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Community Dividend

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Service providers retool and collaborate to address increase in suburban poverty

By Jacob Wascalus

PHOTOS BY JACOB WASCALUS

Above left: The newly constructed Northwest Family Service Center in Brooklyn Center, Minn., houses agencies that provide a range of human services to suburban residents in need. Above right, and page 6: Scenes from the center's 6,000-square-foot food shelf.

The food shelf at Community Emergency Assistance Programs (CEAP) is big. With a storage capacity of 6,000 square feet and ceilings reaching 13 feet high, the room, which is part of the emergency service organization's newly constructed and recently opened Northwest Family Service Center in Hennepin County, Minn., can accommodate enough food to feed thousands of people.

"You can literally park a truck in there," says Byron Laher, CEAP president and chief champion of the 44-year-old organization's new facility. "And that doesn't include the food packing area or the refrigerator and freezer space."

One of Laher's goals is to ensure that all needy people who visit CEAP's offices leave with better prospects than when they entered. If they're behind on rent, they'll speak to a housing counselor; if they're in need of clothing, they'll visit the clothing closet; if they're hungry, they'll access the food shelf.

"We don't want anyone to walk away hungry," says Laher. "If you come here with an empty stomach, you'll leave with a bag of food."

Moreover, CEAP shares this new building with more than 200 staff members from Hennepin County's Human Services and Public Health Department (HSPHD). After a CEAP staff member interviews a client and determines, for example, that he or she would qualify for the federally funded, county-administered food stamps program—otherwise known as the Supplemental Nutrition Assistance Program, or SNAP—the screener directs the client from the food shelf to a member of Hennepin County's assessment staff.

Says Laher: "We just send them up a flight of stairs. It's very convenient to have all of these services in one place."

Two decades ago, this veritable one-stop shop for human services would have been built, presumably, in a central city—the locus of need and poverty for most metropolitan areas. But need and poverty are no longer confined to city centers.

The new building—three stories in height, 63,500 square feet in size, staffed by more than 275 people from both CEAP and the county—is connected to the Osseo Area Adult Basic Education and Enrollment Center in Brooklyn Center, Minn. The location is a ten-mile drive from downtown Minneapolis,

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Rural CDFIs: Creating connections to marketplaces

A conversation with Mary Mathews of the Entrepreneur Fund

By Michou Kokodoko

Roughly 30 percent of the nearly 1,000 community development financial institutions (CDFIs) in the U.S. serve primarily rural, or nonmetropolitan, counties.[1] Because they work in sparsely populated geographic areas that often lack the resources and infrastructure of urban areas, rural CDFIs face several unique challenges. For example, rural CDFIs tend to be smaller and do a lower total dollar volume of lending than their urban counterparts, which may create the perception that their outputs are not numerous or sizable enough to be attractive to investors. Declining populations, mostly due to outmigration, may hinder the work of rural CDFIs by shrinking the available workforce for new or existing businesses. Access to conventional business development capital may be limited in rural areas, leaving rural CDFIs as the only resource for aspiring entrepreneurs. And potential investors may simply be unfamiliar with the opportunities available in rural areas and thus be reluctant to engage in small communities.

To learn more about rural CDFIs and their challenges, *Community Dividend* spoke with Mary Mathews, who recently announced her retirement as the founding president and CEO of the

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Human service organizations "tread water" in face of funding uncertainty

By Jacob Wascalus

Many nonprofit organizations that provide human services to low- and moderate-income (LMI) clients are in a period of programmatic stasis due to uncertainty around government funding. Most of these organizations rely on a mix of federal, state, and local government grants for at least a portion of their income, but legislative budget wringing in response to the Great Recession has created unpredictability that is hampering their efforts to improve or expand their services.

"Right now we're in a state of stagnation," says Marcy Harris, the director of planning, development, and legal services for Community Action Partnership of Suburban Hennepin County (CAPSH). "We're not able to increase existing programs where they're needed and we're not able to develop new programs that respond to some critical needs. From our perspective, there really aren't a whole lot of funds out there for new program development or expansion."

CAPSH and other human service organizations provide many of the safety net services that LMI clients call on for assistance—food shelves for sustenance, housing services for shelter, etc. Demand for these services surged during the Great Recession and continues to be high. Yet even as the economy gradually improves, many of these organizations—despite having multiple income streams, such as individual giving, service fees, and grants from private foundations—continue to contend with uncertainty over funding. For Kate Barr, executive director of Nonprofits Assistance Fund, a Minneapolis-based organization whose mission is to strengthen the finances of nonprofits, the source of the uncertainty can be summed up in three words: "Government, government, government."

Uncertainty coincides with increase in demand

According to a national survey of organizations that provide human services, nearly 56 percent of respondents received federal funding or contracts in 2011, and nearly 69 percent received state or local funding.[1] Of those three sources, state funding has been the haziest in recent years.

"It's painful right now," Barr says. "Anything related to the state budget is the most challenging part of nonprofit revenue."

The amount of state funding at stake is substantial. For example, in Minnesota, nearly $11 billion of the state's $34.1 billion 2012–2013 biennium general fund budget is directed toward health and human services, the second-largest area of the budget next to education.[2] It's no wonder, according to Christina Wessel, deputy director of the Minnesota Budget Project at the Minnesota Council of Nonprofits, "that the health and human services part of the budget has a large target on it."

The unclear revenue outlook poses considerable challenges for funding the actual operation of human service programs, particularly when those services have experienced an increase in demand. The survey mentioned above revealed that 89 percent of organizations experienced an increase in client numbers in 2011, with similar levels of increases anticipated for 2012.[3]

In suburban Hennepin County, CAPSH operates a range of programs geared toward advancing self-sufficiency. One such program, a transitional housing program for clients at risk of losing their homes or who are already homeless, has recorded a 40 to 60 percent increase in requests for services over the past three years. CAPSH received more than $4.2 million in government grants and contracts in 2010, or roughly 96 percent of its budget. "But because we haven't received additional funding," says Harris, "we haven't been able to help these people."

Similar service shortcomings are reported by organizations across the Ninth Federal Reserve District. In the Federal Reserve Bank of Minneapolis' second quarter 2012 *Ninth District Insight* survey, which polled more than 470 Ninth District organizations serving LMI communities, nearly a third of respondents reported that their ability to meet the needs of clients seeking assistance decreased over the previous six months. In fact, just 10 percent of respondents believed their ability to meet the needs of clients increased.[4]

To cope with the dual challenge of demand increases and budgetary shortfalls, many human service organizations are cutting back on employee benefits and compensation, reducing services, and reevaluating their program offerings.

"A lot of organizations are being very strategic," reports Pam Kramer, the executive director of Duluth LISC (Local Initiatives Support Corporation), an orga-

> "We're not able to increase existing programs where they're needed and we're not able to develop new programs that respond to some critical needs."
>
> *Marcy Harris, Community Action Partnership of Suburban Hennepin County*

Murky budgetary outlook gives privately funded organizations pause as well

Even for some human service organizations that rely mostly on private funding, such as Pierre Area Referral Service (PARS) in Pierre, S.D., budgetary uncertainty is a cause for concern.

"All of our programs have experienced an increase in demand," says PARS Executive Director Catherine Mercer, whose organization provides services ranging from emergency funding for basic necessities to a food shelf and a mentoring service. "And even though we're holding our own, we're very hesitant to start new programs because of the uncertainty of funding. 'Status quo' is kind of the key phrase around here."

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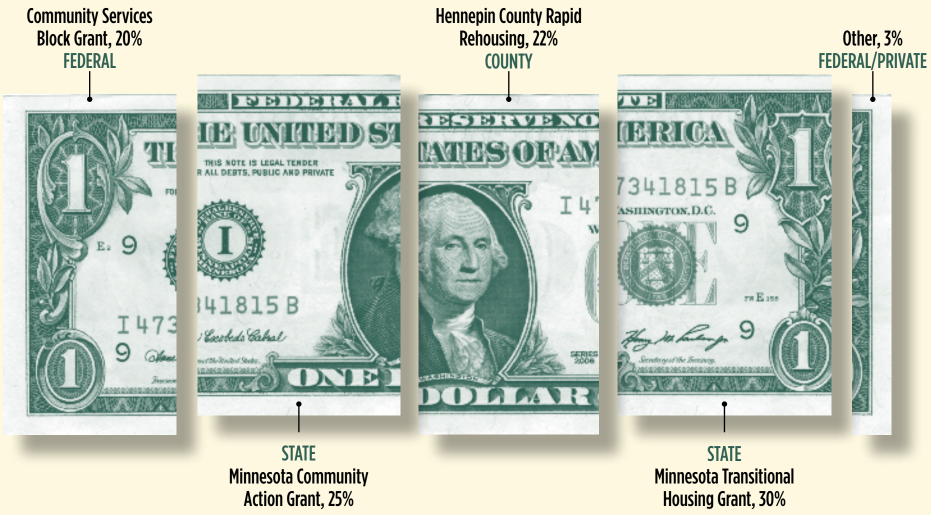
Nonprofit Program Funding: Where Do the Dollars Come From?

How One Twin Cities Organization Funds Its Transitional Housing Program



Nonprofit human service organizations typically rely on multiple funding sources to support individual programs. For example, Community Action Partnership of Suburban Hennepin County cobbles together grants from a half-dozen funding sources to operate its transitional housing program, which helps homeless clients obtain stable housing. The program provides a range of services, including direct support for housing costs (e.g., helping pay for security deposits and rent, moving costs, etc.) as well as client coaching to ensure positive outcomes (e.g., food, education, mental health assistance, etc.).

nization that works with community development corporations on affordable housing and neighborhood revitalization issues. "Many groups have had to go back and look at what their core mission is and examine their programs. I've heard some organizations say, 'We can't do that any longer.'"

Kramer also notes that some organizations are merging and forging partnerships to deliver their services more effectively. One merger she describes, which happened in January 2012, involved two community development and housing-related organizations working on similar issues and in the same area. "They realized that the decline in funds to pay for basic operating support, the opportunity to bring strong staff together, and the recognition that they could build on each other's skills made merging an obvious next step."[5]

The costs of operating without long-term funding

Regular and more predictable funding, of course, would help alleviate some of the uncertainty that executive directors have had to contend with while planning their program operations. Says Kramer: "Getting multiyear grants is critical. Many groups are seeing a huge surge in clients, and they need stable funding for operating support and capacity building."

Despite the desire for longer-term funding, many organizations serving LMI communities feel pessimistic about their prospects to raise adequate levels of funding to staff and operate their programs. In the *Ninth District Insight* survey referenced above, just 12 percent of respondents indicated an increase in confidence in their organization's ability to raise enough money. Three times as many, or 36 percent, said their confidence decreased.[6]

Furthermore, the outlook for government funding remains unclear. According to Jon Pratt, the executive director of the Minnesota Council of Nonprofits, "There are still some more shoes to drop regarding the state budget."

In the meantime, he says, organizations that offer safety net programs will have to continue to trim their services. "A lot of what has been reduced is prevention as opposed to emergency support."

CAPSH's Harris understands the effects of this governmental budgetary belt-tightening all too well. "Without sufficient funding," she says, "we lose the opportunity to make systemic and sustained change." cd

[1]The federal funding figure was calculated from a universe of 1,629 respondents; the state or local funding figure included 1,590 respondents. To view the survey and other responses, see http://survey.nonprofitfinancefund.org.
[2]Minnesota House of Representatives Fiscal Analysis Department.
[3]These figures were calculated from a universe of approximately 1,700 respondents.
[4]*Ninth District Insight Report, Quarter 2, 2012. Ninth District Insight* is a semiannual survey that asks community banks and service organizations for their perspectives on 17 key indicators related to the economic health of LMI communities. For more information, visit the Publications & Papers tab at www.minneapolisfed.org.
[5]Northern Communities Land Trust and Neighborhood Housing Services merged to form 1Roof Community Housing. See www.1roofhousing.org for more information.
[6]See footnote 4.

Rural CDFIs: Creating connections to marketplaces

A conversation with Mary Mathews of the Entrepreneur Fund

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Entrepreneur Fund, a certified CDFI headquartered in the city of Virginia in northeastern Minnesota.


PHOTO COURTESY OF THE ENTREPRENEUR FUND

Mary Mathews

Established in 1989 under the name Northeast Entrepreneur Fund, the organization initially focused on helping displaced workers from the area's iron mining industry start businesses as a means of creating their own jobs. Today, the Entrepreneur Fund helps a broad range of entrepreneurs in the largely rural region of northeastern Minnesota and northwestern Wisconsin build strong, locally owned companies. In its 23-year history, the Entrepreneur Fund has helped start, stabilize, or expand more than 1,300 businesses; provided $14 million in loans to 451 businesses; and helped create or retain more than 3,500 jobs. Its initiatives include the CORE FOUR Business Planning Course®, a training program that has been used in 38 states and three foreign countries; and the Greenstone Group, an entrepreneurship development initiative launched in 2008 that uses coordinated support, including business coaching, to help growth-oriented entrepreneurs continuously improve their business skills.

Community Dividend: You'll soon be stepping down after 23 years at the helm of the Entrepreneur Fund. How has the business development environment in your service area changed in that time?

Mary Mathews: The environment and support for entrepreneurs starting locally owned companies has improved, though there is certainly more to be done. When we started in 1989, many of the individuals we worked with had never personally known a business owner. Now there are stories in the media about people who have started and grown small businesses. The fact that entrepreneurship is more of a reality today presents exciting opportunities, particularly for residents of rural communities. To mention an example, a local serial entrepreneur with whom we've had a long-term relationship recently sold one of his companies for $10 million. And we'll help him start the new company he's planning.

One longstanding challenge is that it can be difficult for rural businesses to attract skilled employees because there often is no career track. If the job doesn't work out, there's rarely another job available. You have to pack up and disrupt your family. But things changed in the recent recession. For the first time, we observed architects, engineers, accountants, and other professionals sticking around after losing their jobs. They started coming to economic development organizations like ours to obtain assistance for opening new practices and building sustainable companies. Entrepreneurship or self-employment became a way for them to find more opportunities right in their backyards instead of having to move.

CD: The area you serve is sparsely populated in comparison to an urban community. Where does the demand come from to keep rural entrepreneurs' businesses growing?

MM: It's truly an evolutionary process. Often an individual starts a small business here to serve his neighbors or other members in the community. But of course, growth comes from expanding, serving a larger market, or creating a different distribution strategy for your products. The Entrepreneur Fund helps people figure out what products or services they offer that could go out to larger marketplaces. And today with the Internet, a lot of small service/retail or manufacturing companies can go global from here. Nevertheless, it's still a challenge in small communities because of isolation and lack of access to good markets. But in most cases, it's doable, if you think creatively about marketing your products and services.

CD: Is that one of the reasons why you started the Greenstone Group?

MM: Yes. Greenstone Group came about as a way for us to take our experience and staff capacity to a higher level and expand the support we could provide to the companies we were helping to grow. Today we

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New credit union promotes financial access on Pine Ridge reservation

By Paula Woessner

Access to financial services recently got a lot easier for residents of the Pine Ridge Indian Reservation in southwestern South Dakota. Lakota Federal Credit Union (LFCU), the first federally insured consumer financial institution ever established on Pine Ridge, opened for business in November 2012, after more than three years of planning and preparations. While the new credit union was created to meet specific and immediate needs, its supporters predict it will have the broader, long-term effect of promoting economic development in the Pine Ridge community.

Needs, barriers, and partners

A survey conducted in 2012 found that 60 percent of Pine Ridge residents had little or no relationship with a bank—an unsurprising figure, considering that prior to LFCU's founding, there were no mainstream financial institutions on the remote, 3,500-square-mile reservation. Residents seeking basic financial services such as check cashing and consumer loans had two choices: resort to using high-fee, "fringe" banking outlets; or drive up to 60 miles each way to visit banks in off-reservation towns, where there weren't many familiar faces.

"Distance was an issue, but also fear of the unknown. We recognized that creating our own financial institution would help eliminate those two barriers right there," says Tawney Brunsch, executive director of Lakota Funds, a nonprofit community development financial institution* that has provided small business lending, financial education, and asset-building services on the reservation for more than 26 years.

Brunsch had joined Lakota Funds in 2008, after eight years as manager of the Wall, S.D., branch of Black Hills Federal Credit Union. She believed that the service-oriented, nonprofit mission of credit unions would be a good fit for the needs on Pine Ridge. In January 2009, with Lakota Funds acting as sponsor, Brunsch and several colleagues formed the LFCU Steering Committee, an entity charged with applying for and securing a charter from the National Credit Union Administration (NCUA).

Three existing credit unions in the region—Black Hills Federal Credit Union, Highmark Federal Credit Union, and Sentinel Federal Credit Union—served as mentors throughout the application process and, along with Lakota Funds, committed to being LFCU's first depositors. Meanwhile, three consecutive awards from the U.S. Department of the Treasury's Native American Community Development Financial Institution Assistance Program provided the steering committee with a total of nearly $450,000 to cover start-up costs and hire a full-time staffer, Whitney O'Rourke, who now serves as LFCU branch manager.

> "Elders were approaching us and expressing worries that their Social Security checks are going to stop coming. It's cool that we can tell them, 'Your checks aren't going away, just come open an account at the credit union and that's where your checks will go.'"
>
> *Tawney Brunsch, executive director of Lakota Funds*

A menu of services

LFCU received its charter from the NCUA on August 29, 2012, and conducted a soft launch less than three months later. A grand opening is planned for spring 2013, once the new credit union has a few months of operation under its belt. Membership in LFCU is available to any of the estimated 40,000 people who live, work, worship, volunteer, or attend school on the Pine Ridge reservation. Organizations located within the boundaries of the reservation or organized to serve the people located within those boundaries also qualify for membership. LFCU is designated as a "low income" community development credit union, which means the majority of its members earn 80 percent or less of the national, nonmetropolitan median family income. The designation enables LFCU to accept nonmember deposits of loan capital, obtain grants and loans from the NCUA's Community Development Revolving Loan Fund, offer secondary capital accounts, and qualify for exemptions from statutory limits on member business lending.

In addition to savings accounts, LFCU's menu of services includes consumer loans, money orders, cashier's checks, wire transfers, and prepaid debit cards. One LFCU offering—direct deposit—has arrived at a critical time, because starting on March 1, 2013, all Social Security checks and other federal benefits will be distributed electronically only.

"Elders were approaching us and expressing worries that their Social Security checks are going to stop coming," Brunsch says. "It's cool that we can tell them, 'Your checks aren't going away, just come open an account at the credit union and that's where your checks will go.'"

More than just a savings account

LFCU is located on the first floor of the Lakota Trade Center in Kyle, S.D., in the heart of the reservation. Lakota Funds, which owns the building and donated the space to the credit union, occupies an office suite right upstairs. According to Brunsch, having LFCU so close by is a perfect complement to Lakota Funds' services.

"We have people who come in and want to start or expand a business, but they're using what we call the 'shoebox' method of tracking expenses and revenues, because they don't have any kind of relationship with a bank. Now we can walk them downstairs and have them open accounts at the credit union."

Brunsch's long-term goal for LFCU is to enable community members to become more financially educated and empowered so they can help build a thriving economy on Pine Ridge.

"'Economic development' sounds so technical, but what it means to me is that we have individuals being more financially responsible, and able to better provide for themselves and their families," she says. Once that happens, predicts Brunsch, those individuals will start businesses and create employment opportunities that make other people more financially stable. As the cycle repeats, the effects will multiply.

"I see that as a direct tie to the services that this credit union provides," Brunsch says. "People think it's just a savings account, but it's so much more. I really see it as a means to financial stability and overall well-being."

For more information on LFCU, visit www.lakotafunds.org. cd

COURTESY OF LAKOTA FEDERAL CREDIT UNION

In a reflection of the new financial institution's community focus, this Lakota Federal Credit Union billboard features members of the White Bull family, who are residents of the Pine Ridge reservation.

*Community development financial institutions, or CDFIs, are specialized entities that provide lending, investments, and other financial services in economically distressed communities. For more on CDFIs, see our interview with Mary Mathews of the Entrepreneur Fund on page 1 or visit www.minneapolisfed.org/community_education/cdfi.

Rural CDFIs: Creating connections to marketplaces

A conversation with Mary Mathews of the Entrepreneur Fund

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Steve Knauss
The Thirsty Pagan Brewery
Established in 2006, Superior, Wis.

Mary Ann Olson
Cabinet Corner and Home Center
Established in 2003, Grand Rapids, Minn.

Jason Zabokrtsky
Boundary Waters Guide Service
Established in 2010, Ely, Minn.

The business owners pictured above are just a sampling of the clients the Entrepreneur Fund (EF) has worked with in its 23-year history. These three entrepreneurs have all received business planning services, start-up loans, and expansion loans or assistance from the EF. (Photos courtesy of the EF.)

have coaches and staff available who match the skill level of a wider spectrum of entrepreneurs. Early on, we primarily worked with dislocated workers and people who lost their jobs, to help them turn their skills and hobbies into something that could generate revenue and eventually sustain them over a long period of time. Then we started offering loans to entrepreneurs who needed start-up capital. In the mid-1990s, other organizations were choosing whether to emphasize training or lending. We recognized that our strength was in combining entrepreneur development and capital. Our experience in supporting entrepreneurs made us better lenders, and vice versa. And we also recognized that the lessons we'd learned about working with microbusinesses were applicable for larger companies as well. The difference lies in the skills level or the experience of the business owner.

CD: The Entrepreneur Fund received its CDFI certification during roughly the same time period you just mentioned—in 1997, to be precise. Back then, there were only a few other CDFIs in Minnesota. Now there are 38 other CDFIs serving communities in the state. Do you think there are still market gaps, despite that expansion?

MM: Yes, I do. Today, CDFIs provide financing in underserved areas for businesses, housing, consumers, nonprofits, and facilities, but in rural communities, it's rare to see that full range of services available to the targeted populations of women, low-income people, and people of color.

The market gaps are even bigger now because of the recession. Many who qualified for bank loans in the past are no longer able to obtain the same deals. We serve a small niche of the overall market by providing business loans of up to $200,000, but with banks tightening their credit policies in recent years, we're finding opportunities to serve clients who need larger loans. For instance, yesterday we approved a $250,000 loan to someone who had good credit but still couldn't obtain a commercial bank loan.

CD: In your opinion, what should the nature of the relationship between CDFIs and traditional banks be?

MM: Our best bank relationships are where the bankers recognize that our role in entrepreneurial development and our participation in the financing package add value to the bank-business relationship and build them a better customer. We're pretty intentional about not competing; our loan pricing doesn't undercut conventional lenders.

CD: Some argue that CDFIs must conform to existing, conventional capital market systems to ensure an adequate supply of capital to the communities they serve, including rural communities. What are your thoughts on that? Do CDFIs have to be as sophisticated as banks, in terms of reporting and regulatory systems?

MM: As CDFIs become larger and more visible, the level of scrutiny will increase. The CDFI industry is talking about regulation, particularly in light of the potential of accessing funds through the conventional capital markets. We all report to our investors and funders now. Whether CDFIs should be regulated exactly like banks, I don't know. I've listened to arguments from both sides. As part of our industry's response to the question, the Opportunity Finance Network developed the CARS rating, which provides a level of third-party validation, transparency, and reassurance to investors.[2] The Entrepreneur Fund is CARS-rated. Also, since the early 1990s, we've been regulated by the Minnesota Department of Commerce under Chapter 56, which covers finance companies. We were the first nonprofit in Minnesota to be regulated under that chapter. It requires us to undergo an annual audit conducted by the state. Complying with that regulation helped us acquire an SBA 7(a) lender license.[3]

CD: Partnerships among CDFIs and other economic development entities appear to be essential for success in rural areas. Would you agree that CDFIs can't do this work alone?

MM: Yes. For example, Northland Foundation in Duluth is one of our partners. We have different niches; it primarily serves businesses that have markets outside of the region and tends to do bigger loans, whereas we primarily serve smaller businesses. We're building a pipeline, a continuum of services and support in the region. We do front-end development work with some Northland clients and partner with them on some loans. A recent Northland Foundation loan report listed several businesses that received first-round financing from us. When they were ready for bigger loans, we provided technical assistance and Northland supplied the needed working capital.

Also, we often make loans with cities and counties in our region that have revolving loan funds, in much the same way that we partner with other CDFIs. Recently, we did a few deals with Carlton County in Minnesota and Douglas County in Wisconsin.

CD: How would you assess your progress, looking back on your years at the Entrepreneur Fund? And what do you think the future holds for the CDFI industry?

MM: Twenty-three years ago, I never dreamed that we would have the impact that we've had. The magnitude of it is even greater than I would have hoped. And the opportunities to grow, evolve, change, experiment, fail, and experiment again have been really exciting.

As long as market gaps remain, there will be opportunities for CDFIs. But there will be fewer funding sources for operations available and we'll need to use them innovatively and creatively to accomplish more. One promising trend is that practitioners in the industry are starting to think about some creative "destruction and reconstruction" so that resources are used as effectively and efficiently as possible. Am I advocating for more vertical and horizontal integrations? Yes. We need to identify ways that organizations could do things collectively instead of individually and then figure out how to work better together. There are parts of the country that don't have access to CDFIs. It's incumbent on all of us, and especially next generation leaders, to figure out how to serve those places. And it is not necessarily by starting new organizations. Now is the time to look at doing some things differently. cd

What is a CDFI?

Community development financial institutions (CDFIs) are specialized entities that provide financial products and services such as small business loans and technical assistance in markets not fully served by traditional financial institutions. CDFIs can include banks, thrifts, bank holding companies, credit unions, loan funds, and venture capital funds. The CDFI Fund, a program of the U.S. Department of the Treasury, certifies and provides financial support for CDFIs. Other funding sources for CDFIs include investments and service fees. For more about the basics of CDFIs, visit the Minneapolis Fed's CDFI Resources web page at www.minneapolisfed.org/community_education/cdfi.

[1]This figure is based on the percentage of CDFI Fund awardees from 2004 through 2010 that served primarily nonmetropolitan areas. See Government Accountability Office report number GAO-12-547R, available at www.gao.gov.

[2]Opportunity Finance Network is a national membership organization for CDFIs. It designed the CARS (CDFI Assessment and Ratings System) assessment to help investors identify CDFIs that match their social objectives and risk parameters. For more information, visit www.opportunityfinance.net and www.carsratingsystem.net.

[3]The U.S. Small Business Administration's 7(a) Loan Program provides capital to lenders that help entrepreneurs start or expand small businesses. For more information, visit www.sba.gov/loanprograms.

Service providers retool and collaborate to address increase in suburban poverty

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where HSPHD is headquartered. This suburb, with houses on curvilinear roads and a population density less than half that of Minneapolis, has become the area's new frontier of poverty, along with dozens of other suburbs across the seven-county Twin Cities region. Minneapolis and St. Paul, encompassing just under 120 square miles, are still home to the majority of the poor; but the suburbs, spread out across more than 2,600 square miles, are now home to an almost equal number of the area's impoverished.

"There's a lot of poverty out here," says Laher, "and it's dispersed."

The geographic dispersion makes service delivery a challenge in the suburbs, but county social workers and emergency service organizations like CEAP are operating a spectrum of programs—often in collaborative arrangements—to assist impoverished people wherever they reside.

A national phenomenon experienced regionally

Since the start of the new millennium, the percentage of poor in the United States has slowly crept upwards. In 1999, nearly 12.4 percent of the country's population lived in poverty; ten years later, that percentage increased to 13.8.[1] Over the same period, the nation's 95 largest metropolitan areas saw the number of suburbanites living in poverty overtake the number of city dwellers living in poverty.[2] The underlying causes of this statistical shift include a weak economy, employment sprawl, and changes in affordable housing options.

While still elevated, the percentage of people living below the poverty line in the Twin Cities region has remained lower over the past decade than the national average.

PHOTO BY JACOB WASCALUS

In 1999, a little more than 175,000 people in the seven-county area lived in poverty, or 7 percent of the population. By 2010, the percentage increased to 10.2, or nearly 273,000 people. While just under half of those people, or 129,163, resided in the suburbs in 2010, the number of impoverished suburbanites grew 81 percent between 1999 and 2010, a rate that far surpassed the 36 percent increase in poverty that Minneapolis and St. Paul experienced during the same period. Bottom line: Poverty is a reality in the Twin Cities suburbs, and it has grown quickly.[3]

This doesn't come as a surprise to Amy Lopez, community impact partnership manager at Greater Twin Cities United Way. Lopez's expertise is in hunger relief, and she notes that trends in food shelf usage are typically correlated to the broader economy.

"It's a good way to determine if families are moving into or out of poverty. A large percentage of the people using food shelves now had never used them before, nor had they ever used any social service," she says, noting that food shelf usage in Minnesota has increased 64 percent since 2000. "We've never seen growth like this before."

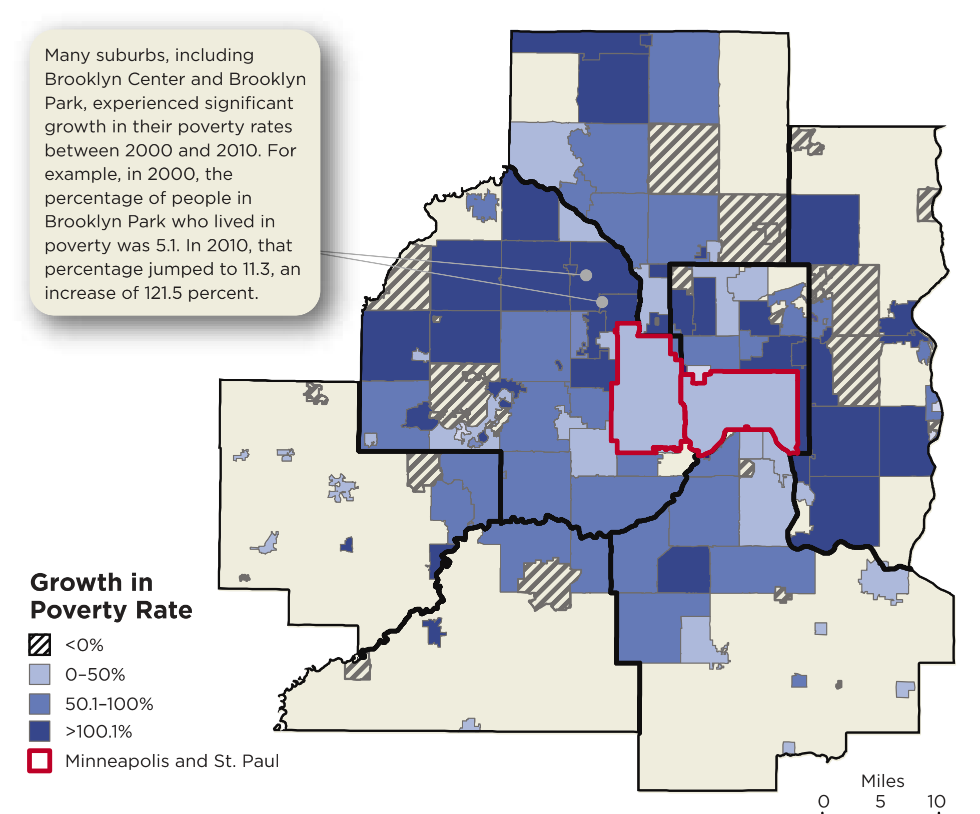
Use of CEAP's own food shelf is a case in point. In 2007, during the month of August, 429 families visited the emergency service provider's old food shelf; five years later, during the same month, 1,028 families visited it.

"We've made this jump, but we're not gaining any market share," says Laher, "because other suburban poverty organizations are seeing increases like we're seeing."

Other indicators of poverty corroborate an increase in demand for assistance. For example, the number of households that received SNAP benefits increased 41.3 percent in the suburbs from 2007 to 2010; in Minneapolis and St. Paul, household SNAP usage increased 30.7 percent. As a percentage of all households, some specific suburbs had relatively high rates of SNAP usage in 2010: 14.4 percent in Brooklyn Center, up from 9.3 percent in 2007; 11.1 percent in Brooklyn Park, up from 7.5 percent; and 7.4 percent in Richfield, up from 4.4 percent.[4]

Moreover, the Minnesota Family Investment Program (MFIP), the state's primary welfare program that provides cash and food assistance to low-income families with children, saw a 20 percent increase in its caseload between December 2006 and December 2010 in suburban Hennepin County, which has the largest suburban population in the state; in Minneapolis, the number of MFIP cases increased by 10 percent during the same timeframe.[5]

Growth in Poverty Rates in the Twin Cities Metropolitan Area, by Census Place,* 2000–2010



* "Place" refers to most cities, towns, villages, and boroughs.
Source: 2000 Census and 2010 Five-Year American Community Survey.

Finally, redemptions of U.S. Department of Housing and Urban Development housing choice vouchers (HCVs), which enable qualified low-income families to rent homes anywhere—suburb or city—also increased in the suburbs: from 8,104 in 2000 to 10,119 in 2009, a 25 percent rise. Although Minneapolis and St. Paul experienced a 46 percent increase during the same timeframe, from 5,912 to 8,615, the suburbs contained the majority of HCV redemptions—1,500 more than the central cities.[6]

Nonprofits, counties work together to address need

Recognizing the dispersed geographic reality of poverty, HSPHD is in the process of expanding its presence by opening "hubs" and "satellites" throughout the suburbs. At these offices, clients will be able to access multiple programs, such as financial assistance, social services, and public health services, in one building.

"We're becoming less centralized," says Rex Holzemer, workforce resources and regional development area director for HSPHD. "In the past, if you wanted services, you had to come to us downtown, which is a real imposition on people who are often struggling financially."

Already HSPHD has one suburban service hub in operation—in Brooklyn Center, the recently opened building it shares with CEAP. By 2014, HSPHD plans to open five additional hubs throughout the county, including one in Hopkins, a western suburb; and one in Bloomington, a southern suburb. Each of these offices will have additional, smaller satellite sites throughout the surrounding community.

Operating suburban service offices, particularly in partnership with nonprofits, is a strategy that is catching the attention of United Way's Lopez. She believes clustering services to make them easily accessible is an effective means of delivering aid.

"Nonprofits are having to become more creative in how they work together, and the expansion of services through this collaborative model is a promising practice," she says.

As an example, Lopez cites a partnership between Interfaith Outreach and Community Partners (IOCP), an emergency services organization in western Hennepin County; HSPHD; and Wayzata Community Education, the adult education agency that serves a western suburb of Minneapolis.

Continued on page 7

"The needs of clients are becoming more complex, more intense, and more frequent, and organizations are adopting some really unique partnerships," she explains. "Because of partnerships like the one IOCP has, clients are able to receive a more comprehensive set of services more quickly and conveniently."

Anoka County, located more than ten miles north of downtown St. Paul, has also developed partnerships with area nonprofits to address poverty needs. For example, the Anoka County Community Action Program works with nonprofits to administer its childcare assistance program, which provides childcare services to low-income adults while they work, search for work, or go to school.

"The partnerships we've developed have been critical in strengthening the safety net beneath our most vulnerable people," says Martha Weaver, public information manager for Anoka County. "Demand for services has never been greater, and these collaborative arrangements have been even more important in these difficult economic times."

In cases where agencies don't share physical space, collaborative relationships often rely on referrals and regular interagency communication. For example, when a person walks into CEAP seeking services related to workforce development—a service that CEAP doesn't offer—an employee will refer the person to HIRED, a job-skills training organization that operates out of a separate location. The referrals go both ways: other agencies often send clients to CEAP for specific services.

"In fact, Osseo Schools sends a lot of people to us from adult ed," explains Laher, referring to the Osseo Adult Basic Education program and how school administrative staff will interview adult students to learn about their needs and advise them of their human service options.

Moreover, when CEAP receives more perishable food than it can distribute in a timely manner, such as pallets of yogurt or sweet corn, Laher will contact other food shelves to see if they have a need for the excess food. Other food shelves will contact him under the same circumstances, he says, and "no one is keeping score."

Defining poverty

Each year the federal government issues two poverty measures: one by the U.S. Census Bureau, called "poverty thresholds," and the other by the Department of Health and Human Services (HHS), called "poverty guidelines." The Census Bureau's poverty thresholds are used primarily for statistical purposes, such as determining the number of people in poverty in a given area. HHS's poverty guidelines are used primarily for administrative purposes—for instance, to determine if someone is eligible for a poverty-relief program, such as the Supplemental Nutrition Assistance Program. In discussing the number of people in poverty, this article uses the poverty threshold definition established by the U.S. Census Bureau. Per the Office of Management and Budget's Statistical Policy Directive 14, the U.S. Census Bureau uses 48 different income thresholds, corresponding to family composition, to determine poverty status. For example, in 2010, the official income threshold for a family of four (two parents and two children) was $22,811.* All members of families of the same composition that earned less than $22,811 were considered impoverished. For more information, visit **http://aspe.hhs.gov/poverty/faq.shtml#differences.**

* "How the Census Bureau Measures Poverty," U.S. Census Bureau, www.census.gov/hhes/www/poverty/about/overview/measure.html.

Getting creative to meet demand

Some organizations are recruiting more unpaid help to cope with the increase in client demand. Valley Outreach, an emergency services organization in Stillwater, Minn., which is about 20 miles east of St. Paul, has grown its stable of volunteers from 30 a week in 2006 to 50 a week in 2012.

"We also added a volunteer coordinator," says Cynthia Frederick, Valley Outreach's emergency fund co-director. "We've been fortunate that as need has grown, we've been able to respond."

Volunteers are a critical component of most human service organizations. At Valley Outreach, they help with everything from operating the food shelf to organizing the clothing closet. They perform similar functions at CEAP, too, but there they also perform yard maintenance for needy elderly and help at the organization's youth-oriented food shelf, a collaborative operation run by CEAP and two other organizations. As the Twin Cities suburb with the second-highest share of poor minors, at 47 percent, Brooklyn Center has a dire need for services geared toward youths.[7]

"This program is going gangbusters," says Laher, describing how the youth food shelf expanded its operating time from one day a week in 2011 to two days a week in 2012 and is on its way to operating three days a week this year. "We provide the food and the space, and the other organizations perform the program's administrative functions, supply the volunteers, and work with the kids. It's been a really successful joint effort."

For CEAP, finding ways to accommodate new people—either clients, by making clustered services available; or volunteers, by making workspace available—is a central part of adapting to the changing socioeconomic circumstances of the surrounding suburban communities.

"We've gotten creative. We're using more volunteers, changing our hours, partnering with other organizations and agencies," says Laher. "There's a lot of demand for services out here now, and we want to make sure we meet it." cd

[1]Percentages derived from 2000 U.S. Census data and the 2010 Five-Year American Community Survey. In 2000, 34 million people out of 274 million people lived below the poverty line. In 2010, 41 million people out of 296 million people lived below the poverty line.

[2]See the Brookings Institution's report *The Suburbanization of Poverty: Trends in Metropolitan America, 2000 to 2008.* In 2008, 12.5 million poor resided in the suburbs while 11 million poor lived in central cities.

[3]For the purposes of this analysis, the suburbs included any Place, as defined by the Census Bureau, in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties, excluding Minneapolis and St. Paul. "Place" refers to most cities, towns, villages, and boroughs. Percentages derived from 2000 U.S. Census data and the 2010 Five-Year American Community Survey.

[4]Data on households that receive SNAP benefits is available from the 2007 and 2010 Three-Year American Community Survey.

[5]Data from HSPHD.

[6]Data on HCVs and other Section 8 categories of subsidized housing are available by viewing HUD's "A Picture of Subsidized Housing" at www.huduser.org/portal/datasets/assthsg.html.

[7]Brooklyn Park, which is adjacent to Brooklyn Center to the north, has the highest share of poor minors, at 49 percent.

News and Notes

Treasury's CDFI Fund announces nearly $18 million in Bank Enterprise Awards

The U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund recently announced that it will grant a total of $17,969,543 to 59 banks in recognition of their service to economically distressed communities. The grants will be awarded through the fiscal year 2012 round of the CDFI Fund's Bank Enterprise Awards Program, which provides capital to FDIC-insured depository institutions serving census tracts where at least 30 percent of the population lives at or below the national poverty level and the unemployment rate is at least 1.5 times the national average. The CDFI Fund selected the 2012 grant recipients from a pool of 71 applicants.

Of the 59 recipients, three are headquartered in the Ninth Federal Reserve District: Franklin National Bank in Minneapolis; Park Midway Bank in St. Paul, Minn.; and University National Bank, also in St. Paul. The three banks are owned by Sunrise Community Banks, a St. Paul-based bank holding company, and are certified CDFIs. (For more information on CDFIs, see the "What is a CDFI?" box on page 5.) They will receive a total of $1,141,225 in recognition of making various real estate loans, affordable housing loans, and project investments in distressed inner-city communities in Minneapolis and St. Paul.

Childhood poverty rate climbs past 20 percent in the U.S.

An estimated 16.4 million children in the U.S. lived below the poverty line in 2011, according to a recent Carsey Institute issue brief based on American Community Survey data. The estimate reflects a 4.5 percent increase in the overall childhood poverty rate in the U.S. since the start of the recent recession, from 18.0 percent in 2007 to 22.5 percent in 2011. The percentage of children living in deep poverty, wherein their family income was less than half the poverty threshold, increased from 8.0 percent to 10.1 percent over the same period. The brief's authors define poverty according to the U.S. Office of Management and Budget (OMB) income thresholds, which vary by family size and composition. For a family of four made up of two adults and two children, the OMB poverty threshold for 2011 was $22,811.

To download the brief, titled *Over Sixteen Million Children in Poverty in 2011,* visit the Publications tab at www.carseyinstitute.unh.edu.

Fiddler appointed to Community Development Advisory Board


COURTESY OF FOUR BANDS COMMUNITY FUND

President Obama has appointed Tanya Fiddler, executive director of Four Bands Community Fund in Eagle Butte, S.D., to the federal Community Development Advisory Board (CDAB). Four Bands is a Native community development financial institution founded in 2000 to assist entrepreneurs on the Cheyenne River Indian Reservation. Fiddler, who has served as executive director of the organization since 2002, is also co-founder and co-chair of the Native Community Development Financial Institution Network and chair of the South Dakota Indian Business Alliance.

The 15-member CDAB was established in 1994 to provide policy advice to the director of the U.S. Department of the Treasury's Community Development Financial Institutions Fund. The board includes the secretaries of the U.S. Departments of Agriculture, Commerce, Housing and Urban Development, Interior, and the Treasury; the administrator of the U.S. Small Business Administration; and nine private citizens appointed by the President.

Three Affiliated Tribes to build oil refinery

The Three Affiliated Tribes of the Mandan, Hidatsa, and Arikara Nation are moving ahead with plans to build a $400 million oil refinery on the Fort Berthold Indian Reservation in northwestern North Dakota. It will be the first refinery built in the U.S. in more than 30 years and is the largest economic development project in the history of the tribes.

Fort Berthold is located atop the Bakken formation, an oil deposit that underlies an area of approximately 200,000 square miles of North Dakota, Montana, and the Canadian provinces of Alberta and Saskatchewan. The Thunder Butte Petroleum Services refinery will process about 20,000 barrels of Bakken crude oil a day into gasoline, jet fuel, diesel fuel, and naphtha (a petroleum distillate used to make lighter fluid and lantern fuel, among other products). The first phase of construction is slated to begin in the spring of 2013, less than a year after the Environmental Protection Agency granted its final permit approval for the project. The refinery site is on a 467-acre parcel of tribally owned land in the northeastern corner of the reservation, approximately 40 miles southwest of Minot, N.D.

Calendar

Building Tribal Legal Infrastructure in Indian Country

Free, hands-on workshops that explore the benefits and particulars of establishing a secured transactions code, a type of commercial law that governs an important form of business lending. For registration and additional information, visit **www.frbsf.org/community/resources/events.html.**

Uniform Commercial Codes: Bringing Business to Indian Country

February 21, Albuquerque, N.M.

A daylong workshop for tribal leadership and economic development staff, Native business owners, community development entities, and commercial lenders. Sponsored by the U.S. Small Business Administration and the Federal Reserve Banks of Minneapolis and San Francisco.

Tribal Courts and Secured Transactions Law

January 30–31, Seattle
March 21–22, Oklahoma City
May 8–9, Minneapolis

A comprehensive, two-day, legal training workshop designed for tribal judges, tribal attorneys, and those engaged in tribal contracting and business development. Forms to apply for CLE credit will be available. Sponsored by the U.S. Department of the Interior's Bureau of Indian Affairs, Office of Justice Services/Tribal Justice Support and Office of Indian Energy and Economic Development, in partnership with the Federal Reserve Banks of Minneapolis, San Francisco, and Kansas City.

Microfinance Capacity Building Initiative Series: Scaling Up Microfinance

January 31–February 1, San Francisco
February 25–26, Atlanta

This free training workshop is designed to enhance the exposure of microfinance community development financial institutions to best practices in the field, explain tools for determining appropriate strategies to scale microfinance operations, and provide advanced technical assistance opportunities. Sponsored by Opportunity Finance Network. Additional information: Visit **www.cvent.com** and enter "Scaling Up Microfinance" in the Search box.

Building a Solid Foundation: The North Dakota Housing Finance Agency's 22nd Annual Statewide Housing Conference

February 6–7, Bismarck, N.D.

This event will bring together community leaders and industry professionals from across the state to discuss ways to address North Dakota's unique housing challenges. An opportunity to learn from experts, hone your skills, discuss trends, and network with your peers.
www.ndhfa.org