

Group 2 – Building Financial and Developmental Assets

September 3, 2008

I. Supporting and Bonding for Affordable Housing Programs & Promoting and Supporting Homeownership.

1. We recommend the Federal government return to aggressively supporting affordable housing initiatives. Traditionally, the federal government has been the primary source of funding and tax incentives for affordable housing. However, since the late 1970's the federal government has dramatically decreased its role. The federal government can recommit to affordable housing in a number of ways; a few specific examples we recommend are:
 - i. Increasing the number of Housing Choice ("Section 8") Vouchers to a level that will lead to meaningful access by households in need.
 - ii. Fully funding the gap of HRA operating costs for affordable housing
 - iii. Providing tax incentives for private investment in affordable housing.
 - iv. Encourage the federal government to meet its obligations to provide adequate operating subsidies for the upkeep and rehabilitation of existing public housing. Specifically, subsidies should be increased to accurately reflect ongoing maintenance and operating costs.

In addition, in the absence of federal funds, the State of Minnesota should consider using its bonding authority to generate funds to provide grants to municipalities to support homeless shelters.

2. We've noted that there are often regulatory barriers that impede the development of affordable housing. We recommend a comprehensive examination of these barriers and where feasible, elimination of these barriers. Some examples of barriers include:
 - i. Unnecessary zoning restrictions. – The state needs to take look at local zoning ordinances and specifically focus on those that impact the construction of low-income housing
3. In the metropolitan area, the Metropolitan Council requires that municipalities create a comprehensive plan that includes a discussion of how they plan to

address the local need for low and moderate-income housing. We believe that all municipalities over a certain size should create similar plans. These plans should identify the affordable housing stock currently available, the number of low-income families living in the area and the number of low-income workers who consistently work in the area. The plan should explain how any gaps between existing affordable housing stock and expected need will be addressed.

4. While the Governor has developed an initiative that addresses the needs of the long-term homeless, there are many others who are homeless for shorter periods of time that need emergency, transitional and other short-term housing options. We recommend state government officials work together with advocates and interested parties to develop a diverse spectrum of housing and service options to quickly assist people experiencing homelessness back into housings. Some of the options may be as simple as changing zoning ordinances; other options may require more thought and financial resources. One area that needs immediate attention is:
 - i. With Minnesota's harsh weather, the state should increase its funding for emergency shelters with the goal of ensuring that all Minnesotan's have protection from the elements.
5. The State of Minnesota provides a variety of tax credits and subsidies to spur economic development. However, job creation is often divorced from consideration of the where the workers who hold those jobs will live or a community's transit needs. We recommend that when credits are given to encourage economic development, those applying for the credits or subsidies should be required to prepare a plan that outlines how affordable housing needs of workers required by the new job site will be met.
6. The mortgage interest deduction makes home ownership more affordable for Minnesotans (Some actually think it makes housing less affordable – phased out, the deduction could reduce home prices to a more sustainable level and be more equitable). However, in recent years through home equity loans and other instruments, the deduction is helping to finance everything from second houses to boat and cars. While the deduction has been great for those who own homes, many low-income families are unable to utilize the mortgage interest deduction because they are renters. While we believe it is useful to move people to home ownership we realize that many will continue to be renters for a variety of reasons. Ultimately, we believe it is important to allow renters to obtain the benefits of asset building even while home ownership is unavailable. Therefore we recommend the Minnesota legislature set up a taskforce to examine the following:
 - i. Whether the existing mortgage interest deduction is being used more broadly than was originally contemplated.

- ii. Limiting the mortgage interest deduction, either by capping it or by limiting it to an individual's primary residence. Limiting the mortgage interest deduction would increase state revenues. Increased revenue could be useful to fund iii below.
- iii. The feasibility of creating an asset building vehicle for low-income families. Such a program would create a refundable credit based upon the amount a family paid annually in rent. The credit would not be paid directly to an individual but would be placed in a 401k or similar asset building instrument.

II. Providing Consumer and Financial Education & Promoting Saving for Future Needs.

1. Many families fail to accumulate assets simply because they are unaware of certain basic financial realities. Financial literacy programs provided by a variety of organizations have shown that providing age appropriate information on asset building, saving and spending can be an important method to eliminate or reduce the need for public assistance. As a result we recommend:
 - Financial literacy education is incorporated into the curriculums of elementary and secondary public schools.
 - Consider requiring financial literacy training and, when possible, the establishment of bank accounts as a condition for participation in assistance programs.
 - Encourage the business, faith and non-profit communities to make available financial literacy programs or information on where such programs are available.
2. One key element in helping low-income families build assets is to protect them from programs and institutions that deplete their assets through fraudulent or unethical means. Our studies show that "Pay-day loans", "Refund Anticipation Loans", certain "Rent-to-own" and sub prime loans, often charge exceptionally high interest or fees for services that can be obtained from commercial banks or credit unions at far more reasonable rates. Because of the impact these practices have on low-income families, we recommend:
 - Some practices should be banned outright. For example in both Georgia and Pennsylvania "Pay-day loans" are banned by statute. In other states loans, similar to Pay-day loans are subject to strict usury laws.
 - Consumers should be given greater or easier to understand information before entering into certain transactions. Providing this information may require

additional disclosures or, in some cases, public information campaigns to warn consumers of the pit falls to certain loan instruments.

- The business community should work to develop competing products that provide value to consumers and do so at more reasonable terms. While we would like the business community to take the lead on these efforts, we recognize state government incentives may be necessary to spur these products.
 - Governmental institutions need to be more vigilant in scrutinizing potentially predatory practices. The Minnesota Attorney General's Office and the Minnesota Department of Commerce should take the lead in making sure adequate regulatory and enforcement actions are taken.
3. Certain Minnesota assistance programs require applicants to deplete all or a portion of their assets as a prerequisite to qualifying. For example those applying for Minnesota's General Assistance Program can have no more than \$1000 in total assets. There is evidence that these asset drawdown requirements are counterproductive since they can force people more deeply into poverty. In addition, with low assets it is difficult to stay out of poverty since families have very little to shield them against any unforeseen challenge. The Commission recommends that Minnesota examine the value of eliminating or curtailing asset drawdown requirements.
4. Individual Development Accounts (IDA's) provide an easy vehicle for low-income families to build a financial nest egg. Minnesota's IDA program is known as Family Assets for Independence in Minnesota (FAIM). The FAIM program provides a 3 to 1 match of contributions from qualified low-income participants. The funds accumulated by FAIM participants can be used to cover the down payment for a home, capital costs for their creation of a business or to cover educational expenses. While the program is small, results have been encouraging. Results from the program for the period from October 1999 through December 2007 show:
- a. Almost 2800 savings accounts were opened by participants.
 - b. Over 1500 completed financial education classes
 - c. 1.6 million dollars was deposited by participating families
 - d. 305 homes were purchased by participating families generating 29 million in home loans and property tax liability of over half a million dollars.

Currently the federal government matches the State in funding the FAIM program. However, at only \$500,000 dollars per biennium the state does not come close to capturing the maximum federal match. We strongly urge the State to expand the use of IDA's. In particular, there are significant opportunities in targeted communities where the use of the FAIM program or other culturally

specific IDA programs could significantly aid wealth accumulation among these low-income families.

5. “Baby Bonds” refers to a concept that typically has the following characteristics:
 - Upon the birth of a qualifying child
 - A predetermined amount of money is set aside in the child’s name.
 - The money set aside earns interest over a predetermined period
 - The child becomes vested in the proceeds of the account invested at a specified age
 - The account proceeds can only be used for specific purposes.

Baby Bonds have grown in acceptance. Time magazine has endorsed the idea of Baby Bonds. Great Britain launched a Baby Bond program in January 2005, and has handed out vouchers worth hundreds of dollars to parents with children born after Sept. 1, 2002. Recently, Senator Hillary Clinton proposed a Baby Bond program at the national level. Locally, White Earth Indian Reservation embarked on its own Baby Bond program with tribal money. The tribe invests \$1000 in newborns and those funds plus interest are available for the children at age 18.

Minnesota should be on the forefront of helping all residents build financial assets for the future. Asset creation is even more important for Minnesota’s poorest children. Baby Bonds help create a tradition of saving and provide needed assets to low-income families at a time when children are struggling with decisions on post secondary education. As a result the Commission recommends:

- Consideration should be given to the establishment of a Baby Bond program in the State of Minnesota. Said program should include all children born in Minnesota and should limit use of the bond proceeds to post secondary education expenses, home ownership or business creation or as an alternative, the program could be crafted in a way to provide financial assistance upon retirement.

III. Building Developmental Assets for Youth and Reducing At-risk Behaviors.

1. It is clear that while poverty is often looked upon as the absence of financial assets, beneath the building of income or wealth are a set of behaviors that either encourage or discourage success. The Commission is convinced that by instilling and nurturing certain attributes in youth, we can set the stage for their positive growth. While there may be many ways of classifying youth development skills, and while we do not believe it is the role of this Commission of endorse one particular program or methodology, the Commission does believe that programs such as Search Institute’s 40 “Developmental Assets” encapsulate the behaviors we would like to support. Therefore the Commission recommends the following:

- State and local government officials should encourage the development of training programs that identify and promote developmental assets. Part of the encouragement should include small grants to local agencies to develop initial training and community engagement programs.
 - The importance of the one on one relationship between youth and caring adults should be stressed. Special emphasis should be given to schools, parks, libraries and other institutions that interface with youth on a regular basis.
 - The Commission recognizes the unique role the faith community plays in strengthening youth and we urge the faith community to work with government and others to create and implement youth strategies.
2. During the Commission’s “Listening Tours” we often found that by linking resident’s currently experiencing poverty, to supportive members of the community, those residents in need often receive the support they require to resolve their issues and escape their poverty. In addition, we believe community support is instrumental in keeping people out of poverty or reducing the duration of their poverty. Programs like Northern Connections, Horizons and Community Action’s Circles of Support are examples of effective community support programs. These programs are not alone but they give us proven methodologies to expand or build from. The Commission recommends:
- State and local government officials should encourage the development of training programs that build community support systems. Part of the encouragement should include small grants to local agencies to facilitate the development of these programs.
3. While Minnesota has a low overall teen pregnancy rate, a close look at the numbers is more troubling. First, let us note a few basic facts regarding adolescent pregnancy rates in Minnesota:
- With regard to white females, Minnesota has the second lowest adolescent pregnancy rate in the nation. However, with regard to African American, American Indian or Latina females, Minnesota ranks among the worst in the nation.
 - In 2001 families started with a teen birth accounted for 53% of Minnesota’s welfare expenditures.
 - A teen mother, especially one who is unmarried is likely to live in poverty.

While conversations around teen pregnancy are often divisive, health care professionals have consistently argued that to make dramatic reductions in the teen pregnancy rates we need to focus on:

- Access to confidential health services

- Education
- Programs that support learning opportunities during out of school time. In addition, programming needs to be culturally sensitive and targeted to those communities that have demonstrated high teen pregnancy rates. Therefore, to reduce adolescent pregnancy rates the Commission recommends the following:
 - While the Commission understands the controversy surrounding “Sex Education” it is clear that Education must be a key component to any teen pregnancy reduction strategy. In many cases, parents’ speaking with their children is sufficient, in other cases the educator may be a teacher or member of the clergy. Parents ultimately must decide who will provide the education but the need for education is without question.
 - The state should assist in the funding of school-based clinics, community based teen clinics and clinics that primarily serve adolescents to ensure adolescents have access to confidential services.
 - As we noted in Section III on “Building Developmental Assets for Youth and Reducing At-risk Behaviors” adults need to work in a concerted way to build the “developmental assets” of young men and women. In particular, we believe that through the early identification of young people who show indications of low self esteem or who have exhibited risky behaviors, we can implement intensive intervention strategies. These strategies might include one on one mentoring, after school enrichment programs or community based programs such as Search Institute and its 40 specific Developmental Assets.
 - For young men and women who have already become parents, support systems need to be available to ensure these young men and women are successful in raising their child and successful in their own lives. Particular focus should be given to ensuring:
 - Support programs are available to allow these young parents to stay in school and obtain, at a minimum, a high school diploma.
 - Young parents should have access to child rearing training.
 - Non custodial parents are often neglected. Government has often focused on the non custodial parent as a source of resources for the child and not as someone with the full responsibility of parenthood. Non custodial parents should be fully informed of their rights as well as their responsibilities and when feasible efforts should be made to get both parents to work together on behalf of the child.

IV. Meeting Individual and Community Transportation Needs.

Transportation is essential for individual and family success, alongside food, clothing, housing, healthcare, social connections, and access to resources and education. In fact, eliminating transportation creates insurmountable barriers to accessing other basic needs. As such, transportation can be viewed in an “eliminating barriers” light as easily as it is seen as “building assets”.

In all of the tours and public discussions the Commission participated in, whether in rural areas, regional centers, or the metropolitan area, transportation was articulated time and again as a key problem, to the surprise of many.

When transportation is unreliable, problematic, or worse, non-existent, the prospect of becoming trapped in a cycle of poverty increases greatly. The Commission heard numerous stories of families forced to devote significant portions of their budget to fixing and fueling old cars, or worse, being disqualified from assistance programs when they earned extra money to make a repair. Others spoke of untold hours waiting for rides from fixed route transit and paratransit services, being unable to cross county lines, severe restrictions on hours and days of service, and confusion about how to even access which form of transportation for a particular type of trip. Many simply were not able to get to jobs, appointments, social engagements, or were forced to endure severe isolation. Service providers reported on the expense of purchasing vehicles to augment a lack of transportation service in their communities. Seven counties in Minnesota completely lack transit service.

As is easily expected, the modes of transportation that works best for a given individual a particular community, or a specific type of trip can vary widely.

The Transportation subgroup of the Building Assets Working Group recommends the following:

1. Minnesota should give a priority to insuring access to transportation by its low-income residents. In areas where there are mass transit options this might mean:
 - a. Subsidies to keep transit fares at an affordable level.
 - b. Elimination of service gaps, and inconsistent quality of service.
2. In rural areas Minnesota faces a more difficult task. The lack of density in rural areas makes mass transit options impractical. However, the Commission has been impressed with the value of programs such as:
 - a. Non-profit programs that sell cars to low-income households for minimal cost. Many of these programs also provide low cost car repairs. These programs when coupled with access to gas cards or discounted fuel can be very successful in giving rural resident access to jobs and services
 - b. van pools such as Minnesota Rideshare or van services such as Metro Mobility could be expanded to provide alternatives to rural residents

3. Innovations in cooperative ownership of automobiles such as ZipCar and HourCar should be explored. While the Commission did not have an opportunity to explore cooperative ownership in any detail, in concept the idea of having access to a vehicle without having to pay full ownership should be examined.
4. Some states have created statewide commissions that have mandated representation from the low-income and disabled communities. These Commissions's have real authority with regard to transportation planning and can provide low-income and disabled residents with a voice in transportation decisions. The State of Minnesota should consider creating such a Commission to ensure the coordination of transportation services across agencies.
5. Engage employers and the business community to:
 - a. Support better public transportation
 - b. Locate workplaces in proximity to housing and transit and other important community resources (see Land Use).
 - c. Provide special transportation to worksites where needed (see Transit Coordination).
 - d. Support telecommuting or other programs to enable employees to work at home

V. Inspiring People to Assume Personal Responsibility

The Commission has had the privilege of traveling across the State of Minnesota and conversing with families in poverty. While traditional stereotypes often portray the poor to be lazy or lacking in initiative, we found the vast majority of poor adults to be hard working, often at two or more jobs, and fighting hard to raise themselves out of poverty. Still statistics confirm that personal decisions matter. Having a child out of wedlock increases the chances that that single parent headed household will be poor. Leaving high school without a diploma increases the chance that an individual will be poor. Being convicted of a felony hinders ones ability to find employment and often results in poverty for the ex-felon.

Psychological literature often refers to the "Locus of Control". Locus of Control refers to a person's perceptions of the underlining causes of events in his or her life. Put simply whether a person believes their destiny is controlled by *them* or by *external forces*. Government, non-profits, for-profits, the faith community and others all have to play a role in helping encourage positive behaviors and discouraging negative ones. However, all sectors must work cooperatively to foster the knowledge that, to a large degree, individuals have control over many of the factors determining their success or failure. In keeping with this attitude the Commission makes the following recommendations:

- Government has the right and even the responsibility to encourage citizens to make positive choices. This may include requiring those who are

receiving public benefits to commit to training or skill improvements that increase their opportunities for success.

- Every individual, regardless of their background, should have the opportunity to move into the economic mainstream.
- Government should support and reward initiative. Programs and rules that penalize asset accumulation (asset drawdown requirements), or remove benefits too quickly when recipients venture into the job market (benefit cliffs), or diminish personal development (education limits) should be avoided.