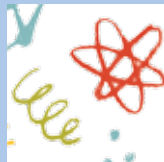




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ILLUSTRATIONS BY ANN MACARAYAN

From preschool to high school, programs aim to close Minnesota's STEM achievement gap

By Jacob Wascalus

As the industries fueling the global economy grow more technical and complex, the educational foundation of the U.S. workforce—particularly in science, technology, engineering, and mathematics (STEM)—plays an ever more central role in our nation's competitive position and the employability of U.S. workers themselves.

In Minnesota, the educational pipeline supplying part of this workforce has sprung a leak: Many low-income children, who account for 38 percent of the state's K-12

public school population, are underachieving in STEM.¹ In fact, compared to other states that lie entirely within the Ninth Federal Reserve District, Minnesota holds the dubious distinction of having the largest discrepancy between low-income students and their higher-income peers in several measures of STEM-related academic performance.²

To better prepare these students for the future, some educational institutions, non-profit organizations, and for-profit companies in Minnesota are implementing programs

that are intended to kindle a passion for STEM learning, from preschool onward, and help close the state's STEM achievement gap.

Measuring the gap

Gaps in academic achievement in math and science between the state's low-income students and their higher-income peers emerge early and persist through high school, according to Minnesota Compass, a social-indicator project of St. Paul-based Wilder Research.

Over the 2012-2014 period, 41 percent of low-income students achieved the fifth grade science standards established by the Minnesota Department of Education (MDE), compared to 75 percent of their higher-income peers. A similar gap appears in eighth grade math performance over roughly the same period (2011-2014): 39 percent of low-income students met the state standards, compared to 71 percent

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Minneapolis neighborhood leaders meet at the Corcoran Neighborhood Organization office in August 2014 for a tenant-organizing training session led by the University of Minnesota Center for Urban and Regional Affairs (CURA). Trainings such as this are one of many services CURA provides to communities in Minnesota.

Research center connects university resources with community groups

By Jacob Wascalus

The Corcoran Neighborhood in Minneapolis, a roughly 40-block area situated a few miles south of the city's downtown, is made up primarily of residential buildings and several stretches of commercial sites. The dominant housing type is the single-family, detached home, and more than half of the area's 2,300 households—nearly 58 percent—are owner-occupants.

Eric Gustafson, executive director of the Corcoran Neighborhood Organization (CNO), describes his neighborhood of 6,000 residents as stable, well-connected, and engaged. But to explain the more nuanced reality of his racially and economically diverse community, he invokes a literary reference.

"It's a tale of two cities," he says. "If you look into the numbers, you'll see a growing divide between the people who own their homes and the people who rent."

Case in point: 42 percent of the families in Corcoran who rent are living in poverty, compared to 11 percent of the families who own. *Living in poverty* means that a family of four—two parents, two dependents—had a household income of \$23,283 or less in 2012.¹

Gustafson got involved with the CNO soon after moving to the neighborhood in 2003, and in his various positions there he has learned about the challenging realities that many of his neighbors, particularly the renters, face. While his experience with the CNO has provided a wealth of knowledge about the neighborhood and its residents, for other data on the demographic composition of the neighborhood—as well as information about other community resources—he often relies on assistance from a longtime community partner: the Center for Urban and Regional Affairs (CURA), based at the University of Minnesota's Twin Cities campus.

"For the past few years, we've been working with CURA to identify emerging issues around rental housing," he says, noting that the relationship between the two organizations has existed for decades. "We've discovered that a

small group of bad landlords is taking advantage of some particularly vulnerable people, and with CURA's help we've been able to address some of these issues."

A history of partnerships

In 1968, the University of Minnesota formed CURA to elevate its role in helping address some of the critical issues facing communities during that era. Over the course of its 46-year history, the organization has built a rich track record of partnering with neighborhood groups, nonprofit organizations, and state and local government agencies to support projects aimed at strengthening Minnesota communities, with an emphasis on the Twin Cities metropolitan region.

"The Center for Urban and Regional Affairs is outward-looking by mission and exemplifies the best of what a land grant university should do," says Edward Goetz, director of CURA. "By conducting applied research and technical assistance for public-oriented entities, we provide an opportunity for the community to access the resources of the university."

At present, CURA operates more than a dozen programs designed to address different aspects of its partner organizations' needs, from providing technical support in the application of geographic information systems (GIS) technology to researching tailored solutions for challenges that beset a wide range of neighborhoods. (To see the full list of programs that CURA operates, see "A panoply of programs" on page 3.) Each of the programs has its own criteria for selecting projects to work on; while some require interested parties to submit formal applications, others need nothing more than an e-mail or a telephoned request. Most of CURA's programs provide assistance for free, though some contract with organizations to conduct fee-for-service work. Combined with philanthropic and university support, the funds collected through these efforts pay for the organization's operating budget.

CURA's Housing Forum: Learn as you lunch

In addition to supporting a host of programs that work to strengthen communities, CURA sponsors the *Housing Forum*, a series of free, semi-regular brown-bag luncheon meetings at which presenters and attendees explore issues and research relating to housing. Topics recently discussed during these events include efforts to create homeownership opportunities for Native American residents of the Twin Cities, trends in the rental market throughout the metropolitan area, and research to understand how a representative group of very low-income people has navigated the housing market from the time its members left their childhood homes. Housing Forum sessions are held on the University of Minnesota's Twin Cities campus and are open to the public. For more on the event series, visit www.cura.umn.edu/housing-forum.

To date, some of CURA's major accomplishments include supporting the development of GIS technology, helping to launch both the Minnesota Council of Nonprofits (www.minnesotanonprofits.org) and the Minnesota Housing Partnership (www.mhponline.org), and funding research that identified affordable methods to reduce toxic arsenic levels in public well-water supplies in Minnesota. Currently, CURA has 19 part- and full-time staff members and also employs roughly 80 undergraduate and graduate students each year.

Providing analysis and advice

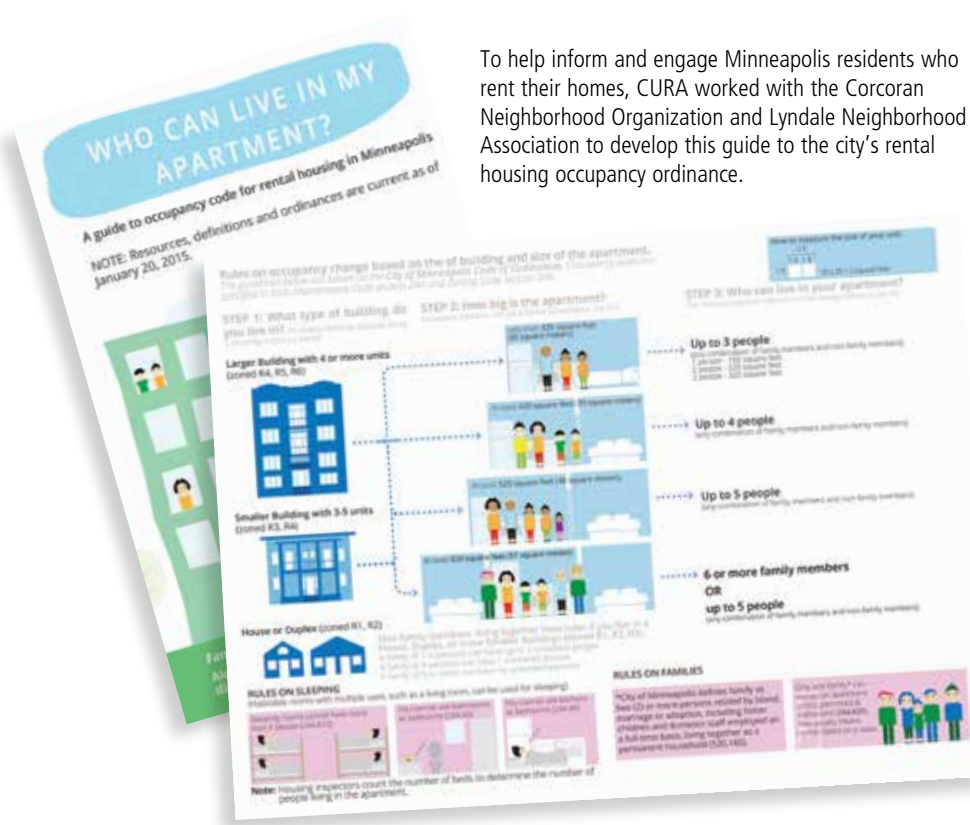
For its recent work with the Corcoran community, CURA helped address issues that affect residents' quality of life and financial health. CNO's Gustafson lists off a series of complaints that his organization and neighborhood partners fielded in 2014 from more than 200 households in 19 different apartment buildings in the Corcoran area: bed bug infestations, frequent

rodent sightings, peeling paint and plaster, unsecured common entryways, water leaks from neighboring apartments, drafty windows. This last grievance relates to a particularly costly issue: renters must pay utility bills that invariably jump—sometimes significantly—during cold months. According to Gustafson, the buildings' owners are apportioning these energy bills among apartments, and the apportionments are based on square footage, not on usage. Combined, the charges can add between 10 and 20 percent to a tenant's rent.

"Family budgets are breaking because of this," he says, noting that many residents lack control of thermostats that regulate the temperature in their apartments. "These buildings have rickety, single-pane glass and no storm windows, and the tenants are not legally allowed to make physical upgrades to their units, like installing energy-efficient windows. Nor should they have to."

With assistance from CURA, Gustafson and CNO launched a tenant-advocacy campaign based on information and engagement. CURA's Community Geographic Information Systems (CGIS) program, which was established in 2007 to provide high-quality geospatial data analysis and technical assistance, supplied a steady stream of maps and spreadsheets that Gustafson has used in conversations with City of Minneapolis policymakers and personnel, the CNO's board of directors, and other neighborhood groups. These included statistics, such as the average rent of a two-bedroom apartment in the neighborhood; and data-rich maps displaying information related to tenant livability, such as which residential structures in the neighborhood are licensed rental properties and where they are situated. Gustafson has used this information in building a case for the city to support tenants' rights through more effective code enforcement and communication as well as in holding discussions with community residents and stakeholders.

For on-the-ground outreach, CURA's Minnesota Center for Neighborhood Organizing, which works with community groups to develop the organizing skills of neighborhood outreach staff and leaders, worked with CNO's community organizer to develop strategies for engaging Corcoran renters, many of whom speak English as a second language.² According to Gustafson, CNO's intention was to build leadership among the renters themselves by empowering them to act on their own behalf. With tips from CURA, CNO's community organizer successfully engaged 78 households and in 2014 prompted 48 to take action of some kind, such as petitioning their landlord or city councilperson to address a problem or requesting an official inspection from a city inspector. As of November 2014, these tenant actions had resulted in a series of building improvements and repairs, such as the installation of new windows and entry doors; the patching and repainting of spotty walls and façades; the repairing of water-damaged roofs; and, in one apartment building, the removal and replacement of a carpet in the common area that, according to Gustafson, was crawling with bedbugs.



To help inform and engage Minneapolis residents who rent their homes, CURA worked with the Corcoran Neighborhood Organization and Lyndale Neighborhood Association to develop this guide to the city's rental housing occupancy ordinance.

"Tenants are often held responsible for bedbug infestations," he notes, "but how can they effectively eradicate them from their apartments if the areas outside of their units are infested?"

CNO also worked with the CURA:Tech program to develop a resource guide for tenants that better explains the city's code concerning occupancy in rental housing. CURA:Tech, which was established in 2013, works with neighborhood stakeholders to solve community issues through the development of high-tech tools (e.g., web applications) and low-tech tools (e.g., printed communications). CNO and CURA:Tech researched Minneapolis municipal codes and, with help from the City of Minneapolis Regulatory Services Department,³ designed a pamphlet to explain how many people are legally allowed to occupy a residence and where they can sleep. The guide, which uses graphics and both English and Spanish text, also includes information on resources that tenants can use to seek out legal advice or report problems.

By mid-2015, CURA:Tech and CNO aim

to release another pamphlet that explains the minimal housing conditions landlords must provide for apartments in buildings with four or more units and informs tenants about what recourse they have for issues like drafty windows or pest infestations. Like the occupancy code guide, this one will include illustrations and will be translated into multiple languages.

"CNO realized there is a need for more information and greater transparency around rental ordinances, and we were happy to partner with them," says Kristen Murray, director of CURA:Tech.

CURA's recent involvement with CNO has extended to other neighborhood concerns as well. For instance, in 2010, CNO requested and received research and analysis of parking demand around an area of the Corcoran neighborhood that had been subject to development pressure. The work was conducted by the Kris Nelson Community-Based Research Program, which provides organizations and public agencies in the Twin Cities with undergraduate and graduate students who conduct community-based research projects. The

ONLINE EXTRA



How Do Community Data Intermediaries Help Neighborhoods?

In this video feature, learn how CURA uses data from sources like the City of Minneapolis to help community groups understand neighborhood conditions. Available at www.youtube.com/user/MinneapolisFed.

resulting report was recently used by traffic engineers as they completed a Traffic Demand Management Plan in support of a major redevelopment project. Other examples of the research this program conducts include an examination of economic development strategies used to revitalize commercial corridors in underinvested areas and an exploration of ways to create hospitality-focused workforce training programs directed toward people of color.

Staying the course

Over the years, CURA's purpose has remained constant: to strengthen urban and regional communities by sharing the knowledge and passion of university faculty and students. But its program offerings have evolved to accommodate technological advances and the changing dynamics of the communities it serves. CGIS, for instance, was established in 2007, and CURA:Tech was established in 2013.

"Our mission hasn't changed, and it isn't going to change a decade from now," observes Edward Goetz, "but a decade ago, I wouldn't have been able to imagine the tools we're now using in our work with communities. If we want to remain effective and responsive, we'll have to remain flexible as an organization."

It's likely that whatever the future holds, there'll be no shortage of requests for CURA's assistance. After all, affordable housing, strong local economies, clean air and water, and healthy food were priorities for communities when CURA formed nearly 50 years ago, and they will no doubt remain so tomorrow. [cd](#)

A panoply of programs

CURA offers a wide range of programs, listed below, that support community-strengthening projects. For more information on any of these programs, visit www.cura.umn.edu/program-overview.

- Charles R. Krusell Fellowship in Community Development
- Community Assistantship Program
- Community Geographic Information Systems
- CURA:Tech
- Faculty Interactive Research Program
- Fesler-Lampert Chair in Urban and Regional Affairs
- Hennepin-University Partnership
- Kris Nelson Community-Based Research Program
- Minnesota Center for Neighborhood Organizing
- Neighborhood Partnership Initiative and Artist Neighborhood Partnership Initiative
- Resilient Communities Project
- University Metropolitan Consortium

¹ For more on this widely used federal poverty threshold, visit www.census.gov/hhes/www/poverty/data/threshld/index.html.

² For example, Latinos make up 19 percent of the neighborhood population and 83 percent of them live in rental properties. (Figures are from CURA's analysis of the U.S. Census Bureau's American Community Survey 5-Year Estimates for 2007–2012.)

³ The Regulatory Services Department oversees the safety and soundness of the housing stock in Minneapolis. For more on its role, see "Working with finite resources, Twin Cities rental housing inspectors reward good, target bad," in the October 2014 issue of *Community Dividend*, available via the Publications & Papers section of www.minneapolisfed.org.

Closing Minnesota's STEM achievement gap

Continued from page 1

of higher-income students. And in another measure, 24 percent of low-income high school students in 2012 tested as “able” in STEM subjects, compared to 45 percent of higher-income students.^{3,4} Despite this gap in academic achievement, low-income elementary and high school students reported a greater interest in science or STEM in general than their higher-income peers.

“We have this paradox of low-income kids having an interest in STEM subjects, but we’re just not able to turn that interest into achievement,” says Allison Liuzzi, a research scientist at Wilder Research.

The achievement gap could leave low-income students unprepared to enter the workforce, especially in STEM careers.

According to the Minnesota Department of Employment and Economic Development (DEED), Minnesota had approximately 340,000 STEM jobs in 2012, or roughly 12 percent of all jobs in the state. DEED projects that by 2022, employers will need enough STEM workers to fill approximately 108,000 replacement and new jobs.⁵ While that figure equates to only about one-ninth of the approximately 900,000 total replacement and new jobs it projects for Minnesota by 2022, DEED expects employers will still require workers who display problem-solving abilities and other qualities associated with STEM work, even if the jobs they fill don’t fit the STEM definition that DEED used in its analysis.⁶

“There’s a concern that we’re not actually generating the number of people we need who are qualified in STEM, or even preparing those

who have an interest in STEM to be able to pursue STEM careers,” says Liuzzi.

Levels and roles

Each level of Minnesota’s K-12 educational infrastructure—the MDE, the school districts, and the teachers—influences STEM instruction in distinct but connected ways. The MDE, which sets academic standards and credit requirements for all students enrolled in public K-12 schools in Minnesota, is enhancing STEM instruction by including more technical subject matter in the academic standards it sets for each grade, such as the requirement that students use geospatial technologies in social studies. That could mean, for instance, that an eleventh grader studying U.S. history would have to use mapping software such as ArcGIS or Google Earth to generate complementary analysis for a report.

“We’ve done this with all five major subjects—math, science, English language arts, social studies, and the arts,” says Doug Paulson, STEM integration specialist for the MDE.

Schools then take the academic standards set by MDE and create curricula in order to convey the lessons, skills, and knowledge necessary for students to progress from one grade to the next. The teachers, who instruct students in these courses, then design classes to best convey the subject matter.

“The curriculum is the roadmap for getting students from what they are thinking now to what we want them to master by the end of that grade level,” says Paulson, adding that there has been a recent shift in instruction toward integrating seemingly discrete subjects so students can begin to make connections between disciplines. “Schools and teachers can enhance STEM learning as they create this roadmap and develop lesson plans.”

STEM at three stages

As of 2011, nearly 100 nonprofit organizations, for-profit corporations, university departments, and school districts offered or underwrote programs to enhance STEM instruction in Minnesota, from preschool through high school. While most of these programs are available to the general student population, some are directed toward students from low-income families. Described below are three STEM programs that reach or cater to low-income students at three different age levels: pre-kindergarten, elementary school, and high school.⁷

Starting STEM education early in life

Starting in 2012, Minneapolis Public Schools, through its Early Childhood Family Education (ECFE) programming, began offering a course designed to help three- to five-year-olds exercise their problem-solving skills through exploration, discovery, and play. Called “Preschool STEM,” the 19-week course explores each of the STEM subjects through age-appropriate activities, such as investigating different shapes

and patterns to sharpen skills of prediction; using Legos, blocks, and ramps to build, evaluate, and improve models; and experimenting with tools like scissors, crayons, and tape.

But what makes this course unique is its inclusion of parents in the classroom. For the first hour of each weekly, two-hour class, parents engage in the STEM activities alongside their children. The aim of the parental involvement is to enrich the kids’ experience while helping parents develop ideas of STEM-oriented activities to follow at home. During the second hour of class, the kids continue to play and learn, under the supervision of a licensed early childhood teacher, while the parents split off to participate in a facilitated child-development discussion with a licensed parent educator.⁸

“Little children are born problem solvers,” says Maureen J. Seiwert, executive director of early childhood education for Minneapolis Public Schools. “They’re always investigating and trying to figure out how something works. This class gives us the opportunity, in a more formal way, to really help develop these cognitive skills and to answer some of the questions parents may have about helping their kids at home.”

All ECFE courses, including the Preschool STEM course, are available on a sliding fee scale to residents of Minneapolis, and no families are turned away because of an inability to pay. Approximately 80 children were enrolled in the course in its debut year, when it was offered at three sites. Last year and this year, ECFE has offered the course at two sites and the enrollment has stood at 50–60 children. Across all ECFE courses, a majority of children—54 percent—were from low-income families.

Exploring STEM through “real world” engineering

STARBASE Minnesota, a St. Paul-based nonprofit organization, promotes STEM skills by presenting a challenge to elementary school students: engineer a human mission to Mars. Working in small teams at STARBASE Minnesota’s technology-rich facility, fourth and fifth graders participate in a five-day, progressive curriculum that guides them through a range of STEM-based lessons. The students apply science and engineering concepts, integrated with math, as they use technology such as robotics, vacuum pumps, wind tunnels, engineering-design software, and 3-D printers. Licensed STARBASE instructors, who specialize in STEM, guide students through the problem solving needed to get their rockets through the Mars atmosphere, land their rovers safely, design and power their Mars colonies, and test their prototypes, all while linking the students’ work to a wide range of STEM careers. Scientists and engineers from 17 local STEM-oriented corporations that partner with STARBASE also participate by giving interactive demonstrations of how STEM is used in their industries.

STARBASE’s aim is for students to complete

STE(A)M for all

In many school districts, STEM-intensive programs are only available through optional enrichment classes or specialized magnet schools. But in one Minnesota district, STEM-intensive instruction is now a stage in every student’s K-12 career. In 2013, Austin Public Schools in Austin, Minn., opened I.J. Holton Intermediate School, a STEAM school (the “A” stands for “arts”) for all of the fifth and sixth graders in the system. In addition to teaching the core academic standards established by the Minnesota Department of Education, instructors at Holton follow a STEAM-heavy curriculum that challenges students to approach their schoolwork as an engineer would: with creativity, persistence, collaboration, systems thinking, communication, and ethical considerations.

“These are all habits of mind inherent in engineers,” says John Alberts, executive director of educational services for Austin Public Schools, “and they are very much STEM ways of thinking.”

Nearly 60 percent of the students who attend Austin Public Schools are from low-income families. For the stakeholders who championed the construction of Holton, access for all students was a top priority.

“Because of the demographic makeup of our student body, we felt it was important for all students to be exposed to this curriculum,” says Alberts. “We didn’t want it to be a school of choice or a choice program within the school itself. Ultimately, every fifth and sixth grade student who goes to public school in Austin will be exposed to the STEAM curriculum.”



the program with a feeling of success in STEM, a strong understanding of what it's like to be a scientist or engineer, and the motivation to pursue more STEM learning.

"We want to inspire kids in STEM by providing them with engaging and immersive experiences that would be difficult to replicate in the classroom," says Kim Van Wie, executive director of STARBASE Minnesota.

Approximately 3,500 students from six school districts across the Minneapolis-St. Paul region attend STARBASE Minnesota each year; since its founding in 1993, the organization has served more than 49,000 students. And although the program is open to all, the organization's target demographic is students from underserved backgrounds. Last year, 63 percent of students who attended STARBASE Minnesota were from low-income families. Historically, the average is 79 percent.

"Many students come to us with a limited view of the possibilities in STEM, especially engineering," Van Wie says, noting that the STARBASE Minnesota program is free to schools. "Our goal is to help students see how successful they can be in STEM by conducting the exciting work of real scientists and engineers. We hope to inspire students to pursue more STEM throughout their middle school, high school, and post-secondary years and to realize the vast opportunities in STEM that await them in the future."

On-the-job STEM learning

What's the best way to jumpstart a young adult's career in the information technology (IT) field? To Genesys Works, a national non-profit organization that operates an office out of St. Paul, the answer is clear: with a job.

Genesys Works trains minority and low-income twelfth graders in the basics of IT and then places them at local businesses to complete a paid, year-long internship in a role that

requires problem solving and interpersonal communication, such as PC deployment, desk-top support, or help desk operations. The program provides students with an employment record; exposes them to soft skills necessary to successfully work in a professional environment; and, critically, teaches them essentials of the technical know-how that a career in IT requires—skills like the fundamentals of hardware, software, networks, and information security.

"We've found that the experience of succeeding in a professional work environment really helps our students feel that there is a future for them in this type of work," says Jeff Tollefson, executive director of the Twin Cities office of Genesys Works. "They begin to connect the dots to see that in order to get one of those jobs full-time, they need to take the appropriate steps after high school."

According to Tollefson, 95 percent of their interns attend some form of post-secondary school. Over the course of their senior year, they all convene biweekly to discuss their post-high school plans with Genesys Works' counselors. During these meetings, the counselors talk to students about how to choose the right college and also provide help in filling out financing and scholarship applications.

Since its Twin Cities operation opened in 2008, Genesys Works has grown from placing an initial class of 11 student interns to placing 220 in 2014; historically, 90 percent of these students come from low-income families. Each intern works about 20 hours per week and earns \$9,000–\$10,000 for the year. The roster of businesses that employ interns from Genesys Works—47 to date—includes companies such as Target, 3M, and UnitedHealth Group.

A one-stop shop for STEM online

Parents, students, teachers, and businesses can learn more about Minnesota-based STEM educational resources by visiting www.mn-stem.com, a newly launched web site created by the Minnesota Department of Education, Boston Scientific, and the Minnesota High Tech Association. The online information portal aims to be a one-stop shop for all things STEM education, providing content such as profiles of STEM enrichment programs and information on connecting teachers who have STEM resource requirements with businesses that can meet those needs.

"When we find students who have motivation and we connect them with meaningful opportunities, we see that magic can happen," says Tollefson. "A lot of the people in the STEM pipeline might come from families whose parents are already working in a STEM field. But not our students. This job is a pretty life-changing opportunity for them."

Not just a matter of equity

According to Wilder Research's Liuzzi, the inquisitiveness that lends itself to a STEM

career must be nurtured throughout the educational experience, for all students. Doing so is not just a matter of equity but is imperative for the future competitiveness of the U.S. economy.

"We know that there is a lot of opportunity in STEM, particularly as we look at occupational projections over the next decade or so," she says. "We're going to have a lot of positions to fill, and if we don't close those gaps in achievement now, we're not preparing ourselves to fill the jobs that we know we're going to have down the road." [cd](#)

¹ Throughout this article and its sidebars, students are considered *low-income* if they are eligible for free or reduced-price school lunch. According to the U.S. Department of Agriculture, the eligibility threshold for free school lunch for the 2014–2015 school year for a family of four is a household income of \$23,850 or less; for reduced-price lunch, the income threshold is \$44,123.

² The National Center for Educational Statistics provides state-level data on students' performance in the National Assessment of Educational Progress. See more at nces.ed.gov/nationsreportcard/states.

³ "Able" students were those who met science and math benchmarks, as established by ACT, Inc., the organization that develops the ACT college readiness assessment. ACT, Inc., considers students to be lower-income if they have a self-reported family income of less than \$50,000, a threshold that captures all of the students eligible for free- or reduced-price lunch but possibly includes some students who are not eligible.

⁴ For more information about the academic achievement gap in STEM, visit www.mncompass.org/education/stem/disparities/income-status.

⁵ DEED uses the Workforce Information Council's definition of STEM jobs, which categorizes them as "Core" occupations or "Health Care" occupations. For more on this, visit www.labor.idaho.gov/publications/Exploring_High-Tech_Industry.pdf.

⁶ DEED employment outlook projections can be viewed at apps.deed.state.mn.us/lmi/projections.

⁷ To learn more about the programs available in Minnesota, visit www.starbasemn.org and click on "STEM Inventory of Local Programs."

⁸ For more information about ECFE and its STEM course, visit ecfe.mpls.k12.mn.us/general_information.

Strengthening the role of Native CDFIs:

A conversation with Gerald Sherman of the Native CDFI Network

By Michou Kokodoko

Roughly 8 percent of the 917 community development financial institutions (CDFIs) in the U.S. are categorized as Native CDFIs (NCDFIs), which means they serve primarily American Indian, Alaska Native, or Native Hawaiian communities. Due to a mixture of historical, political, and geographical factors, these communities tend to face profound challenges: high rates of poverty and unemployment; lack of physical, legal, and telecommunications infrastructure; and limited access to affordable financial products and services, to name a few. NCDFIs are working to change the landscape by filling credit and capital gaps and providing Native consumers, entrepreneurs, and potential homebuyers with needed information and training to access traditional lenders.

According to a new Federal Reserve Bank of Minneapolis Community Development Report titled *Growth and Performance of the Native CDFI Loan Fund Sector, 2001–2012* (available via the Publications & Papers section of www.minneapolisfed.org), the NCDFI industry is growing rapidly and, on the whole, performs fairly well financially, but could benefit from expanding its sources of capital.

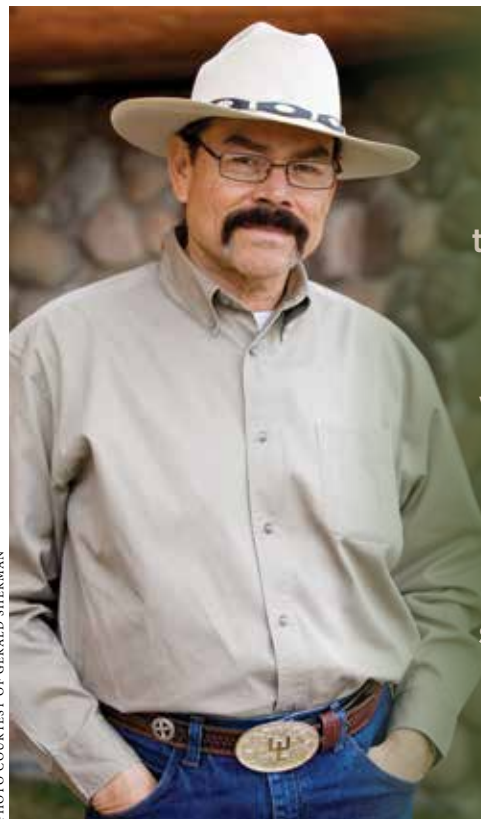
For insights into strengthening the role of NCDFIs, *Community Dividend* spoke with Gerald Sherman, interim CEO of a national NCDFI membership organization called the Native CDFI Network (NCN). Sherman has been involved in developing financial products to assist Native entrepreneurs and communities since the mid-1980s, when he served as the founding board chair and executive director of The Lakota Fund, an early NCDFI located on the Pine Ridge Indian Reservation in South Dakota. He went on to become the founding CEO of Indian Land Capital Company, a Montana-based national lender to tribes. In his current role with NCN, Sherman leads efforts to maximize member NCDFIs' impact through capitalization and policy advocacy.

Community Dividend: Let's start by taking a look back. For the past 30 years, you've worked in community development finance in Indian Country. How has the industry changed in that time?

Gerald Sherman: There's been tremendous growth, but it's mostly been recent. When we started The Lakota Fund in the 1980s, there were only a couple of players in the market. We had several conversations and meetings to get the other tribes to start CDFIs, but it's only in the last ten years or so that things have picked up. Why is that? It could just be that there are now more Native people trained and available to provide help in finance and small business development, so the learning curve has shortened quite a bit. Or it could be that Oweesta Corporation [a well-established NCDFI intermediary based in Colorado] helped to capitalize NCDFIs. A lot of groups started to organize as a consequence and things became a lot more sophisticated fairly quickly. Whatever the reason, I think it's about time. Tribal economic development practitioners are finally starting to see NCDFIs as credible financing institutions.

CD: In your view, what are the biggest barriers to financial access and economic growth in the communities NCDFIs serve?

GS: Indian Country is diverse and some places are easier to develop than others. But in general, two things come to mind that these places have in common: tribal sovereignty and a culture of poverty. There's a market for banks to tap into in Indian Country. For instance, there are about 5,000 people living on the Pine Ridge reservation. But there's no bank on the reservation, and there are reasons for that. Some financial institutions don't like to invest in Indian Country because of fear of entering into a sovereign territory where the rules aren't



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—Gerald Sherman

clear to them. Tribal governments have to learn to use their sovereignty effectively to help grow their economies. And we need to shift people out of a poverty mindset and start teaching them about entrepreneurship, banking, wealth creation, and asset development. We don't need to look to the federal government or anybody else for an answer. We have the capability to solve it ourselves. That's why I got into this field.

CD: What are some appropriate ways that tribes can promote or assist CDFIs?

GS: Some of it goes back to sovereignty. Tribes can pass laws like collection codes and uniform commercial codes to provide a consistent legal environment for lending and business. For instance, they can adopt the model tribal code that the Federal Reserve Bank of Minneapolis helped develop.* Another thing they can do is to separate their court system from their governing council, in order to keep judges independent and get rid of the politics. They can also help to capitalize or fund NCDFIs or provide office space to them at reduced cost. Finally, one big thing they should do is stay out of the operations and decision making of NCDFIs.

CD: How can NCDFIs work together with banks, credit unions, and other financial institutions?

GS: The best way is for banks and credit unions to provide low-cost capital to NCDFIs. Banks do that already for CDFIs in other settings but it doesn't seem to prevail in Indian Country. Banks could provide leadership in board positions or serve in an advisory capacity. They could also participate in loans with NCDFIs, thereby allowing

banks to take on greater risk than they otherwise would. And finally, they can always provide grants to NCDFIs.

CD: What do you predict for the future of NCDFIs? Will their numbers continue to grow, for example?

GS: A number of reservations throughout the United States are showing interest in starting CDFIs to serve their communities, so I think we'll continue to see growth in the sector. More tribes are recognizing that CDFIs are the appropriate financial institutions for their communities because they're concerned with cultural values as well as financing. While traditional financial institutions focus more on the financial bottom line, CDFIs have a business model that can allow for double or triple bottom lines where people and the environment are important. So I expect the growth will continue, and I think the field will continue to become much more sophisticated. The Native CDFI Network will really help by collecting data and showing impact to raise the profiles of NCDFIs on a national scale. The future will remain bright for NCDFIs as more young people continue to join the industry. This is an exciting time. **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. For more on CDFIs, visit the Minneapolis Fed's CDFI Resources web page at www.minneapolisfed.org/community/cdfi-resources.

* Sherman is referring to the Model Tribal Secured Transactions Act (MTSTA), a model law that tribes can adopt to support an important type of commercial lending. The Minneapolis Fed's Community Development Department helped draft the model code and has provided technical assistance to several tribes that have adopted it. For more on the MTSTA and the Minneapolis Fed's other work in helping tribes build sound legal environments to support economic development, visit www.minneapolisfed.org/community/indian-country.

VITA sites gear up for a potentially taxing season

By Paula Woessner

Every year in the dead of winter, thousands of Volunteer Income Tax Assistance (VITA) sites spring to life across the country. Working under guidance and requirements from the Internal Revenue Service (IRS), the sites provide free tax-return preparation for low- to moderate-income people.¹ By not charging for their services, VITA sites enable their clients to keep money that would otherwise go to paid tax preparers in the form of fees. And the sites specialize in helping people file for the Earned Income Tax Credit, a refundable credit for low-income workers that can amount to more than \$6,100, depending on a filer's household size.²

VITA sites aim to help as many taxpayers as possible over a fairly short span of time—typically, mid- to late January through April 15. That's a challenge in any given filing season, since most VITA sites are operated by nonprofit organizations or human service agencies with limited resources. But according to a sampling of VITA providers in the Ninth Federal Reserve District, it could be particularly challenging during the 2015 season, due to two factors beyond their control: an increase in demand for free tax preparation, fed in part by service cuts at the IRS; and the rollout of the Affordable Care Act (ACA), which has implications that could complicate and lengthen the filing process.

A growing clientele

Demand for VITA services has been growing for years as a result of word-of-mouth recommendations, modest promotional efforts by the industry, and—more recently—cuts in services at the IRS's national network of Taxpayer Assistance Centers. As of the 2013 filing season, the cuts forced the centers to stop providing tax preparation assistance and start sending taxpayers to VITA sites for help. The IRS is not sending VITA sites additional financial support to cover the cost of serving more clients, however. An IRS matching-grant program for VITA sites has been funded at just \$12 million a year since 2011. That's "a drop in the bucket compared to the costs of our services," says Karen Heisler, director of asset development for Rural Dynamics (www.ruraldynamics.org), a Great Falls, Mont.-based nonprofit organization that directs Tax Help Montana, a coalition of 24 VITA providers across the state. Tax Help Montana provided VITA services to about 4,800 taxpayers during the 2014 filing season and expects a 10 percent increase in demand in 2015.



PHOTO BY BRUCE SILCOX

Volunteer tax preparers assist clients at Prepare + Prosper's Volunteer Income Tax Assistance site at Hope Community Center in Minneapolis in 2013. Like other VITA providers *Community Dividend* contacted, Prepare + Prosper expects increased demand for its services this filing season.

It's a similar story in other corners of the Ninth District. Prepare + Prosper (www.prepareandprosper.org), a St. Paul-based nonprofit, has provided VITA services at multiple locations in the Twin Cities area of Minnesota since the 1970s. According to Carla Gainey, the organization's senior director of tax services, Prepare + Prosper served nearly 13,000 taxpayers last year but had to turn away 900–1,000 more because it didn't have the capacity to serve them.

In the Upper Peninsula of Michigan, a VITA provider has seen its clientele more than double each year since it opened.

"The IRS cuts have hit our area pretty hard," says Trent Batchelor, an instructor at Northern Michigan University (NMU) in Marquette, who runs a VITA operation staffed by honor students from his accounting and taxation classes. "We had at least 100 returns last year that in prior years had been done by our local IRS center." The NMU site filed 90 returns in its first year of operation in 2013 and 265 returns in 2014. Batchelor recently recruited and trained more students in order to serve an anticipated 500 clients this year.

Difficult conversations

Although it's not expected to increase VITA sites' client base, the recent ACA rollout will likely add complexity, time, and interpersonal challenges to the mix. Under the ACA, people who don't receive

health insurance through their employer are required to purchase it through a federal or state exchange, unless they qualify for an exemption.³ If they're required to purchase insurance but haven't done so, a penalty called a *shared responsibility payment* will be deducted from their tax refund. Some VITA providers are concerned that taxpayers won't necessarily be aware of the penalty, and that site volunteers will bear the brunt of any surprise or displeasure clients express about it.

According to Heisler, "The ACA is going to have a huge impact on the VITA sites this year, because the clients aren't all going to understand the ins and outs. Somebody might be used to getting a \$1,200 refund and we'll have to tell them their return's going to be \$900. Those will be difficult conversations."

VITA providers also expect documentation requirements under the ACA to increase the amount of time it takes to complete a return. Clients will have to provide evidence that they qualify for certain exemptions, for example.

"We've estimated it'll take at least 15 minutes longer per return, and that's 15 minutes of not serving another client," Gainey points out.

Making it all worthwhile

Despite the expected demand and complexities this filing season, the satisfaction of helping people of modest means keep more

of their money continues to be a powerful motivator for VITA providers. According to Jessie Murray, the Tax Help Montana program manager for Rural Dynamics, the statewide VITA coalition enabled its clients to save a total of over \$1,000,000 in tax-preparation fees during the 2014 filing season. In Upper Michigan, Batchelor and his NMU students have calculated that between fees avoided and refunds received, they created about \$300,000 in disposable income for their clients last year. And Batchelor recalls a memorable moment that illustrates the importance of their work.

"Last year when I was out Christmas shopping, I ran into a schoolteacher whose return we had processed. She asked to shake my hand, and told me, 'I have a house to live in this year. You made that possible.' Those are the things that make it all worth it." **cd**

¹ For the 2015 filing season, that means households of any size with annual incomes of \$53,000 or less.

² Income limits for Earned Income Tax Credit (EITC) eligibility for the 2014 tax year range from \$14,590 (for workers filing singly who do not have a qualifying child) to \$46,997 (for workers filing singly who have three or more qualifying children). For more on the EITC, visit www.irs.gov/pub/irs-pdf/p596.pdf.

³ Exemptions may be granted for a variety of reasons, including membership in a federally recognized tribe, membership in a religious sect with objections to insurance, or hardship due to factors such as eviction or bankruptcy. For more on ACA exemptions, visit www.healthcare.gov/fees-exemptions/exemptions-from-the-fee.

News and Notes

Urban Institute releases neighborhood data book



The Urban Institute has released *Strengthening Communities with Neighborhood Data*, a book about the evolution and current status of using neighborhood-level data to help distressed communities and improve local governance. Authors and essayists explore the history of the neighborhood data movement, the technological

developments that have enabled better data collection and analysis, case studies of effective uses of data, and more. The book includes an essay on the data-sharing environment in the Minneapolis-St. Paul metropolitan area, contributed by Jeff Mattson of the University of Minnesota Center for Urban and Regional Affairs and Jacob Wascalus of the Federal Reserve Bank of Minneapolis. To order a print copy of *Strengthening Communities with Neighborhood Data* or download the free e-edition, which is compatible with the Adobe Digital Editions reader, visit www.urban.org/strengtheningcommunities.

CFPB reports on state of manufactured housing loans

Manufactured housing, a small but important segment of the nation's housing stock, tends to carry higher-priced loans than site-built housing, according to a recent report from the Consumer Financial Protection Bureau (CFPB).

Commonly known as "mobile homes," manufactured homes are factory-built housing units that can be permanently or temporarily sited on a plot of land. Depending on whether the land is rented or owned by the home's owner, manufactured homes may be titled as either *real estate property*, in which case they are financed with mortgage loans, or *personal property*. When titled as personal property, manufactured homes are financed with personal property loans, also known as "chattel" loans, which tend to have low origination costs and quick closing time frames. However, chattel loans also tend to carry higher interest rates and fewer consumer protections than mortgage loans.

For its report, *Manufactured-Housing Consumer Finance in the United States*, the CFPB analyzed multiple data sources, including the U.S. Census Bureau's American Community Survey, Home Mortgage Disclosure Act reporting, and the Survey of Consumer Finances, to assess the state of manufactured housing loans across the country. The CFPB found that as of 2012, 68 percent of all mortgage and chattel loans on manufactured housing met the definition of a "higher-priced mortgage loan," or HPML, versus only 3 percent of the loans on site-built homes. An HPML, as defined under some consumer protection laws, is a loan with an annual percentage rate that is higher than a benchmark rate based on the average rates, fees, and other mortgage terms offered to a highly qualified buyer. In addition, 65 percent of manufactured home owners who own the land their homes are sited on and are thus eligible for mortgages have taken out chattel loans instead. The CFPB notes that the extent

Calendar

South Dakota Indian Business Alliance Conference: Expanding Economies in the New Native America
May 12-15, Deadwood, S.D.

This biennial gathering of tribal and non-tribal government and program representatives, practitioners, policymakers, lenders, educators, nonprofit organization representatives, foundations, and entrepreneurs will explore innovative solutions in developing private sector Indian businesses. Details to come at s dibaonline.org.

Policy Summit on Housing, Human Capital, and Inequality
June 18-19, Pittsburgh

Join academics, bankers, practitioners, and policymakers from across the Northeast, Southeast, and Midwest for this policy conversation on key issues affecting our communities. Sponsored by the Federal Reserve Banks of Cleveland, Philadelphia, and Richmond. Details to come at clevelandfed.org.

Register now!

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Have profound economic forces changed how people move up the economic ladder in the U.S.? Join the debate and hear high-quality, emerging research on how people and communities get ahead, where impediments exist, how factors such as inequality play a role, and what has changed over time. Featuring remarks from Federal Reserve Chair Janet Yellen. stlouisfed.org/CD/Sys_Conf_2015

Washington, D.C.

to which consumers are knowledgeable about and weigh the trade-offs of mortgage loans versus chattel loans is unknown.

According to the report, manufactured housing accounts for 6 percent of all occupied housing in the U.S. as a whole, but the share rises to roughly 14 percent outside of metropolitan areas. In the Ninth Federal Reserve District, the share of manufactured housing units ranges from a low of 3 percent in Minnesota and Wisconsin to a high of 11 percent in Montana.

To access the report, visit the "Reports" section of the "Inside the CFPB" tab at www.consumerfinance.org.

Opportunity Finance Network launches interactive CDFI map

Opportunity Finance Network (OFN), a national membership and support organization for community development financial institutions (CDFIs), has launched an interactive, data-rich, online map of CDFIs and the services they're providing across the U.S. CDFIs are specialized entities that provide loans, investments, and services in underserved or economically distressed areas. OFN's CDFI Coverage Map, at www.ofn.org/cdfi-coverage-map, shows the locations of CDFIs while enabling users to customize the display by selecting a location filter (ZIP Code, legislative district, etc.) and applying additional data layers, such as population, income level, and employment rate. The map also features individual and aggregated data on lending by participating CDFIs since 2010. Loans made by more than 70 CDFIs are currently represented;

all CDFIs are invited to help populate the map by submitting their own loan information. The new map received funding support from Citi and is built on PolicyMap, a software platform created by The Reinvestment Fund.

Tribes receive funds to plan local control of schools

The U.S. Department of the Interior (DOI) has awarded a total of \$1.2 million to six federally recognized American Indian tribes to help them take control of and run their own school systems. Three of the tribes are located in Arizona and the remaining three are located in the Ninth Federal Reserve District. Each tribe will receive \$200,000 for researching and developing an implementation plan for establishing tribal management of their local school systems, which are funded—and, historically, managed—by the DOI's Bureau of Indian Education. According to the DOI, the planning funds are intended to help promote tribal self-determination and give tribes greater control over what their children learn.

The funds were allocated under the Sovereignty in Indian Education program, which was established to respond to recommendations made in 2013 by an education-oriented study group convened by the White House Council on Native American Affairs. The six awardees are: Gila River Indian Community, Sacaton, Ariz.; Navajo Nation, Window Rock, Ariz.; Oglala Sioux Tribe, Pine Ridge, S.D.; Standing Rock Sioux Tribe, Fort Yates, N.D.; Tohono O'odham Nation, Sells, Ariz.; and Turtle Mountain Band of Chippewa, Belcourt, N.D.