associations have formed, or are working toward forming, regional water entities:

- ***El Valle Water Alliance***: Twelve Mutual Domestic Water Consumer Associations (MDWCA) with a combined membership of approximately 650, located in San Miguel County
- ***El Rito Regional Water & Wastewater Association***: Three MDWCA with a combined membership of approximately 300, located in Rio Arriba County
- ***Sangre de Cristo Regional***: Five MDWCA with a combined membership of approximately 350, located in Guadalupe County
- ***Mora MDWCA***: Three MDWCA with a combined membership of approximately 250, located in Mora County

- ***Cerro Regional MDWCA***: Three MDWCA with a combined membership of approximately 150, located in Taos County Regional water associations are working to combine their assets and liabilities, and to bring their operational and management structures under one entity.

Regional water associations are working to combine their assets and liabilities, and to bring their operational and management structures under one entity.

To date, these five regional water associations have secured more funding as a result of forming regional entities (collectively approximately $10 million) and have begun systematically replacing their aging infrastructures; increasing their capacity to serve new members; providing additional fire protection; maintaining compliance with state and federal clean water policies; and developing a more secure financial base to establish long-term sustainability.

The New Mexico Environment Department Construction Programs Bureau and Drinking Water Bureau, working in collaboration with funding agencies such as the New Mexico Finance Authority, the Water Trust Board, the Environmental Protection Agency, and USDA Rural Development, facilitated meetings from spring 2007 through summer 2008 to strategically fund infrastructure projects throughout these regions. Collaboration among these entities has also yielded shared water sources, water rights, water lines and a connection of watershed associations.

Other legislative attempts

Lawmakers introduced the Regional Water and Wastewater Authority Act during the 2007 legislative session. The act failed, but its proposed purpose was to create legislation under which water and wastewater facilities could organize to plan, develop, manage, maintain, or coordinate the development of regional water and wastewater facilities.

During the 2009 session, the New Mexico Legislature approved the Lower Rio Grande Public Works Authority. It is regionalizing five public water systems that together will have about 3,500 connections.

The process has been fully funded with state and Community Development Block Grant funds and involves interconnecting several systems, and completing a regional preliminary engineering report, asset management plan, merger plan and dissolution process. RCAC has been contracted to help develop a strategic plan and an implementation plan for the consolidation.

Conclusion

There is still unrealized potential for water resource management in New Mexico such as utilizing state and regional water plans, establishing land use policies that correspond with water use planning, and creating and implementing a water education curriculum for schools.

From the first Sanitary Projects Act in 1965 to some of the regional collaboration among local governments, water associations and the state of New Mexico, water system providers are making great strides toward providing safe drinking water for present and future constituents.

RCAC Board of Directors

Rural Community Assistance Corporation (RCAC) provides technical assistance, training and financing so rural communities achieve their goals and visions.

RCAC program areas include environmental infrastructure assistance (water, wastewater and solid waste), affordable housing development assistance (single and multi-family), financing (pre-development and long-term) and comprehensive community development (leadership development and economic development).

For more information about RCAC, including upcoming training events, conferences, employment opportunities and other RCAC publications, visit the RCAC website at *www.rcac.org*.

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